

【股票代碼：2702】



# Holiday Garden Hotel Co., Ltd

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## 2019 Annual Report

Published: May 18,2020

Reference of the Annual Report, see website:

<http://mops.twse.com.tw>

The Company's Website:<http://www.hotelhg.com.tw>

1. Company Spokesperson: Ching-Sheng Tu      Job Title: Audit Supervisor

Tel: (07) 241-0123

Email: mark.tu@hotelhg.com.tw

Acting Spokesperson: Su-Ling Yu      Job Title: Finance Supervisor

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Email: weny.yu @hotelhg.com.tw

2. Company Address: No. 279, Liuhe 2nd Rd., Qianjin Dist., Kaohsiung City

Tel: (07) 241-0123

Taipei Office: 9F., No. 22, Ln. 187, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City

Tel: (02) 2778-2992

3. Share Transfer Institutions: Department of Stock Affairs Agent, IBF Securities CO LTD

Add: 4F., No. 199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City

Web: <http://www.wls.com.tw>

Service Line: (02) 2593-6666

4. Certified Public Accountants: Chien-Chih Wu, A-Shen Liao

CPA Firm: PwC Taiwan

Add: 22F., No. 95, Minzu 2nd Rd., Xinxing Dist., Kaohsiung City

Web: <http://www.pwc.com/tw>

Tel: (07) 237-3116

5. Name of trading place where overseas marketable securities are listed for trading:

None

Information on overseas marketable securities: None

6. Company's Website: <http://www.hotelhg.com.tw>

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# Holiday Garden Hotel Co., Ltd.

## Business Report

Dear Shareholders :

I would like to thank all shareholders for coming and participating in the annual general meeting of shareholders in 2020. I would also like to thank all shareholders for their support and trust in the company over the past year.

Under the impact of the environment and the fierce competition, thank you to all the directors and staff for your concerted efforts.

This year, the company continues to adhere to the high quality of service as the foundation, enhance the software and hardware facilities, actively promote various marketing activities, and through various sales channels to develop a variety of products, to dig and develop the market to create better performance.

At present, five hotels in the United States have achieved remarkable growth in operation, and I and the company's senior management will lead all staff to continue their efforts in the hope of creating greater profits for the company and benefiting shareholders.

## I. Business results

### (1) Guest rooms

The room department received 153,552 passengers from January to December of 2019, compared the same period in 2018, a increase of 81,468 from 72,084, a increase rate 113.02%; The Taiwanese accounted for 44.05% of all the guests, and guests from China accounted for 26.81%, guests from other regions accounted for 29.14%, Room occupancy rate is 73%, the revenue from room department is NT 107,910 thousand dollars, compared to the same period in 2018, NT 57,375 thousand dollars, a addition of NT 50,535 thousand dollars, the increase was 88.08%.

### (2) Food and beverage

The revenue from the food and beverage department for January to December 2019 was NT 45,747 thousand dollars, compared to the same period in 2018, NT 45,265 thousand dollar, a addition of 482 thousand dollars, a increase of 1.06%.

### (3) Subsidiary

1. The revenue from the guest room of the US subsidiary for January to December, 2019 was US 43,051 thousand dollars, compared to the same period in 2018, US 35,225 thousand dollars, a addition of US 7,826 thousand dollars, a increase of 22.22%.
2. The revenue received from January to December, 2019 from Hua Yuan Development, the subsidiary in Taiwan, was NT 35,886 thousand dollars, compared to the same period in 2018, NT 5,053 thousand dollars, the addition of NT 30,833 thousand dollars, the increase of 610.19%.

### (4) The Group

The consolidated business revenue was NT 1,520,242 thousand dollars, compared to the same period in 2018, NT 1,169,715 thousands dollars, a addition of NT 350,527 thousand dollars, a addition of 29.97%.

## II. Consolidated financial statements

### (1) The net asset liabilities

As of December 31, 2019, the total assets of the Group were NT7,646,425 thousand dollars, out of which the total liabilities is 6,357,160 thousand dollars, accounted for 83.14%, the total net worth is 1,289,265 thousand dollars, which accounted for 16.86% of the total assets.

### (2) Profits and losses:

The revenue received for the period of January to December, 2019 was NT1,520,242 thousand dollars, compared to the same period in 2018, NT1,169,715 thousand dollars, a addition of NT350,527 thousand dollars, a increase of 29.97%. The operation cost was NT232,551 thousand dollars, operation expenses of NT1,068,041 thousand dollars, operating profit of NT219,650 thousand dollars. The net income from non-operating activities and expenses was NT191,358 thousand dollars, and the net profit before tax for the period was NT28,292 thousand dollars compared to the same period in 2018, NT398,483 thousand dollars, an decrease of NT370,191 thousand dollars, decreased by 92.9%.

## III. Budget and execution

The annual operating income in 2019 was NT1,520,242 thousand dollars, and the budget being NT1,255,000 thousand dollars, an achievement rate of 121.13%; the net profit before tax is NT28,292 thousand dollars, budget net profit before tax being NT42,000 thousand dollars, an achievement of 67.36%.

#### IV. Analysis of Financial revenue and profitability

Unit: NT thousand  
dollars

Items analyzed		The year		
		2019	2018	
Financial Revenue and expense	Net operating revenue	1, 520, 242	1, 169, 715	
	Gross profit	1, 287, 691	941, 812	
	Net profit	(4, 692)	212, 662	
Profitability	Return of assets(%)	2. 28	5. 74	
	Return of equity (%)	(0. 36)	17. 45	
	Operating Income to Capital Stock to pre-tax income to capital(%)	Operating profit	19. 88	8. 02
		Income before tax	2. 56	38. 95
	Net profit margin(%)	(0. 31)	18. 18	
	Earnings per share (dollar)	(0. 04)	1. 92	

#### V. Status of R&D: Not applicable

#### VI. Summary of business plan for the current year

##### (1) Annual business policy

1. Affordable food, and changes the image of the existing guest rooms
2. Cultivate marketing talents and increase exposure
3. Expand the company's business and develop new customers.
4. Expand the overseas revenues, and flexible allocation of funds to stabilize the financial structure of the company.
5. Changes mode of purchase, reduction of operation cost ◦

##### (2) Expected sales quantity and its data

In 2020, we will actively expand the self guided tours in Japan, Korea, Hong Kong, Macao, Singapore and Malaysia, and to expand new networks platforms, and actively participate in the domestic and overseas travel exhibitions, as to raise the reputation of the company. In 2020, the company can achieve the expected goal with the steady growth of five hotels in U.S.A, and increase the revenue of

guest rooms and catering.

(3) Important sales strategy and future development strategy

1. To establish a talent cultivation system and to improve the quality of service.
2. In response to the continuous increasing international customers, the quality of catering services is to be raised to attract consumer groups, so as to increase the income sources of the company.
3. Upgrade the existing rooms with advanced facilities and services, and expand business clients.
4. Use on-line marketing to enhance advertising efficiency.

(4) Influenced by external competitive environment, regulations and overall business environment.

Considering the tourism market in 2019 , it is expected that the overall tourism industry will be very tough. The company upholds the principle of pragmatic stability and continuously adjust the business policy to respond to future market demand.

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Yu Su-ling

VII. The Audit Committee shall check the Company's 2019 annual financial statement and report, please kindly verify.

Note: the 2019 financial statement of the Company is reviewed and concluded by the Audit Committee, and the audit report is issued. Please refer to Page 80 of this manual

## Chapter 2. Company Profile

I. Registration Date of Incorporation: July 29, 1959

Company License Number: Business Administration NO.75560601

II. Business Activities:

1. International tourist hotel rooms rental with Chinese and Western restaurants, nightclubs and swimming pools.
2. General import and export business (except licensing business).
3. Except for permitted business, the company may engage in business not prohibited or restricted by law

III. Company History :

In 1956, the First President, Chiang Kai-Shek, called on overseas Chinese to return home to invest in tourism. Mr. Chih-Chin Chen, the former Chairman of the Board of the company, first responded and returned from Thailand. Together with Mr. Chih-Pei Chen, the current founder of the Company, they found a land with more than 1,500 Pings at No. 279, Liuhe 2nd Rd., Qianjin Dist., Kaohsiung City, and built the first overseas Chinese funded tourist hotel.

The construction began in January 1957. The first phase of the project was completed in two and a half years. There were 34 guest rooms, one Chinese and one western restaurant, as well as a bar. It opened its business on January 9, 1959, providing services, cooperating with the development of export processing zones, increasing the nation's foreign exchange earnings and international diplomacy. The Company was listed in 1965.

In 1967, the company began the second phase of the expansion to combine with the overall economic prosperity of the country, from 34 rooms to 120 rooms, completed in 1969 and reopened. In 1973, the Company joined the world's largest hotel chain, the American Holiday Inn, becoming a veritable international tourist hotel. Due to the rapid development of national economy, the increasingly developed international transportation and the real peace between countries and between people through tourism, the Company not only made full use of the performance of smokestack-free factory, but also developed the substantial national diplomacy.

The third phase of the expansion began in 1976 and was completed

in the early summer of 1979. It now has 269 guest rooms and 210 guest rooms, a conference hall and opened on June 30, 1979. It is now a very famous tourist hotel. The Ritz nightclub officially opened in February 1981, which is the first international sightseeing hotel with night club in southern Taiwan. Our Company was renovated again in 1992, and it was completed and restarted in April 1995 after three years. With Jiangsu and Zhejiang Cuisine, Cantonese cuisine, American restaurants, Ritz night club and bars and other catering facilities, and the health club established in October 1997, it was completed and put into operation in April 1998. In view of the increasing attention paid by tourists to fitness recently, the health club was formally established in March 1998 with the addition of fitness equipment in the basement gym and the establishment of three sauna facilities in conjunction with the swimming pool equipment. The health club was officially established in March 1998 and began to operate. After the transformation of the catering market, the marketability of western restaurants has gradually declined. In 2003, Mr. Hai-Ni Chen took over as the Chairman of the Board. In order to meet the market demand of young people, he changed the western restaurant into a tea restaurant, which is operated in the form of catering to the consumption demand of young people. Also, in 2004, the furniture and equipment of guest rooms were gradually upgraded due to the market demand. In 2007, we renovate the external hall, dining hall, and housekeeping works. In 2012, we renovated and decorated more than 200 restaurants and guest rooms to reach the standard of international tourist hotels. In 2013, the land use zoning of the company was changed from government land to commercial land.

In 1997, the Company invested in the first Hotel, Clementine Hotel & Suites Anaheim, in California, with 200 rooms. In 2015, we invested in Towneplace Suites in Silicon Valley, California, with 125 rooms, and the Embassy Suites hotel with 156 rooms in Magic Mountain, California. In 2016, we invested in Holiday Inn Express Walnut Creek hotel in East Bay, California, with 164 rooms and 100% operation rights. In 2019, the company was investing hotel Hyatt Place Emeryville which is located at San Francisco Bay Area, California and included 175 rooms, the company also owned 100 percent of management right. The

company hit a peak for the group with the outstanding performance Taiwan and U.S.A.

The capital stock of the company was established

	and registered in July 1959 with:	NT\$ 8,000,000
	Paid-in Capital	NT\$ 4,000,000
From Jan 1960	Cash Capital Increase with:	NT\$ 4,000,000
	Paid-in Capital	NT\$ 8,000,000
From Jul 1964	Cash Capital Increase with:	NT\$32,000,000
	Paid-in Capital:	NT\$40,000,000

In February 1965, the stock listing was approved by the Securities and Exchange Commission of the Ministry of Finance. Since 1982, after many capital surplus transfers and capital cash increases, the current registered capital is NT\$ 1,500,000,000.

The paid-in capital is NT\$ 1,104,855,380

IV. The most recent year and up to the date of the publication of the annual report, the company's merger and acquisition, reinvestment of affiliate enterprises, and reorganization: None.

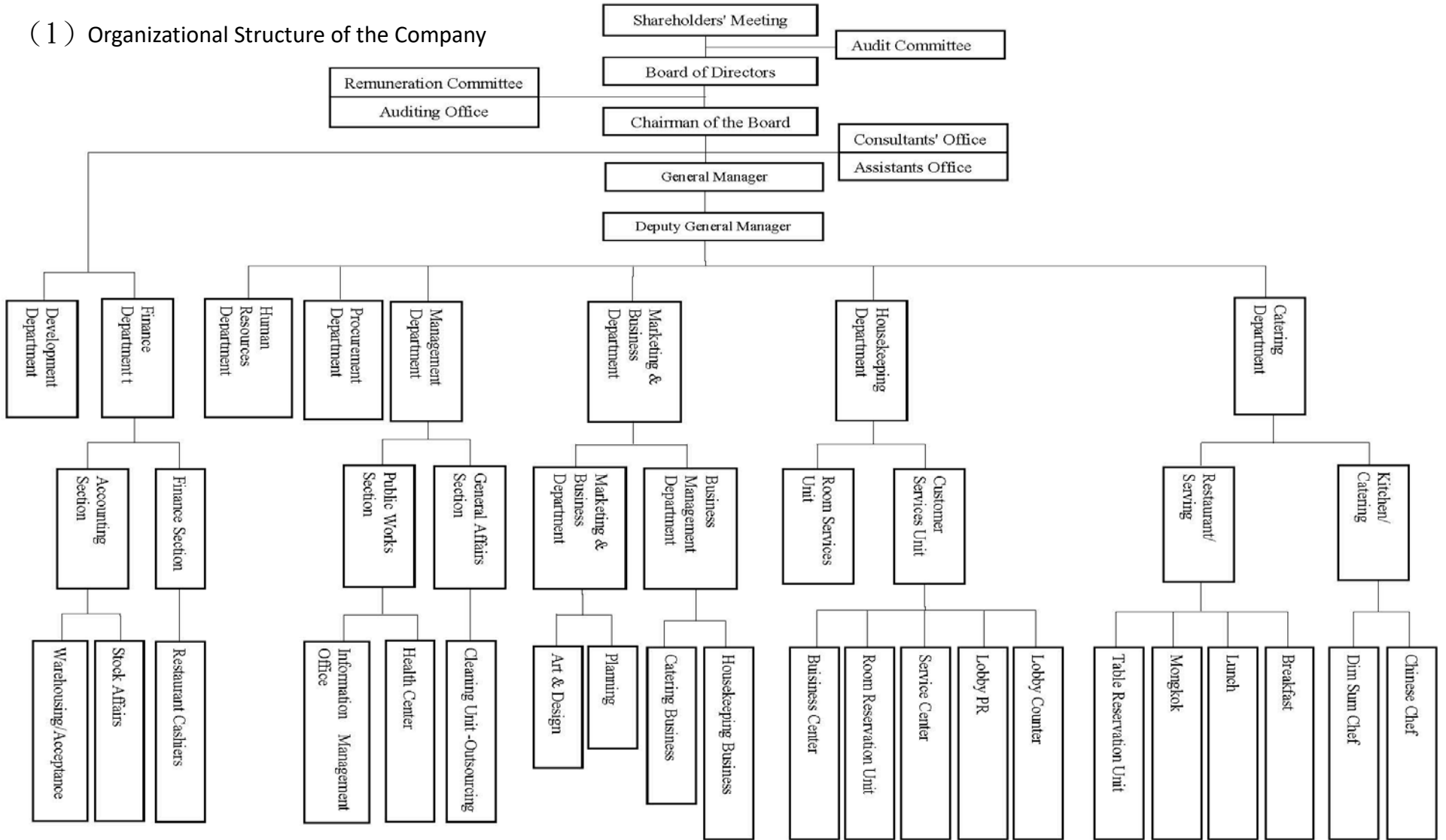
V. The most recent year and up to the date of the publication of the annual report, substantial transfer or replacement of the shares of directors, supervisors or major shareholders holding more than 10% of the shares: None.

VI. The most recent year and up to the date of the publication of the annual report, changes in the management right, major changes in the mode of operation or business content, and other important matters sufficient to affect shareholders' equity and their impact on the company: None

# Chapter 3. Corporate Governance Report

## I. Organization System

### (1) Organizational Structure of the Company



## (2) Businesses of Major Departments

Departments	Main Duties
General Manager's Office	<ul style="list-style-type: none"> <li>- Overall management of the company's operations, and audit work, management of all business, the implementation of the executive level resolution.</li> <li>- To formulate the company's business objectives and development plans, and to formulate the overall business objectives and strategies.</li> <li>- To formulate long-term and short-term business development plans and research and development of new business investment.</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>- Preparation and implementation of the company's operating budget, and planning of fund utilization and scheduling.</li> </ul>
Stock Affairs Section	<ul style="list-style-type: none"> <li>- To manage the company's stock affairs and shareholder services.</li> </ul>
Marketing Planning Department	<ul style="list-style-type: none"> <li>- To integrate the planning of marketing business, the contact and development of public relations business.</li> <li>- Integrated advertising planning and marketing.</li> <li>- Marketing expansion, exhibition, conference and development of</li> </ul>
Procurement Section	<ul style="list-style-type: none"> <li>- To formulate the procurement management system and procedures, supervise the planning and implementation of procurement business.</li> <li>- Unified procurement matters of the whole company, and procurement information collection.</li> </ul>
Information Management Office	<ul style="list-style-type: none"> <li>- Corporate information development, use order strategy formulation and implementation and information security.</li> <li>- To provide the information and intelligence required at all levels of management.</li> <li>- To introduce the most suitable information solutions in line with the company's development strategy.</li> </ul>
Accounting Section	<ul style="list-style-type: none"> <li>- To manage company's cost control, financial and tax declaration, and application for investment deduction.</li> <li>- Various tax payment and declaration matters, accounting and statement summary and tracking analysis matters.</li> </ul>
Human Resources Department	<ul style="list-style-type: none"> <li>- To supervise and manage the planning and implementation of the company's personnel business, as well as the analysis and assessment of related matters.</li> <li>- The company's personnel, deployment, education and training, labor</li> </ul>
Public Works Section	<ul style="list-style-type: none"> <li>- Matters relating to the management of repair projects, operation and maintenance of water, electricity, air conditioning and mechanical equipment.</li> </ul>
Business Management Department	<ul style="list-style-type: none"> <li>- Business planning and management, promotion activities and management of external business contracts.</li> </ul>

General Affairs Section	<ul style="list-style-type: none"> <li>- To formulate occupational accident prevention plans and guide relevant departments to implement them.</li> <li>- To plan and supervise the labor safety and health management and implement the labor safety and health education and training.</li> <li>- To supervise the investigation and handling of occupational hazards and</li> </ul>
Housekeeping Department	<ul style="list-style-type: none"> <li>- Guest room sales promotion and guest reception and settlement.</li> <li>- Passenger transportation service, laundry service, room cleaning service.</li> <li>- To maintain hotel security and VIP security, and to manage and execute the security service in the hotel.</li> </ul>
Catering Department	<ul style="list-style-type: none"> <li>- Planning the marketing strategy of catering business, new menu development and menu review.</li> <li>- Restaurant service and kitchen management.</li> <li>- Customer complaint handling and customer demand investigation and analysis.</li> </ul>

## II. Information of Director, Supervisor, and Manager

### (1) Information of Directors and Supervisors

#### (1) Information of Directors and Supervisors

April 19, 2020

Job Title	Nationality or Domicile	Name	Gender	Elected (Appointed) Date	Term of Office	Date of Initial Elected Date	Shares Held When Elected		Current Shares Held		Current Shares Held by Spouses and Minor Children		Holding Shares In the Name of Another Person		Main Experience & Education	Currently Serve Concurrent Posts in the Company and Other Companies	Other Heads, Directors, or Supervisors with a Spouse or Second Degree of Kinship			Note
							Shares	Shareholding Ratios	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman of the Board:	Republic of China	Ying Chuan International Enterprise CO LTD		2019.06.19	3 Years	1965	19,840,164	19.39%	21,427,377	19.39%	None	None	0	0						
Legal (Judicial) Person Representative	Republic of China	Hai-Ni Chen	Male	2019.06.19	3 Years	1965	3,006,013	2.94%	3,246,494	2.94%	697,064	0.63%	0	0	Tamkang University	Chairman of the Board of the Company	Director	Su-Hui Lin Shih-Yi Chen	Spouse Father /Daughter	Note
Director	Republic of China	Ying Chuan International Enterprise CO LTD		2019.06.19	3 Years	1965	19,840,164	19.39%	21,427,377	19.39%	None	None	0	0						
Legal (Judicial) Person Representative	Republic of China	Su-Hui Lin	Female	2019.06.19	3 Years	1965	645,430	0.63%	697,064	0.63%	3,246,494	2.94%	0	0	Tamkang University	Vice manager of the company	Chairman of the Board Director	Hai-Ni Chen Shih-Yi Chen	Spouse Father /Daughter	Note
Director	Republic of China	Ying Chuan International Enterprise CO LTD		2019.06.19	3 Years	1965	19,840,164	19.39%	21,427,377	19.39%	None	None	0	0						
Legal (Judicial) Person Representative	Republic of China	Shih-Yi Chen	Female	2019.06.19	3 Years	1965	226,163	0.22%	244,256	0.22%	None	None	0	0	Carnegie Mellon University	Vice President of The Goldman Sachs Group, Inc. Tokyo/Japan	Chairman of the Board Director	Hai-Ni Chen Su-Hui Lin	Father /Daughter Mother /Daughter	Note

Job Title	Nationality or Domicile	Name	Gender	Elected (Appointed) Date	Term of Office	Date of Initial Elected Date	Shares Held When Elected		Current Shares Held		Current Shares Held by Spouses and Minor Children		Holding Shares In the Name of Another Person		Main Experience & Education	Currently Serve Concurrent Posts in the Company and Other Companies	Other Heads, Directors, or Supervisors with a Spouse or Second Degree of Kinship			Note
							Shares	Shareholding Ratios	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
Director	Republic of China	Pao-Shang Li	Male	2019.06.19	3 Years	2017	79,602	0.08%	85,970	0.08%	None	None	0	0	National Pei-Kang Agricultural & Industrial Vocational High School	Chairman of Chang-Feng driving class center	None	None	None	None
Independent Director	Republic of China	Te-Chu Li	Female	2019.06.19	3 Years	2017	0	0%	0	0%	None	None	0	0	Providence University Accounting Department Bachelor	Person in charge of Liang-Te Accountancy firms	None	None	None	None
Independent Director	Republic of China	Ching-Lin Li	Male	2019.06.19	3 Years	2019	0	0%	0	0%	None	None	0	0	Tunghai University Accounting Department Bachelor	Accountant of Crowe(TW) CPAs	None	None	None	None
Independent Director	Republic of China	Kuo-Ying Lu	Male	2019.06.19	3 Years	2019	14,765	0.01%	15,946	0.01%	4,680	0.004%	0	0	Y-Sun Senior High School	Consultant of Facetarget Biomedical Co., Ltd	None	None	None	None

Note: The company's chairman and general manager or equivalent (the top manager) are the same person, are relatives of each other's spouse or first relative, and should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, And there should be more than half of the directors who are not part-time employees or managers, etc.) related information.

The company's chairman and general manager serve to improve operational efficiency and decision-making execution, but in order to strengthen the independence of the board of directors and implement corporate governance, the company has actively trained suitable candidates; in addition, the chairman also usually communicates closely with the directors to the company Operational status and planning guidelines to implement corporate governance. In the future, the company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function.

At present, the company has the following specific measures:

1. The current three independent directors have expertise in professional fields and can effectively play their supervisory functions.
2. Arrange directors to participate in professional director courses of the external organizations such as the China Securities Regulatory Commission on an annual basis for continuous training to improve directors' operating efficiency.
3. Independent directors can fully discuss and make recommendations for the board of directors in the functional committees to implement corporate governance.
4. More than half of the board members are not part-time employees or managers.

### (3) Substantial Shareholders of Judicial Shareholders

April 19, 2020

Name of Judicial Person Shareholders	Substantial Shareholders of Judicial Shareholders
Ying Chuan International Enterprise CO LTD	Hai-Ni Chen

### (4) The Substantial Shareholders of the Substantial Shareholders of Judicial Person Shareholders: None

### (5) Information of Directors and Supervisors

April 19, 2020

Name	Conditions	Does the individual have more than 5 years of work experience and the following professional qualifications?			Conformity to Independence (Note 1)												Number of Other public owned corporations in which the Company concurrently serves as an independent director.
		Lecturer or above in business, legal finance, accounting or corporate business in public or private tertiary institutions.	Judges, prosecutors, lawyers, accountants or other professional and technicians who have passed national examinations and obtained certificates necessary for the business of the company.	Experience in business, legal, finance, accounting or corporate business.	1	2	3	4	5	6	7	8	9	10	11	12	
Director Representative of Ying Chuan International Enterprise CO LTD: Hai-Ni Chen				✓			✓			✓	✓		✓		✓	✓	0
Director Representative of Ying Chuan International Enterprise CO LTD: Su-Hui Lin				✓			✓			✓	✓		✓		✓	✓	0

Conditions	Does the individual have more than 5 years of work experience and the following professional qualifications?			Conformity to Independence (Note 1)												Number of Other public owned corporations in which the Company concurrently serves as an independent director.
	Lecturer or above in business, legal finance, accounting or corporate business in public or private tertiary institutions.	Judges, prosecutors, lawyers, accountants or other professional and technicians who have passed national examinations and obtained certificates necessary for the business of the company.	Experience in business, legal, finance, accounting or corporate business.	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Director Representative of Ying Chuan International Enterprise CO LTD: Shih-Yi Chen			✓	✓		✓			✓	✓		✓		✓	✓	0
Director: Pao-Shang Li			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Te-Chu Li		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Ching-Lin Li		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: Kuo-Ying Lu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: For each Director or Supervisor who meets the conditions for two years prior to being elected and during his/her term of office, please “✓” the box below the corresponding condition(s).

- (1) Employees of non-company or affiliated companies.
- (2) Directors and supervisors of non-company or related companies (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited)
- (3) Non-self and his spouse, minor children or natural person shareholders who hold more than 1% of the company's total issued shares in the name of others or the top ten shareholders
- (4) Not a manager listed in (1) or a spouse, relative within the second parent, or direct blood relative within the third parent, etc. of the manager listed in (1) or (2), (3)
- (5) Legal person shareholders, directors or supervisors who do not directly hold more than 5% of the company's total issued shares, hold the top five shares, or appoint representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2, of the Company Law Employ (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, are not subject to this limit).
- (6) More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by the law or local national laws and regulations shall not be limited to this.)
- (7) Directors (directors), supervisors (supervisors) or employees of other companies or institutions that are not the same person or spouse with the company's chairman, general manager or equivalent, but if the company and its parent company, subsidiary (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local national laws serve concurrently, they are not limited to this).
- (8) Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares The above does not exceed 50%, and the independent directors

established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not subject to this limit).

(9) Professionals, proprietors, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies, or business, legal, financial, accounting and other related services that have not received NT \$ 500,000 in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.

(10) There is no kinship relationship with other directors within the scope of spouse or second parent.

(11) There is no one of the circumstances in Article 30 of the Company Law.

(12) There is no Article 27 of the Company Law which stipulates that the government, legal person or its representative shall be elected

## ( 2 ) Information on the General Managers, Deputy General Managers, Assistant Managers, and Heads of Department

April 19, 2020

Nationality	Job Title	Gender	Name	Elected (Appointed) Date	Shares Held		Shares Held by Spouses and Minor Children		Shares Held in the Name of Other Persons		Main Experience & Education	Currently Serve Concurrent Posts in Other Companies	Managers with a Spouse or Second Degree of Kinship			Note
					Shares	Shareholding Ratios	Shares	Shareholding Ratios	Shares	Shareholding Ratio			Job Title	Name	Relationship	
Republic of China	Chairman of the Board/General Manager	Male	Hai-Ni Chen	2016.07.14	3,246,494	2.94%	697,064	0.63%	0	0	Chairman of the Board, Holiday Garden Hotel	None	Deputy General Manager	Shu-Hui Lin	Husband/Wife	Note
Republic of China	Deputy General Manager	Female	Shu-Hui Lin	2003.07.01	697,064	0.63%	3,246,494	2.94%	0	0	Deputy General Manager, Holiday Garden Hotel	None	Chairman of the Board	Hai-Ni Chen	Husband/Wife	Note

Note: The company's chairman and general manager or equivalent (the top manager) are the same person, are relatives of each other's spouse or first relative, and should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, And there should be more than half of the directors who are not part-time employees or managers, etc.) related information.

The company's chairman and general manager serve to improve operational efficiency and decision-making execution, but in order to strengthen the independence of the board of directors and implement corporate governance, the company has actively trained suitable candidates; in addition, the chairman also usually communicates closely with the directors to the company Operational status and planning guidelines to implement corporate governance. In the future, the company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function.

At present, the company has the following specific measures:

1. The current three independent directors have expertise in professional fields and can effectively play their supervisory functions.
2. Arrange directors to participate in professional director courses of the external organizations such as the China Securities Regulatory Commission on an annual basis for continuous training to improve directors' operating efficiency.
3. Independent directors can fully discuss and make recommendations for the board of directors in the functional committees to implement corporate governance.
4. More than half of the board members are not part-time employees or managers.

### (3) Remuneration of Directors, Supervisors, General Manager and Deputy General Managers

#### (1) Remuneration of Directors (including Independent Directors)

December 31, 2019 Unit: NT\$ 1,000

Title	Name (Note 1)	Remuneration of Directors								A, B, C and D		Remuneration Paid to Concurrent Employees								Total Amount of A, B, C, D, E and G Percentage of Net Profit After Tax % (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Remuneration (A) (Note 2)		Retirement Allowance (B)		Earnings Distribution Remuneration (C) (Note 3)		Business Allowances (D) (Note 4)		Percentage of Total Net Profit After Tax % (Note 10)		Salary and Bonus And Special Expenses, etc. (E) (Note 5)		Retirement Allowance (F)		Earnings Distribution Employee Bonus (G) (Note 6)						
		The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Companies in the Consolidated Financial Statements (Note 7)	The Company	Stock Bonus Amount	The Company	Stock Bonus Amount	The Company	Companies in the Consolidated Financial Statements (Note 7)	
Director	Hai-Ni Chen	0	0	0	0	0	0	120	120	(2.56)	(2.56)	1,250	6,637	0	0	0	0	0	0	(29.2)	(144.01)	None
Director	Shih-Yi Chen	0	0	0	0	0	0	120	120	(2.56)	(2.56)	0	0	0	0	0	0	0	0	(2.56)	(2.56)	None
Independent Director:	Shu-Ai Chen	0	0	0	0	0	0	60	60	(1.28)	(1.28)	0	0	0	0	0	0	0	0	(1.28)	(1.28)	None
Independent Director:	Te-Chu Li	0	0	0	0	0	0	120	120	(2.56)	(2.56)	0	0	0	0	0	0	0	0	(2.56)	(2.56)	None
Director	Pao-Shang Li	0	0	0	0	0	0	120	120	(2.56)	(2.56)	0	0	0	0	0	0	0	0	(2.56)	(2.56)	None
Director	Su-Hui Lin	0	0	0	0	0	0	60	60	(1.28)	(1.28)	390	390	0	0	0	0	0	0	(8.31)	(8.31)	None
Independent Director:	Kuo-Ying Lu	0	0	0	0	0	0	60	60	(1.28)	(1.28)	0	0	0	0	0	0	0	0	(1.28)	(1.28)	None
Independent Director:	Ching-Lin Li	0	0	0	0	0	0	60	60	(1.28)	(1.28)	0	0	0	0	0	0	0	0	(1.28)	(1.28)	None

- Please describe the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: Directors mainly include remuneration, remuneration distribution and various items. The attendance at the meeting is the carriage fee supported. During the tenure of the directors, monthly carriage fees can be paid. The directors' remuneration authorizes the board of directors to agree on the degree of participation in the company's operations and the value of their contributions, and to negotiate with the normal level of the industry. The company distributes directors' remuneration at a profit of no more than 1% in the current year.
- In addition to the disclosure in the above table, the directors of the company in the most recent year received remuneration for providing services to all companies in the financial report (such as serving as consultants for non-employees): none

- Note 1: The names of directors should be listed separately (legal shareholders should separately list the names and representatives of legal shareholders), and the general directors and independent directors should be listed separately, and the amount of each payment should be disclosed in a summary manner.
- Note 2: Refers to the remuneration of directors in the most recent year (including directors' salaries, job bonuses, severance payments, various bonuses, incentives, etc.).
- Note 3: The amount of directors' remuneration distributed by the board of directors in the most recent year is shown.
- Note 4: Refers to the directors' relevant business execution costs in the most recent year (including carriage fees, special expenses, various allowances, dormitory, car allocation and other physical provision, etc.). When providing expenditures for houses, cars and other transportation or exclusive individuals, the nature and cost of the assets provided, actual or fair market rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration.
- Note 5: Refers to the recent annual director concurrent employees (including concurrently general manager, deputy general manager, other managers and employees) received including salary, job bonus, severance payment, various bonuses, incentives, vehicle fees, special expenses, various Subsidies, dormitories, car allocation, etc. are provided in kind. When providing expenditures for houses, cars and other transportation or exclusive individuals, the nature and cost of the assets provided, actual or fair market rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payments", including obtaining employee stock option certificates, restricting employee rights and new shares, and participating in capital increase subscription shares, shall also be included in the remuneration.
- Note 6: Refers to the employees who have served concurrently as directors (including general managers, deputy general managers, other managers and employees) in the most recent year and received employee compensation (including stocks and cash). Those who cannot be estimated will calculate the proposed distribution amount for this year according to the proportion of the actual distribution amount last year, and should also fill in the third table of the attached schedule.
- Note 7: The total remuneration paid to the directors of the company by all companies (including the company) in the consolidated report should be disclosed.
- Note 8: The company pays each director a total amount of remuneration, and the name of the director is disclosed in the attribution level.
- Note 9: All companies (including the company) in the consolidated report should be disclosed the total amount of remuneration paid to each director of the company, and the name of the director should be disclosed in the attribution level.
- Note 10: After-tax net profit refers to the net profit after tax in individual or individual financial reports in the most recent year.
- Note 11: a. This column should clearly indicate the amount of remuneration received by the company 's directors from a reinvestment business outside the subsidiary or the parent company (if not, please fill in "none").
- b. If the directors of the company receive relevant remuneration from a subsidiary's reinvestment business or parent company, the remuneration received by the company's directors from the subsidiary's reinvestment business or parent company should be included in column I of the remuneration scale, And change the field name to "parent company and all reinvestment businesses".
- c. Remuneration refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business execution costs received by the directors of the company as directors, supervisors or managers of non-subsidiary investment companies or parent companies. remuneration.
- \* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure, not for tax purposes.

(2) Remuneration of Supervisor

December 31, 2019 Unit: NT\$ 1,000

Job Title	Name (Note 1)	Remuneration of Supervisor						Percentage of Total Net Profit After Tax of A, B, and C (Note 6)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business Allowances (C) (Note 4)		The Company	Companies in the Consolidated Financial Statements	
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements			
Supervisor	Li-Huang Tsai	0	0	0	0	60	60	(1.28)	(1.28)	None
Supervisor	Wei-Yu Chen	0	0	0	0	60	60	(1.28)	(1.28)	None

Note 1: Name of supervisors shall be listed separately (for judicial person shareholders, their names and the name of their representatives shall be listed separately) and the amount payable to them shall be disclosed collectively.

Note 2: Remuneration of supervisors in the most recent fiscal year (including supervisor's salaries, job allowances, termination payment, various bonuses and incentives).

Note 3: The amount of the supervisor's remuneration distributed by the board of directors in the most recent year is shown.

Note 4: Refers to the relevant business execution costs paid to the supervisor in the most recent year (including carriage fees, special expenses, various allowances, dormitory, car allocation, etc.). When providing expenditures for houses, cars and other transportation or exclusive individuals, the nature and cost of the assets provided, actual or fair market rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration.

Note 5: The total amount of remuneration paid by all companies (including the company) in the consolidated report to the company's supervisor should be disclosed.

Note 6: The company pays each supervisor a total amount of remuneration, and reveals the name of the supervisor in the attribution level.

Note 7: All companies (including the company) in the consolidated report should be disclosed the total remuneration of each supervisor of the company, and the name of the supervisor should be disclosed in the attribution.

Note 8: After-tax net profit refers to the net profit after tax in individual or individual financial reports in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration received by the company's supervisor from a company other than a subsidiary for investment or the parent company (if not, please fill in "None").

b. If the company supervisor has received remuneration from a subsidiary's reinvestment business or parent company, it should include the remuneration received by the company's supervisor from a subsidiary's reinvestment business or parent company in the remuneration grade D Column, and change the column name to "Parent company and all reinvestment businesses".

c. Remuneration refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business execution costs received by the company's supervisor as a director, supervisor or manager of a subsidiary investment company or parent company. Related remuneration.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure, not for tax purposes.

(3) Remuneration of General Manager and Deputy General Manager

December 31, 2019 Unit: NT\$ 1,000

Title	Name (Note 1)	Salary (A) (Note 2)		Retirement Allowance (B)		Bonuses and Special Expenses (C) (Note 3)		Remuneration of Employee (Note 4)				Percentage of Total Net Profit After Tax of A, B, C, and D (%) (Note 7)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 8)
		The Company	Companies in the Consolidate d Financial Statements (Note 6)	The Company	Companies in the Consolidate d Financial Statements (Note 6)	The Company	Companies in the Consolidate d Financial Statements (Note 6)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	Companies in the Consolidate d Financial Statements (Note 6)	
								Cash Bonus Amount	Stock Bonus Amount	Cash Bonus Amount	Stock Bonus Amount			
Chairman of the Board/General Manager	Hai-Ni Chen	1,200	5,387	0	0	50	50	0	0	0	0	(26.64)	(115.88)	None
Deputy General Manager	Shu-Hui Lin	720	720	0	0	30	30	0	0	0	0	(15.35)	(15.98)	None

Note 1: Names of the General Manager and Deputy General Manager shall be listed separately and the amount of remuneration paid to them shall be disclosed collectively. If a Director concurrently serve as a General Manager or Deputy General Manager, he/she should fill this form and the (1-1) or (1-2) above.

Note 2: It is the latest annual salary and salary of the general manager and deputy general manager.

Note 3: It is the latest annual general manager and deputy general manager's various bonuses, incentives, carriage fees, special expenses, various allowances, dormitory, car allocation and other physical provision and other remuneration amounts. When providing expenditures on houses, cars and other transportation or exclusive individuals, the nature and cost of the assets provided, actual or fair market rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock option certificates, restricting employee rights new shares and participating in cash capital increase subscription shares, should also be included in the remuneration.

Note 4: It is to fill in the employee compensation amount (including stocks and cash) of the general manager and deputy general manager approved by the board of directors in the most recent year. Fill in Schedule I ter.

Note 5: The total remuneration paid by all companies (including the company) to the general manager and deputy general manager of the company in the consolidated report should be disclosed.

Note 6: The Company pays each general manager and deputy general manager various remunerations, and the names of the general manager and deputy general manager are disclosed in the attribution level.

Note 7: All companies (including the company) in the consolidated report should be disclosed the total remuneration of each general manager and deputy general manager of the company, and the names of the general manager and deputy general manager should be disclosed in the attribution level.

Note 8: After-tax net profit refers to the net profit after tax in individual or individual financial reports in the most recent year.

Note 9: a. This column should clearly list the amount of remuneration received by the general manager and deputy general manager of the company from a subsidiary outside the company or the parent company.

b. If the general manager and deputy general manager of the company receive remuneration from a subsidiary outside the subsidiary or the parent company, they should transfer the general manager and deputy general manager outside the subsidiary to the subsidiary or the parent company. The remuneration received will be included in column E of the remuneration grade distance table, and the name of the column will be changed to "Parent company and all reinvestment businesses".

c. Remuneration refers to the remuneration and remuneration (including the remuneration of employees, directors and supervisors) received by the general manager and deputy general manager of the company as directors, supervisors or managers of non-subsidiary companies or parent companies. Remuneration such as business execution costs.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure, not for tax purposes.

## (4) Top five highest remuneration of supervisor of listed and over-the-counter company

December 31, 2019 Unit: NT\$ 1,000

Title	Name (Note 1)	Salary (A) (Note 2)		Retirement Allowance (B)		Bonuses and Special Expenses (C) (Note 3)		Remuneration of Employee (Note 4)				Percentage of Total Net Profit After Tax of A, B, C, and D (%) (Note 7)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 8)
		The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company	Companies in the Consolidated Financial Statements (Note 6)	The Company		Companies in the Consolidated Financial Statements (Note 5)		The Company	Companies in the Consolidated Financial Statements (Note 6)	
								Cash Bonus Amount	Stock Bonus Amount	Cash Bonus Amount	Stock Bonus Amount			
Chairman of the Board/General Manager	Hai-Ni Chen	1,200	5,387	0	0	50	50	0	0	0	0	(26.64)	(115.88)	None
Deputy General Manager	Shu-Hui Lin	720	720	0	0	30	30	0	0	0	0	(15.35)	(15.98)	None

Note 1: The so-called "top five top remuneration executives", which refers to the company's managers, to the identification standards of the relevant managers, based on the former Taiwan Securities Certificate on March 27, 1992 Circular No. 0920001301 stipulates that "ManagerThe application scope of "people" is handled. As for the calculation and determination principle of "the top five highest remuneration", the company manager receives the salaries, retirement pensions, bonuses and special expenses from all companies in the consolidated financial report, and the total amount of employee compensation (alsoThat is, A + B + C + D four totals), and after the ranking, the top five remunerations are recognized. If the director concurrently serves as the former supervisor, this table and the above table (1-1) should be filled out.

Note 2: It is to fill in the salary, post bonus and severance payment of the top five remuneration supervisors in the most recent year.

Note 3: It is to fill in the various types of bonuses, incentives, carriage fees, special expenses, various allowances, dormitory, car allocation and other physical provision and other remuneration amounts of the top five remuneration supervisors in the most recent year. When providing expenditures for houses, cars and other transportation or exclusive individuals, the nature and cost of the assets provided, actual or fair market rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration. In addition, the salary expenses recognized under IFRS 2 "Share-based Payments", including obtaining employee stock option certificates, restricting employee rights new shares and participating in capital increase subscription shares, shall also be included in the remuneration.

Note 4: It is to fill in the employee compensation amount (including stock and cash) of the top five remuneration executives approved by the board of directors in the most recent year Fill in Schedule .

Note 5: The total remuneration of the top five remuneration executives of the company paid by all companies (including the company) in the consolidated report should be disclosed.

Note 6: After-tax net profit refers to the net profit after tax in individual or individual financial reports in the most recent year.

Note 7: a. This column should clearly list the top five remuneration executives of the company who receive remuneration from affiliated companies or parent companies (if no, please fill in "none").b.

Remuneration refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) received by the top five remuneration executives of the company as directors, supervisors or managers of non-subsidiary companies or parent companies Remuneration such as business execution costs.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure, not for tax purposes.

(4) Name of manager and circumstances of distribution of employee bonus: None

( 4 ) Analysis of the proportion of the total remuneration paid to the directors, supervisors, general manager and deputy general managers of the Company and the consolidated statements in the net profit after tax in the most recent two years, as well as policies, standards and portfolios for payment of remuneration, procedures for setting remuneration, relevance to business performance and future risks :

Job Title	2018	2019
	The total amount of remuneration paid by the Company and the consolidated statements to the directors, supervisors, general manager and deputy general managers of the company as a percentage of the net profit after tax.	The total amount of remuneration paid by the Company and the consolidated statements to the directors, supervisors, general manager and deputy general managers of the company as a percentage of the net profit after tax.
Director	0.03%	-15.35%
Supervisor	0.11%	-2.56%
General Manager and Deputy General Manager	3.53%	-131.86%

1. Policies, standards and combinations for payment of remuneration :

- (1) The remuneration of the directors and supervisors of the Company shall include the expenses for traveling and shall be distributed in accordance with Article 31 of the Articles of Association, and shall be paid no more than 1% of the profits of the current year °
- (2) The remuneration and salary of the general manager and deputy general managers of the Company will be based on their professional experience and reference to the general standards of the same sector. In addition, bonuses will be issued according to their achievement rate, growth rate, risk and performance °

2. Procedures for setting remuneration:

In December 2011, the board of directors of the Company approved the "Rules and Regulations for the Organization of the Remuneration Committee", and established the Remuneration Committee according to the organization rules to formulate the remuneration of directors, supervisors and managers.

The Remuneration Committee of the Company shall determine and regularly evaluate the remuneration of directors, supervisors and managers. The remuneration of directors, supervisors and managers shall be approved by the Board of Directors before implementation.

3. Relevance to business performance and future risk:

- (1) The remuneration of the Board of Directors and the Board of Supervisors of the Company shall be paid in accordance with the earnings distribution plan approved by the Board of Shareholders and related to the company's business performance, and the Remuneration Committee shall assess the rationality of the association between the Board of Directors' performance and the company's business performance and future risks to determine their remuneration.
- (2) The Remuneration Committee will assess the reasonableness of the association between managers' performance and the company's business performance and future risks to determine their remuneration.

### III 、 Operations of Corporate Governance

#### (1) Operations of the Board of Directors

As of the date of publication of the annual report, the Board of Directors has held 11 meetings in the most recent year (year 2019), and the directors and supervisors were present as follows:

Job Title	Name	Number of Actual Attendance B	Number of Proxy Attendance	Rate of Actual Attendance (%) [B/A]	Note
Chairman of the Board	Director Representative of Ying Chuan International : Hai-Ni Chen	11	—	100	On June 19, 2019, the directors of the shareholders' general meeting were re-elected
Director	Director Representative of Ying Chuan International : Shu-Hui Lin	6	—	100	The directors of the shareholders' general meeting will take office after being elected on June 19, 2019
Director	Director Representative of Ying Chuan International : Shih-Yi Chen	2	9	18	On June 19, 2019, the directors of the shareholders' general meeting were re-elected
Independent Director	Shu-Ai Chen	4	1	80	Set up an audit committee to replace the supervisor, and resign on June 19, 2019
Director	Pao-Shang Li	11	—	100	On June 19, 2019, the directors of the shareholders' general meeting were re-elected
Independent Director	Te-Chu Li	10	1	91	On June 19, 2019, the directors of the shareholders' general meeting were re-elected
Independent Director	Ching-Lin Li	6	—	100	The directors of the shareholders' general meeting will take office after being elected on June 19, 2019
Independent Director	Kuo-Ying Lu	6	—	100	The directors of the shareholders' general meeting will take office after being elected on June 19, 2019
Supervisor	Li-Huang Tsai	4	—	80	Set up an audit committee to replace the supervisor, and resign on June 19, 2019
Supervisor	Wei-Yu Chen	0	—	0	Set up an audit committee to replace the supervisor, and resign on June 19, 2019

The attendance of independent directors of the board of directors in 2019:

Period Name	2019 Round 1	2019 Round 2	2019 Round 3	2019 Round 4	2019 Round 5	2019 Round 6	2019 Round 7	2019 Round 8	2019 Round 9	2019 Round 10	2019 Round 11
Te-Chu Li	△	V	V	V	V	V	V	V	V	V	V
Ching-Lin Li (Note)						V	V	V	V	V	V
Kuo-Ying Lu(Note)						V	V	V	V	V	V

V : Attend in person    △: Delegate to attend    X : Not present

Note1 : Ching-Lin Li independent director declared his appointment after the regular shareholders meeting on June 19, 2019

Note2 : Kuo-Ying Lu independent director declared his appointment after the regular shareholders meeting on June 19, 2019

Other items that shall be recorded:

1. If the operation of the board of directors is under any of the following circumstances, the date, stage, contents of the bill of the board of directors, all the opinions of the independent directors and the company's treatment of the opinions of the independent directors shall be clearly stated:

(1) Items listed in Article 14-3 of the Securities and Exchange Act:

Date/ Period	Motion content	Resolution result	Independent director opinion	The company's handling of independent directors' opinions
2019.06.19 Round 6 Board of Directors in 2019	Passed the election of chairman	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
2019.06.24 Round 7 Board of Directors in 2019	Approved the case of hiring the fourth salary and compensation committee	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
2019.06.24 Round 8 Board of Directors in 2019	Approved cash reduction of subsidiary Holiday Garden International Ltd.	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
	Passed the dissolution of Holiday Garden SN Corp.	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
2019.12.18 Round 11 Board of Directors in 2019	Passed the independent assessment of accountants	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable

(2) Other than the matters mentioned above, the resolutions of the Board of Directors that have been objected or reserved by independent directors and have been documented or issued in writing: no such situation.

2. Directors abstain from voting as a result of voting proposals, and the name of the Directors, the content of the proposal, reasons for recusal due to conflict of interests and the results of voting counts shall be stated: no such situation

3. Objectives of strengthening board functions in the current and most recent years (e.g., setting up Audit Committee, improving information transparency, etc.) and performance evaluation:

A. On December 5, 2016, the Board of Directors adopted the case of "Corporate Social Responsibility Best Practice Principles", "Corporate Governance Best Practice Principles", "Code of Ethical Corporate Management" and "Rules on the Scope of Duties of Independent Directors" to make the operation of the Board of Directors more systematic.

B. Improve the Transparency of Information

The company is committed to promoting the transparency of information and the shareholder equity, and the important

decisions will be published on the company website immediately after the board meeting.  
 C. Further Education of Directors and Supervisors  
 See pp. 39-40

## (2) The Operation of the Audit Committee or the Involvement of the Supervisor in the Operation of the Board of Directors

### 1. Operation of the Audit Committee :

As of the date of publication of the annual report, the Board of Directors has held 4 meetings in the most recent year (year 2019), and the supervisors were present as follows :

Job Title	Name	Number of Actual Attendance (B)	Rate of Actual Attendance (%) (B/A)	Note
Independent Director	Te-Chu Li	4	100	First Audit Committee set for June 19, 2019
Independent Director	Ching-Lin Li	4	100	
Independent Director	Kuo-Ying Lu	4	100	

#### Other items that shall be recorded:

1.The operation of the Audit Committee shall state the date and period of the Board of Directors, the content of the motion, the result of the resolution of the Audit Committee and the Company's handling of the Audit Committee's opinion, if any of the following circumstances apply.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date/ Period	Motion content	Resolution result	Independent director opinion	The company's handling of independent directors' opinions
2019.08.07 2019 Round 2 Audit Committee	Republic of China 2019 Q2 Consolidated Financial Statements	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
2019.11.07 2019 Round 3 Audit Committee	Republic of China 2019 Q3 Consolidated Financial Statements	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable
2019.12.18 2019 Round 4 Audit Committee	2019 Audit Plan	After the chairman consulted the opinions of all the directors present, the proposal was passed without objection	No objections or reservations	Not applicable

(2) Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None

2.The implementation status of the independent director's avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reason for the avoidance of interest and the situation of participation in voting: None.

3.Communication between independent directors and internal audit supervisors and accountants: Regularly review audit reports and financial statements, and contact the audit supervisor and accountants at any time if necessary

## 2. Information of the Operations of the Board of Directors: :

As of the date of publication of the annual report, the Board of Directors has held 5 meetings in the most recent year (year 2019), and the supervisors were present as follows :

Job Title	Name	Number of Actual Attendance (B)	Rate of Actual Attendance (%) (B/A)	Note
Supervisor	Li-Huang Tsai	4	80	After the election on June 19, 2019, the Audit Committee will replace the Supervisor
Supervisor	Wei-Yu Chen	0	0	

Other items that shall be recorded:

1. Composition and duties of supervisors: the company has 2 supervisors and has no independent supervisors.

(1) Communication between the supervisor and the employees and shareholders of the company: the supervisor can contact the employees and shareholders of the company at any time if necessary.

(2) Communication between the supervisor and the internal audit supervisor and the accountant: the supervisor shall review the audit report and financial statements on a monthly basis, and may contact the audit supervisor and the accountant at any time if necessary.

2. If the supervisor attends the Board of Directors and makes a statement, it shall state the date, period, content of the proposal, result of the resolution of the Board of Directors and the company's handling of the supervisor's statement: no such situation.

(3) The operation of corporate governance and the reason of difference between it and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
I. Does the company establish and disclose a code of practice on corporate governance in accordance with the "Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies"?	V		The Company has adopted the "Corporate Governance Best Practice Principles" by the board of directors on December 5, 2016, in accordance with the "Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies" and disclosed it on the company website ( <a href="http://www.hotelhg.com.tw">www.hotelhg.com.tw</a> ).	No difference.
2. Equity Structure and Stockholders' Equity of the Company				
(I) Does the company have internal procedures in place to handle shareholder suggestions, questions, disputes and lawsuits, and to follow those procedures?	V		(I) The Company has spokespersons and acting spokespersons to deal with shareholders' suggestions, questions, disputes and lawsuits	No difference.
(II) Does the company have a list of the substantial shareholder and the final list of controllers of the substantial shareholder who actually control the company?	V		(II) The Company, in accordance with the relevant laws and regulations, regularly declares to the Market Observation Post System any changes in the equity held by insiders (directors, supervisors, managers and shareholders holding 10% of the total shares)	No difference.
(III) Does the company establish, implement risk management and firewall mechanisms with affiliated enterprises?	V		(III) The financial and accounting operations of the affiliated enterprises are operated independently and are under the control and audit of the parent company.	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
(IV) Does the company have internal rules that prohibit insiders from trading marketable securities using market information that is not publicly available?	V		(IV) The Company has formulated “Guidelines Governing Internal Major Information” that prohibit insiders from trading marketable securities using market information that is not publicly available.	No difference.
3. Composition and Responsibilities of the Board of Directors				
(I) Does the Board of Directors formulate and implement a diversification strategy for its membership?	V		(I) The Company has adopted a board diversity policy in the “Corporate Governance Best Practice Principles”(Note1)。	No difference.
(II) Besides the salary and remuneration committee and audit committee, does the company voluntarily set up other functional committees?		V	(II) The company has set up a salary and compensation committee, and an audit committee after the general shareholders' general election in 2019. In the future, the company will establish other functional committees according to business needs.	The Company will proceed according to the plan.
(III) Does the company formulated the board's performance appraisal methods and methods, and regularly conduct annual performance appraisals, and report the results of the performance assessment to the board of directors, and apply them to individual directors' salary and nomination	V		(III) The Company will conduct regular performance evaluation for the attendance rate of directors every year, and the Board of Directors has agreed on the performance evaluation method on March 22, 2018. And regularly reviewed by the Salary and Remuneration Committee It is recommended to	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
renewal? (IV) Does the company regularly assess the independence of CPAs?	V		report to the board of directors for discussion. (IV) The CPA of the Company is PwC Taiwan On March 19, 2020, the board meeting of the accounts, A-Shen Liao and Chien-Chih Wu approved the independent evaluation of the 2019 CPA (Note2) and obtained the statement issued by the CPA.	No difference.
4. Do the TWSE & TPEX listed companies set up a corporate governance professional (concurrently serving) unit or personnel responsible for corporate governance related affairs (This includes but is not limited to providing information required by directors and supervisors to carry out business, handling matters related to meetings of the board of directors and board of shareholders in accordance with the law, handling company registration and registration of changes, and making minute book of the board of directors and board of shareholders, etc.)?	V		The Company has set up a professional (concurrently serving) corporate governance unit or personnel responsible for corporate governance related affairs, and the executive units are the Finance Department and Audit Department.	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
5. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and set up a special area for stakeholders on the company website, and properly respond to the important issues of corporate social responsibility concerned by stakeholders?	V		The Company has corresponding windows for stakeholders, including employees, consumers, suppliers and community neighbors, etc., and maintains smooth communication channels. In addition, there is a special section for stakeholders on the company website.	No difference.
6. Does the company appoint a professional stock agency to handle the affairs of the Board of Shareholders?	V		The Company has appointed the stock affairs agency department of Waterland Securities Co., Ltd.	No difference.
7. Information Disclosure (I) Does the company have a website that discloses financial and corporate governance information?	V		(I) The Company has set up a website and disclosed relevant information. The Company's Website: <a href="http://www.hotelhg.com.tw">http://www.hotelhg.com.tw</a>	No difference.
(II) Does the company adopt other methods of information disclosure (such as setting up an English website, appointing a person to be responsible for the collection and disclosure of company information, implementing a spokesperson system,	V		(II)The Company has designated a person to be responsible for the collection and disclosure of company information, and to implement the spokesperson system in accordance with the provisions. The Company's Website: <a href="http://www.hotelhg.com.tw">http://www.hotelhg.com.tw</a>	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
and placing judicial person briefings on the company (III) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed deadline?		V	(III) The company handles announcements and reports to the competent authority in accordance with Article 36 of the Securities and Exchange Act.	The Company will proceed according to the plan.
8. Does the company have other helps to understand the situation and the importance of corporate governance operation information (including but not limited to employee rights, employee care, investor relations, supplier relations, further education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, where the company purchases liability insurance for directors and supervisors, etc.)?	V		<p>1. Employee Equity The Company actively cultivates tourism talents, implements labor laws and regulations, and protects employees' equity, such as labor, health insurance and regular health check for employees.</p> <p>2. Employees Care Communication between employees and the company can be conducted through departmental meetings or suggestion boxes to effectively solve problems and promote harmonious labor relations.</p> <p>3. Investor Relations The Company sets up the investor contact section on the company website, through which investors can communicate with the company.</p>	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
			<p>4. Supplier Relations The Company maintains good relationship with suppliers.</p> <p>5. Stakeholder Rights The Company and stakeholders, including correspondent banks, employees, consumers, suppliers, etc., have set up corresponding windows and channels to safeguard the equity of stakeholders.</p> <p>6. Further Education of Directors and Supervisors The Company may, from time to time, assign directors and supervisors to attend relevant refresher courses, such as those offered by Taiwan Corporate Governance Association, Taiwan Stock Exchange, Securities and Futures Institute, etc. Please refer to page 34-35 for further information on directors and supervisors' further education.</p> <p>7. Implementation of Risk Management Policies and Risk Measurement Standards: The Company adopts a preventive strategy for risk management, and carries out regular and irregular audits to carry out risk management. In addition, the</p>	

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
			<p>Company also provides business related insurance, such as public accident liability insurance, fire insurance...etc.</p> <p>8. Implementation of Consumer and Customer Protection Policies</p> <p>The amount received by the Company from the sale of the gift certificate has been fully guaranteed by Cathay United Bank.</p>	

9. Please explain the improvement situation of the corporate governance evaluation results issued by the Taiwan Stock Exchange Co., Ltd. Corporate Governance Center in the most recent year, and propose priority enhancement measures and measures for those who have not improved. (If it is not listed in the rated company, it is not required)

1.1	Does the company's articles of association stipulate that all directors / supervisors should be nominated for candidate election (if their nominated independent directors have served for three consecutive terms, should they continue to be nominated at the public information observatory?)	The company will propose amendments to the articles of association of the company on the board of directors of 2020.03.19 and report to the 109 regular shareholders' meeting for recognition.
2.20	Does the company have at least two independent directors attend each board meeting?	Since the full re-election of the company on June 19, 2019, all independent directors have personally attended the board meeting.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Governance Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
10.Participating of Further Education and Training Related to Corporate Governance of Managers (General Manager, Deputy General Manager, Supervisors of Accounting, Finance, Internal Audit, Etc)				
Job Title	Name	Training Courses		Training Hours (hrs)
Accounting Supervisor 2019.03.01 new appointment	Su-Ling Yu	Accounting Supervisor Continuing Education Courses by Accounting Research and Development Foundation		21
Audit Supervisor	Ching-Sheng Tu	Audit Supervisor Continuing Education Courses by Accounting Research and Development Foundation		12

Note1 : Board members implement diversification:

Name	Multiple core Item	gender	Ability of making judgements about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Leadership ability	An international market perspective	Leadership ability	Decision-making ability
Hai-Ni Chen		Male	V	V	V	V	V	V	V	V
Shu-Hui Lin		Female	V	V	V	V	V	V	V	V
Shih-Yi Chen		Female	V	V	V	V	V	V	V	V
Pao-Shang Li		Male	V	V	V	V	V	V	V	V
Te-Chu Li		Female	V	V	V	V	V	V	V	V
Kuo-Ying Lu		Male	V	V	V	V	V	V	V	V
Ching-Lin Li		Male	V	V	V	V	V	V	V	V

Note2 : Accountant independence assessment criteria

Items	Results	Conformity with independence
1. Whether the accountant has a direct or material indirect financial interest in the Company	N	Y
2. Whether the accountant has a financing or assurance practice with the Company or the Company's directors	N	Y
3. Whether the accountants have a close business relationship with the Company and potential employment	N	Y
4. whether the accountant and the members of his audit team currently hold, or have held in the last two years, positions as a director, manager or officer of the Company that have a significant impact on the audit	N	Y
5. whether the accountant has provided non-audit services to the Company that may directly affect the audit	N	Y
6. Whether the accountants have an intermediary for shares or other securities issued by the Company	N	Y
7. Whether the accountant has acted as an advocate for or on behalf of the Company in coordinating conflicts with other third parties	N	Y
8. Whether the accountant is related to a director, manager or officer of the Company who has a significant influence on the audit case	N	Y

( 4 ) Fulfillment of Social Responsibilities :

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
1.Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies in accordance with the principle of materiality?		V	The Company has not yet established a policy on the management of relevant risk assessment.	The Company will proceed according to the plan
2.Does the company have a professional (concurrent) unit to promote corporate social responsibility, which is authorized by the board of directors to be handled by senior management and reported to the board of directors?		V	The Company has not set up a professional (concurrent serving) unit to promote corporate social responsibility	The Company will proceed according to the plan °
3.Environment issue (1)Does the company have a corporate social responsibility policy or system in place and review its implementation?	V		(1)The Company has established an appropriate environmental management system based on its industry characteristics to comply with the domestic environmental safety regulations.	No difference.
(2)Does the company organize social responsibility training regularly ?	V		(2)The Company is committed to improving the efficiency of the use of resources, such as:	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
(3) Does the company have a professional (concurrent) unit to promote corporate social responsibility, which is authorized by the board of directors to be handled by senior management and reported to the board of directors?	V		<p>(1) Implement air conditioning temperature control, change lighting equipment to LED lamps, effectively save energy.</p> <p>(2) The Public Works Department maintains the equipment regularly to improve the utilization efficiency of water, electricity, gas and other resources.</p> <p>(3) Purchase energy saving equipment.</p> <p>(3) Aware of the impact of climate change on business activities, the Company has implemented air conditioning temperature control in the building, promoted paperless e-operation in the office, replaced lighting equipment with LED lamps, and purchased energy-saving equipment.</p>	No difference.
(4) Does the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies on energy conservation, carbon reduction, greenhouse gas reduction, water reduction or other waste management?		V	<p>(4) The Company has not established policies for energy conservation, carbon reduction, greenhouse gas reduction, water reduction or other waste management.</p>	The Company will proceed according to the plan.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
4. Preserving Social Welfare				
(1) Does the company establish management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The Company actively cultivates tourism talents, implements labor laws and regulations, safeguards the equity of employees, and establishes employment policies without discrimination in accordance with the provisions of the Gender Equality in Employment Act, and implements the equality of remuneration, employment conditions, training and promotion opportunities.	No difference.
(2) Does the company establish and implement reasonable employee benefit measures (including compensation, vacation and other benefits, etc.) and properly reflect operating performance or results in employee compensation?	V		(2) The Company sets the salary and remuneration according to the salary level of the same sector and the position of employees. In addition, there are "Working Rules", which shall be delivered to the employees upon their arrival. Besides, there are also "Employee Performance Appraisal Method" and "Employee Rewards and Punishments Method", which specify the contents of rewards and punishments.	No difference.
(3) Does the company provide a safe and healthy working environment for employees, and regularly	V		(3) The Company provides labor insurance and health insurance for employees in accordance with the	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
implement safety and health education for employees?			provisions, and regularly carries out health checks for employees, and regularly holds safety and health training courses for employees to promote the company's safety and health code of practice	
(4) Does the company establish effective career development programs for employees?	V		(4) The Human Resources Section of the Company is responsible for the career planning of the employee and arranges training courses for the management trainee.	No difference.
(5) Does the company comply with relevant regulations and international standards on customer health and safety, customer privacy, marketing and labeling of its products and services, and has it formulated relevant policies and complaint procedures to protect consumer rights?	V		(5) The Company's marketing and labeling of products and services are in accordance with relevant regulations and international standards. For consumer complaints, in addition to providing a complaint service channel on the website, we ask the relevant departments to provide the best service.	No difference.
(6) Does the company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or human rights in the workplace, and how is it implemented?	V		(6) The Company selects its suppliers in accordance with the Company's rules and regulations and operates in good faith, therefore, the Company will assess whether the supplier has any past record of environmental and social impact before making	No difference.

Evaluation Items	Operation Status			The Reason of Difference Between It and the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
			any transaction.	
5.Does the company make reference to international standards or guidelines for the preparation of corporate social responsibility reports and other reports that disclose non-financial information about the company? Did you obtain a third-party verification unit's confirmation or assurance opinion on the previous report?		V	The Company does not currently prepare a CSR report.	The Company will proceed according to the plan.
6.If the company has its own Code of Ethical Corporate Social Responsibility in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies”, please state the difference between its operation and the code: The company has drawn up a “Code of Ethical Corporate Social Responsibility”.				
7.Other important information to help understand corporate social responsibility operations: 1.Consumer Equity : The Company pays attention to the equity of consumers and fully discloses the products and services on the Company website,and provides full performance guarantee for the gift certificates sold. In addition, for the complaint of consumers, the Company not only provides a complaints channel on the website, but also requests the relevant departments to provide the best service. 2.Employee Equity: The Company shall, in accordance with the provisions of the Gender Equality in Employment Act and the Employment Act,establish non-discriminatory employment policies, and implement equal remuneration, employment conditions, training and promotion opportunities 3. Safety and Health: The company actively prepares the HACCP certification of the "food safety system", and formulates the work code of practice of safety and health to implement the labor safety and health management.				

( 5 ) The Company's performance and measures to operate in good faith.

Evaluation Items	Operation Status			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
<p>1. Formulating Policies and Plans for Ethical Corporate Management</p> <p>(1) Does the Company have an honest business policy approved by the Board of Directors and express in its regulations and external documents the policy and practice of honest business and the commitment of the Board of Directors and senior management to actively implement the business policy?</p> <p>(2) Does the Company established an assessment mechanism for the risk of dishonest conduct, and regularly analyzed and evaluated the business activities within the scope of business with a higher risk of dishonest conduct, and formulated a plan to prevent dishonest conduct, covering at least the preventive measures under Article 7(2) of the "Code of Integrity for Listed OTC Companies"?</p>	V		<p>(1) On December 5, 2016, the Board of Directors of the Company has drawn up the "Code of Ethical Corporate Management", which serves as the standard for directors, supervisors, managers and employees to conduct business in good faith and to be responsible to shareholders, customers, employees and the investing public. °</p> <p>(2) The Company has established good corporate governance, internal control mechanisms and internal rules and regulations to prevent the situations described in Article 7, paragraph 2.</p>	<p>No difference</p> <p>No difference</p>

Evaluation Items	Operation Status			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
(3) Does the company defined and implemented the operating procedures, conduct guidelines, disciplinary and complaint systems for non-compliance in its dishonest conduct prevention program, and regularly reviewed the revised foreclosure program?	V		(3)In order to prevent dishonest behavior, the Company prepares "Personnel Regulations", which will be delivered when the employee reports for duty, and in the regular education and training, strengthens the implementation of the moral concept of ethical management staff and operations ◦	No difference
2.Implementation of ethical corporate management and measures for implementation (1)Does the company assess the integrity record of its business contacts and specify the terms of good faith conduct in its contracts with its business contacts ?  (2) Does the Company have a dedicated unit under the Board of Directors to promote honest business practices and report to the Board of Directors on a regular basis (at least once a year) on its honest business policies and programs to prevent dishonest practices and monitor their	V	V	(1)The Company's Procurement Section will verify through the company's database in advance whether the transaction object has a record of dishonest conduct, and specify the conditions of dishonest conduct in the contract ◦  (2)The Company has not set up a professional (concurrent serving) unit to promote ethical corporate management.	No difference  The Company will proceed according to the plan.

Evaluation Items	Operation Status			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
implementation? (3) Does the company have a code of practice for preventing dishonest conduct, which includes procedures, guidelines for conduct, disciplinary and grievance systems for violations, and which are implemented? ?	V		(3) The Company stipulates in the rules of procedure of the Board of Directors: Where a director has an interest in himself/herself or the legal person he/she represents, he/she shall not participate in the discussion or vote, and shall withdraw from the discussion or vote, and shall not exercise his/her voting rights on behalf of other directors. Employees and the company can fully communicate through the departmental meeting channels.	No difference
(4) Does the Company established an effective accounting system and internal control system for the implementation of good faith operations, and has the internal audit unit drawn up an audit plan based on the results of the assessment of the risk of dishonest conduct, in order to verify compliance with the plan for prevention of dishonest conduct, or has it engaged an accountant to perform the audit?	V		(4) The Company has an accounting system and a special accounting unit. The financial reports are checked by CPAs to ensure the fairness of financial statements. The Company's internal audit organization consists of two directors, who check the work of each unit according to the audit plan every month and make records. The audit report shall be submitted to the Chairman of the Board and the supervisor for review before the end of the	No difference

Evaluation Items	Operation Status			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
(5) Does the company regularly conduct internal and external education and training on ethical corporate management?	V		next month, and the audit director shall present the report to the Board of Directors. At the end of each year, the "Statement of Internal Control System" will be issued by the Audit Department. °  (5) The Company adheres to the principle of good faith, in order to meet the needs of customers for meals and travels, regularly holds staff education and training, and formulates various measures to prevent cheating.	No difference
3. Implementation of the Company's Whistleblowing System  (1) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel, and appropriate personnel assigned to handle the whistleblowing?  (2) Does the company have standard operating procedures and relevant confidentiality mechanisms for the investigation of whistleblowing matters?	V		(1) The Company has an employee complaint system, and employee rewards and punishments as punishment for violating the provisions of ethical corporate management.  (2) The Company has an employee complaint system, but no standard operating procedure and relevant confidentiality mechanism have been established for the investigation of the matters reported.	No difference  The Company will proceed according to the plan.

Evaluation Items	Operation Status			Differences and reasons between the Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies
	Yes	No	Summary/Description	
(3) Does the company take measures to protect the whistleblower against inappropriate disciplinary actions?		V	(3) The Company has not formulated relevant measures. °	The Company will proceed according to the plan.
4.Strengthening Information Disclosure Does the company disclose the content and effectiveness of its Code of Ethical Corporate Management on its website and in its Market Observation Post System?	V		On December 5, 2016, the Board of Directors of the Company has drawn up the "Code of Ethical Corporate Management" and disclosed it on the company website ( <a href="http://www.hotelhg.com.tw">www.hotelhg.com.tw</a> ). °	No difference
5.If the company has its own Code of Ethical Corporate Management in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies” please state the difference between its operation and the code: On December 5, 2016, the Board of Directors of the Company has drawn up the "Code of Ethical Corporate Management", and the company has complied with the "Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies".				
6. Other important information that may help us understand the Company's honest operation: (e.g., the Company's review and revision of its code of ethical conduct, etc.) The Company's core guiding principle is "Conducting Business with Integrity", and it promotes the implementation of this principle in all corporate governance to help investors, employees, consumers and suppliers understand the Company's commitment and policy to conduct business with integrity.				

## ( 6 ) Compensation Committee

1. The Compensation Committee is designed to assist the Board of Directors in implementing and evaluating the company's overall compensation and benefits policies, as well as manger compensation. °
2. By the end of March 2020, the Company has three Compensation Committee members. Please refer to the company website for the organization rules of the Compensation Committee °
3. Information on the Operations of the Compensation Committee

As of the date of publication of the annual report in the most recent year

(year 2019), the meeting status:

Job Title	Name	Number of Actual Attendance	Number of Proxy Attendance	Rate of Actual Attendance	Note
Independent Director	Te-Chu Li	4	-	100%	
Independent Director	Ching-Lin Li	4	-	100%	
Others	Chi-Chun Chiu	4	-	100%	

## 4. Information on the Members of the Remuneration Committee.

Identity (Note 1)	Conditions	Does the individual have more than 5 years of work experience and the following professional qualifications?			Conformity to Independence (Note 2)										Number of members who are also members of the remuneration committee of other public owned corporations	Note			
		Lecturer or above in business, legal, finance, accounting or corporate business in public or private tertiary institutions.	Judges, prosecutors, lawyers, accountants or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the company	Has experience in business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8	9	10					
Independent Director	Te-Chu Li		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Ching-Lin Li		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Chi-Chun Chiu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For identity, please state whether the person is a Director, Independent Director or other.

Note 2: For each member who meets the conditions for two years prior to being elected and during his/her term of office, please “✓” the box below the corresponding condition(s)

- (1) An employee who is not an employee of the company or its affiliates.
- (2) A director or supervisor who is not a director or supervisor of the company or its affiliates, but is a director or supervisor of the company and its parent, subsidiary, or subsidiary of the same parent company, in the case of a company and its parent, subsidiary, or subsidiary of the same parent company, in the case of a company and its parent, subsidiary, or subsidiary of the same parent company (Except where independent directors are established by this Law or local laws and regulations, they shall hold office in conjunction with each other).
- (3) The natural person who does not hold more than 1% of the Company's total outstanding shares or the top ten shares in the name of himself or herself, his or her spouse, minor children or otherspeople Shareholders.
- (4) A spouse, a relative within the second degree of consanguinity or an immediate blood relative within the third degree of consanguinity who is not a manager listed in (1) or a spouse, a relative within the second

degree of consanguinity or an immediate blood relative within the third degree of consanguinity of a person listed in (2) or (3).

- (5) not directly holding more than 5% of the total issued shares of the company, the top five holders of shares or appointing a proxy in accordance with Article 27, paragraph 1 or 2, of the Companies Act. A director, supervisor or employee of a corporate shareholder who is a director or supervisor of the company (but not a director, supervisor or employee of the company and its parent, subsidiary or other corporate entity) (Unless the independent directors of subsidiaries of the same parent company are appointed in accordance with this Law or local laws and regulations, they shall not hold the same position).
- (6) A director, supervisor or employee of another company controlled by the same person who holds more than half of the directorship or voting rights in the company. (but in the case of an independent director of a company or its parent, subsidiary or subsidiary of the same parent established under this Act or the laws and regulations of that country) (except where they work in conjunction with each other).
- (7) A director (trustee), supervisor of another company or organization with which the chairman, general manager or equivalent of the company is not the same person or spouse as the chairman, general manager or equivalent of the company. (except where the independent directors are appointed by law).
- (8) a director (director), supervisor (supervisor), manager or 5% shareholder of a specific company or organization other than a company with which the company has financial or business dealings More than one shareholder (but not more than 50% of the total number of issued shares of the company held by a particular company or institution, which is a company and its parent) A company, a subsidiary or a subsidiary of the same parent company which has an independent director established in accordance with this Law or local laws and regulations shall not be subject to the provisions of this Law. (This limit).
- (9) Commercial, legal, and other business activities that are not audited for the Company or its affiliates, or for which the cumulative amount of compensation received in the past two years did not exceed NT\$500,000. Supervisors (Supervisors), managers and their spouses. However, the Board of Directors of the Company is required to perform its duties in accordance with the Securities and Exchange Act or the relevant laws and regulations under the Business Mergers and Acquisitions Act. The Committee, the Public Takeover Review Committee or the Special Committee on Mergers and Acquisitions are not members of the Committee.
- (10) In the absence of one of the subsections of section 30 of the Companies Act.

( 7 ) Where a company has established a code of corporate governance and relevant regulations, it should disclose its enquiry methods:

Please refer to our website for more information (<https://www.hotelhg.com.tw>).

( 8 ) Other important information necessary to improve the understanding of corporate governance operations:

1. In order to strengthen the implementation of corporate governance, the Company keeps the Board of Directors informed of the updates of corporate governance related laws and regulations.
2. The directors of the Company shall be present at the Board of Directors in a normal condition and shall not join the vote if the directors have an interest in any of the proposals listed on the Board of Directors, which may harm the interests of the company.
3. The Company has drawn up the "Code of Ethical Corporate Management", "Corporate Social Responsibility Best Practice Principles" and "Corporate Governance Best Practice Principles" in accordance with the norms of the competent authority and considering the practical operation situation, which will be implemented upon the approval of the Board of Directors on December 5, 2016.

## (9) Implementation of Internal Control System:

### 1. Statement of Internal Control

Holiday Garden Hotel Co., Ltd.  
Statement of Internal Control System

Date: March 19, 2020

The internal control system of the Company in the year of 2018, based on the results of self-inspection, is hereby stated as follows:

- I. It is the responsibility of the board of directors and managers of the Company to establish, implement and maintain the internal control system, which the company has established. The objective is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and asset security), the reliability of financial reporting, and compliance with applicable laws and regulations.
- II. The internal control system has its inherent limitation, no matter how perfect the design is, the effective internal control system can only provide reasonable assurance for the above three objectives; moreover, the effectiveness of the internal control system may change with the change of environment and situation. However, the internal control system of the Company is provided with a self-monitoring mechanism, and the company will take corrective actions once the absence is identified.
- III. The Company shall judge whether the design and implementation of the internal control system are effective or not according to the judgment items of the effectiveness of the internal control system stipulated in the "Guidelines for the Establishment of Internal Control System by Public Owned Corporations" (hereinafter referred to as " Handling Guidelines"). The internal control system used in the "Handling Guidelines" is used to determine the item. According to the process of management control, the internal control system is divided into five components: 1. Environment Control, 2. Risk Assessment, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each constituent element also includes a number of items. For the foregoing items, please refer to the provisions of "Handling Guidelines".
- IV. The Company has adopted the above internal control system to judge items and examine the effectiveness of the design and implementation of the internal control system.
- V. Based on the inspection results set forth in the preceding paragraph, the Company believes that the internal control system (including supervision and management of the subsidiaries) set up by the company on 31 December 2018, including the effectiveness of the design and implementation of the internal control system to understand the effectiveness and efficiency of the operation, the reliability of financial reporting, and the compliance with relevant codes and regulations, will reasonably ensure the achievement of the above objectives.
- VI. This statement will be the primary content of the Company's annual report and public statements and will be made publicly available to the public. If the above-mentioned disclosure is unlawful, such as forgery or concealment, it will involve legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors of the Company on March 19, 2009, with 0 of the 7 directors present holding dissenting views and the rest agreeing with the contents of this statement.

Holiday Garden Hotel Co., Ltd.

Chairman of the Board: Chen Hai-ni(signature)

2. If an accountant is entrusted to examine the internal control system, the audit report shall be disclosed: N/A

( 10 ) Penalties imposed on the Company and its internal staff, penalties imposed on its internal staff, and any status of improvements made in the internal control system, major deficiencies and improvements in the most recent year up to the publication date of this annual report: no such situation.

( 11 ) Important resolutions of the shareholders' meeting and the board of directors as of the date of publication of the annual report in the most recent year (year 2019):

#### 1. Important Resolutions of the Board of Directors

The Meeting Name	The Meeting Date	Important Resolutions
Board of Directors	Jan.29 2019	1. Passing the case against Invest in America. 2. Change of Treasurer case. 3. Withdrawal of investment in subsidiary Holiday Garden International Ltd.
Board of Directors	Feb.27 2019	1. Cancellation of the Investment in America case.
Board of Directors	Mar 20 2019	1. Approved the Company's remuneration for employees in 2018 and the remuneration distribution for directors and supervisors. 2. Approved the 2018 annual statement of accounts. 3. Approved the Company's 2018 annual earnings distribution proposal. 4. Approved the reissued new shares of earnings. 5. Approved the 2018 internal control statement. 6. Approved the amendment of the Company's "Articles of Association". 7. Approved the amendment of the Company's "Operating Standard for Acquisition and Disposal of Assets". 8. Approved the amendment of the Company's "Procedures for the Method of Capital Loan for Others". 9. Approved the amendment of the Company's "Enforcement Measures on Endorsement & Guarantee". 10. Approved the amendment of the Company's "Rules of Procedure for Board of Directors Meetings". 11. Approved the amendment of the Company's "Procedures for Appointment of Directors and Supervisors". 12. Approved the re-election of directors. 13. Approved the nomination of candidates for independent director. 14. Approved the preparation and acceptance for the handling of operations related to the proposal rights of shareholders holding more than 1% of shares. 15. Approved the preparation and acceptance for the handling of matters relating to the nomination rights of independent directors of shareholders holding more than 1% of shares. 16. Approved the convention of the 2019 shareholders' regular meeting. 17. Approved the Company's appointment of certified public accountants.

		<p>18. Approved the amendment of the Company's "Procedures for the Method of Major Information Processing".</p> <p>19. Approved the amendment of the Company's "Rules and Regulations for the Organization of the Remuneration Committee".</p> <p>20. Approved the amendment of the Company's "Procedures for the Application for Suspension and Resumption of Transaction".</p> <p>21. Approved the amendment of the Company's "Corporate Governance Best Practice Principles".</p> <p>22. Approved the amendment of the Company's "Procedures for the Relationship Between Company and Affiliates, Specific Companies and Group Companies".</p> <p>23. Approved the amendment of the Company's "Rules on the Scope of Duties of Independent Directors".</p> <p>24. Approved the amendment of the Company's "Code of Ethical Corporate Management".</p> <p>25. Approved the further amendment of the Company's "Rules and Regulations for the Organization of the Audit Committee".</p> <p>26. Approved the replacement of the Company's acting spokesperson.</p>
Board of Directors	May 7 2019	<p>1. Recognized the consolidated financial statements for the first quarter of 2019.</p> <p>2. Amended the "Performance Appraisal Method for Directors and Managers".</p> <p>3. Further amended the Company's "Code of Ethical Conduct".</p> <p>4. Reviewed the candidates for independent director.</p> <p>5. Further amended the Company's "Standard Operating Procedures for Handling Directors' Requests"</p>
Board of Directors	May 30 2019	<p>1. Approved a cash injection of NT\$400 million into its subsidiary Holiday Garden International Ltd. a U.S. subsidiary, by a cash increase of NT\$400 million.</p> <p>2. Approved a loan of funds to a U.S. subsidiary.</p> <p>3. Approved the U.S. grandchildren's intercompany capital loan case.</p>
Board of Directors	Jun 19 2019	<p>1. Approval of the election of the Chairman of the Board of Directors</p>
Board of Directors	Jun 24 2019	<p>1. Approve the appointment of the fourth term Remuneration Committee</p>
Board of Directors	Jun 24 2019	<p>1. Approved a cash reduction case against subsidiary Holiday Garden International Ltd.</p> <p>2. Approved the disposal of Holiday Garden SF CORP., a sub-subsidiary of the Company. °</p> <p>3. Approve the establishment of the Company's 2019 Annual Audit Committee Carriage Fee proposal.</p> <p>4. Approved the amendment to the Company's "Code of Conduct on Integrity".</p> <p>5. Approve a financial institution financing contract expiration renewal case.</p> <p>6. Approved an application for a NT\$400 million short-term loan facility from OK Bank.</p>
Board of Directors	Aug 7 2019	<p>1. Approved the consolidated financial reports for the second quarter of 2019.</p>
Board of Directors	Nov 7 2019	<p>1. Approved the consolidated financial reports for the third quarter of 2019.</p> <p>2. Approved of directors' and supervisors' liability insurance through all directors and managers.</p>

Board of Directors	Dec 1 2019	<ol style="list-style-type: none"> <li>1. Approved the Company's 2020 travel expenses for the directors, independent directors, and supervisors and salary of managers.</li> <li>2. Approved the Company's 2019 annual bonus of managers.</li> <li>3. Approved the Company's audit plan for 2020.</li> <li>4. Approved the Company's business plan for 2020.</li> <li>5. Approved the independent evaluation of accountants.</li> <li>6. Approval of the Company's 2018 undistributed earnings for real investments</li> </ol>
Board of Directors	Mar 19 2020	<ol style="list-style-type: none"> <li>1. Approved the Company's remuneration for employees in 2019 and the remuneration distribution for directors and supervisors.</li> <li>2. Approved the 2019 annual statement of accounts.</li> <li>3. Approved the Company's 2019 annual earnings distribution proposal.</li> <li>4. Approved the 2019 internal control statement.</li> <li>5. Approved the amendment of the Company's "Articles of Association".</li> <li>6. Approved the preparation and acceptance for the handling of operations related to the proposal rights of shareholders holding more than 1% of shares.</li> <li>7. Approved the convention of the 2020 shareholders' regular meeting.</li> <li>8. Approved the Company's appointment of certified public accountants.</li> </ol>
Board of Directors	May 6 2020	<ol style="list-style-type: none"> <li>1. Approved the consolidated financial reports for the first quarter of 2020 °</li> <li>2. Approved the case for a replacement visa accountant.</li> </ol>

## 2. Important resolutions of the Shareholders' Meeting

Shareholders' Meeting	Jun 19 2019	<ol style="list-style-type: none"> <li>1. Acknowledge the 2018 annual statement of accounts.</li> <li>2. Acknowledge to recognize the 2018 annual surplus distribution.</li> <li>3. Acknowledge of surplus to new share issue.</li> <li>4. Approve the amendment of the "Articles of Association" of the Company.</li> <li>5. Approved the amendment to the Company's "Criteria for the Treatment of Assets Acquired or Disposed of".</li> <li>6. Approve the amendment of the Company's "Procedures for the Lending of Funds to Others".</li> <li>7. Approve the amendment of the Company's "Rules for the Implementation of Endorsement Guarantees".</li> <li>8. Approval of a general re-election of directors.</li> <li>9. Approve the nomination of independent director candidates.</li> </ol>
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### ( 12 ) Implementation of the Resolutions of the Shareholders' Meeting In 2019

1. Recognized the 2018 annual statement of accounts: approved as proposed.
2. Acknowledgement of the 2018 Annual Earnings Distribution: approved and confirmed as presented, a cash dividend of \$0.2 per share was distributed on September 25, 2019.
3. Acknowledgement of the recognition of surplus to issue new shares: passed and confirmed, 80 shares per thousand of stock dividends were distributed on September 25, 2019.

#### 4.Full re-election of directors :

##### Election list of directors of the 2019 general meeting of shareholders

Title	Ranking	Account No.	Account Name
Director	1	59	Director Representative of Ying Chuan International : Hai-Ni Chen
Director	2	59	Director Representative of Ying Chuan International : Shu-Hui Lin
Director	3	59	Director Representative of Ying Chuan International : Shih-Yi Chen
Director	4	25204	Pao-Shang Li
Independent Director	1	S22004****	Te-Chu Li
Independent Director	2	25547	Kuo-Ying Lu
Independent Director	3	E12082****	Ching-Lin Li

( 13 ) In the most recent year and up to the date of publication of the annual report, the directors or supervisors have different opinions on the important resolutions adopted by the board of directors and have recorded or written statements: no such situation.

( 14 ) In the most recent year and up to the date of the publication of the annual report, the summary of the resignation and dismissal of the Chairman of the Board, general manager, accounting supervisor, finance supervisor, internal audit supervisor and R&D supervisor of the company: no such situation.

( 15 ) Further Education of Directors

December 31, 2019

Title	Name	Appointed Date	Further Education Date		Organizer	Course Name	Study Hours
			起	迄			
Representative of Judicial Person Director	Hai-Ni Chen	Jun 20 2016	Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Apr 24 2017	Apr 24 2017	Taiwan Academy of Banking and Finance	Corporate Governance - Family Business Inheritance	3.0
			Mar 17 2016	Mar 17 2016	Taiwan Academy of Banking and Finance	Corporate Governance - How to Respond to Tax Reform	3.0
Representative of Judicial Person Director	Shu-Hui Lin	Jun 19 2019	Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Jul 26 2019	Jul 26 2019	Securities and Futures Institute	Briefing session on the legal compliance announcement of insider equity transactions of listed and unlisted cabinet companies in 2019	3.0

Director	Pao-Shang Li	Jun 20 2016	Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Aug 03 2018	Aug 03 2018	Securities and Futures Institute	The Insider Equity Trading Legal Advocacy Meeting of the TWSE Listed and Non-TWSE & TPEx Listed Publicly Owned Corporations	3.0
			May 05 2017	May 05 2017	Securities and Futures Institute	2017 Seminar on Insider Trading and Corporate Social Responsibility	3.0
			Apr 24 2017	Apr 24 2017	Taiwan Academy of Banking and Finance	Corporate Governance - Family Business Inheritance	3.0
Independent Director	Te-Chu Li	Jun 20 2016	Nov 26 2019	Nov 26 2019	National Federation of R.O.C CPA Association	Analysis of relevant regulations and financial accounting practices of social groups	3.0
			Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Aug 03 2018	Aug 03 2018	Securities and Futures Institute	The Insider Equity Trading Legal Advocacy Meeting of the TWSE Listed and Non-TWSE & TPEx Listed Publicly Owned Corporations	3.0
			Mar 22 2018	Mar 22 2018	National Federation of R.O.C CPA Association	Compliance with the Amended Money Laundering Prevention Law and Practice	3.0
			Jan 18 2018	Jan 18 2018	National Federation of R.O.C CPA Association	Risk Assessment of Accountants Responding to Money Laundering Prevention	3.0
			Mar 28 2017	Mar 28 2017	National Federation of R.O.C CPA Association	2016 Analysis of Key Points of Business Income Tax Declaration	7.0
Independent Director	Kuo-Ying Lu	Jun 19 2019	Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Jul 26 2019	Jul 26 2019	Securities and Futures Institute	Briefing session on the legal compliance announcement of insider equity transactions of listed and unlisted cabinet companies in 2019	3.0
Independent Director	Ching-Lin Li	Jun 19 2019	Nov 27 2019	Nov 27 2019	National Federation of R.O.C CPA Association	Research and Analysis of the Consortium Corporation-Also on the Changzhao Corporation Corporation and the Medical Corporation	3.0
			Nov 26 2019	Nov 26 2019	National Federation of R.O.C CPA Association	Analysis of relevant regulations and financial accounting practices of social groups	3.0
			Nov 01 2019	Nov 01 2019	Taiwan Stock Exchange Corporation	Publicity meeting for effective use of directors' functions	3.0
			Oct 24 2019	Oct 24 2019	National Federation of R.O.C CPA Association	Application of internal control system for accounting firms to prevent money laundering and combat capital terror	3.0
			Aug 14 2019	Aug 14 2019	National Federation of R.O.C CPA Association	Analysis of issues related to wealth inheritance tax	3.0

#### IV、CPA Fee Information：

##### (1) Table of Information on CPA Fee Ranges

Name of CPA Firm	Name of CPA		Audit Period	Note
PwC Taiwan	A-Shen Liao	Chien-Chih Wu	Jan 1 2019 to Dec 31 2019	

Monetary Unit: NT\$ 1,000

Category of Fees		Audit Fees	Non-Audit Fees	Total
Interval of the Amount				
1	Less than NT\$ 2,000,000			
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000	✓		✓
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000			
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000			
5	NT\$ 8,000,000 (inclusive) to NT\$ 10,000,000			
6	More than NT\$ 10,000,000 (inclusive)			

- (2) In case the ratio of non-audit fee to audit fee for CPAs, CPA firms affiliated to CPAs and their affiliated enterprises exceeds 1/4, the contents of non-audit fee and non-audit service should be disclosed: N/A.
- (3) The amount, ratio and reason of the reduction in the audit fee for the replacement of CPA firm should be disclosed if the replacement fee is less than that of the preceding year: N/A.
- (4) The amount, ratio and reason of the reduction in the audit fee should be disclosed for the case that the audit fee is over 15% reduction than that of the preceding year: N/A.

V. Information on replacement of CPAs: None.

VI. The Company's Chairman of the Board, general manager, manager in charge of financial or accounting affairs, who has worked in the CPA firm or its affiliated enterprises in the recent one year: None.

VII. Changes in the equity of directors, supervisors, managers and major shareholders:

(1) Changes in the Equity of Directors, Supervisors, Managers and Major Shareholders

The stock transfer closure date of this shareholders' meeting is April 19st.

Job Title	Name	2019		As of April 19,	
		Shares Held Increase (Decrease)	Pledge Shares Held Increase (Decrease)	Shares Held Increase (Decrease)	Pledge Shares Held Increase (Decrease)
Chairman of the Board and Director	Ying Chuan International Enterprise CO LTD	1,587,213	0	0	3,000,000
Director	Company Legal Person Representative of Ying Chuan International Enterprise CO LTD: Shu-Hui Lin	0	0	0	0
Director	Company Legal Person Representative of Ying Chuan International Enterprise CO LTD: Shih-Yi Chen	18,093	0	0	0
Director	Pao-Shang Li	6,368	0	0	0
Independent Director	Te-Chu Li	0	0	0	0
Independent Director	Ching-Lin Li	0	0	0	0
Independent Director	Kuo-Ying Lu	1,181	0	0	0
Chairman of the Board/General Manager	Hai-Ni Chen	240,481	0	0	0
Deputy General Manager	Shu-Hui Lin	51,634	0	0	0

(2) Information of equity transfer to affiliate: None.

(3) Information of equity pledge to affiliate: None.

## VIII. Information of the top ten shareholders who are affiliates to each other:

April 19, 2020

Name	Own Shares Held		Shares Held by Spouses and Minor Children		Total Shares Held in the Name of Other Persons		The titles or names and relationships of the top ten shareholders who are affiliates in Financial Accounting Standards Bulletin No. 6 or are related to their spouses or relatives within the second degree of kinship.		Note
	Shares	Share holding Ratio %	Shares	Share holding Ratio %	Shares	Share holding Ratio %	Name	Relationship	
Ying Chuan International Enterprise CO LTD	21,427,377	19.39	—	—	—	—	Hai-Ni Chen	Chairman of the Board of the Company	Representative: Hai-Ni Chen
Legal Person Representative: Hai-Ni Chen	3,246,494	2.94	697,064	0.63	—	—	—	—	—
Cathay United Bank is entrusted to keep the investment account of Zhi Bai CO LTD.	10,908,482	9.87	—	—	—	—	—	—	—
Cathay United Bank is entrusted to keep the investment account of Aisi Dixi CO LTD.	10,485,338	9.49	—	—	—	—	—	—	—
Cathay United Bank is entrusted to keep the investment account of GLU INTERNATIONAL GROUP LIMITED.	10,361,288	9.38	—	—	—	—	—	—	—
Cathay United Bank is entrusted to keep the investment account of East and West Holdings Limited.	8,748,960	7.92	—	—	—	—	—	—	—
Hung-Lan Lin	4,764,395	4.31	—	—	—	—	—	—	—
Tseng-Tung Chen	4,339,677	3.93	—	—	—	—	Hai-Ni Chen Wei-Yu Chen	Father/Son Brother/Sister	—
Hai-Ni Chen	3,246,494	2.94	—	—	—	—	Tseng-Tung Chen Wei-Yu Chen	Father/Son Father/Daughter	—
Wei-Yu Chen	1,734,106	1.57	—	—	—	—	Hai-Ni Chen Tseng-Tung Chen	Father/Daughter Brother/Sister	—
Guo-An Zhou	1,536,305	1.39	—	—	—	—	—	—	—

IX. The shares held by the company, its directors, supervisors, managers and enterprises directly or indirectly controlled in the same reinvested enterprise, and the comprehensive shareholding ratio shall be calculated on a consolidated basis.

**Consolidated Shareholding Ratio**

Unit: Shares; %

Reinvestment in Other Companies	Investment in the Company		Investments of Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled		Consolidated Investments	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
HOLIDAY GARDEN INTERNATIONAL LTD. (Note)	12,000	100.00	—	—	12,000	100.00

Note: long-term investment of the company.

# Chapter 4. Funding Status

## I. Share Capital and Shares

### (1) Source of Share Capital

#### Source of Share Capital

December 31, 2019

Year / Month	Issuance Price	Authorized Capital		Paid-In Capital		Note		
		Shares	Amount	Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
103.09	NT\$ 10	93,787,066	937,870,660	90,079,444	900,794,440	Surplus transferred to capital increase: 2,623,674 shares	None	Sep 18 2014 Commerce Letter No. 10301193390
104.10	NT\$ 10	150,000,000	1,500,000,000	94,583,417	945,834,170	Surplus transferred to capital increase: 4,503,973 shares	None	Sep 01 2015 Commerce Letter No. 10401183470
105.10	NT\$ 10	150,000,000	1,500,000,000	98,366,754	983,667,540	Surplus transferred to capital increase: 3,783,337 shares	None	Sep 08 2016 Commerce Letter No. 10501221110
106.09	NT\$ 10	150,000,000	1,500,000,000	102,301,424	1,023,014,240	Surplus transferred to capital increase: 3,934,670 shares	None	Sep 15 2017 Commerce Letter No. 10601131090
107.09	NT\$ 10	150,000,000	1,500,000,000	110,485,538	1,104,855,380	Surplus transferred to capital increase: 8,184,114 shares	None	Sep 16 2020 Commerce Letter No. 10801125480

December 31, 2019

Shares Category	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Ordinary Share	(TWSE Listed) 110,485,538 Shares	39,514,462 Shares	150,000,000 Shares	

(II) General information to be disclosed in the issuance of marketable securities under the declaration system: no such situation.

### (III) Shareholder Structure

#### Shareholder Structure

April 19, 2020

Shareholder Structure Number	Government Agencies	Financial Institutions	Other Legal Persons	Personal	Foreign Institutions and Foreigners	Total
Number of Persons	0	1	14	8,268	30	8,313
Shares Held	0	1,564	21,797,764	47,480,847	41,205,363	110,485,538
Shareholding Ratio	0.00%	0.00%	19.73%	42.98%	37.29%	100%

### (IV) Shareholding Distribution Status

#### 1. Ordinary Share

#### Shareholding Distribution Status

April 19, 2020

Shareholding Class	Number of Shareholders	Shares Held	Shareholding Ratio
1 to 999	4,370	973,036	0.88%
1,000 to 5,000	2,830	5,766,374	5.22%
5,001 to 10,000	532	3,867,178	3.50%
10,001 to 15,000	193	2,354,645	2.13%
15,001 to 20,000	123	2,164,957	1.96%
20,001 to 30,000	100	2,539,958	2.30%
30,001 to 40,000	49	1,739,756	1.57%
40,001 to 50,000	22	1,003,923	0.91%
50,001 to 100,000	54	3,756,390	3.40%
100,001 to 200,000	16	2,138,189	1.94%
200,001 to 400,000	9	2,394,671	2.17%
400,001 to 600,000	2	995,284	0.90%
600,001 to 800,000	1	697,064	0.63%
800,001 to 1,000,000	0	0	0.00%
1,000,001 or More	12	80,094,113	72.49%
Total	8,313	110,485,538	100.00%

#### 2. Preferred stock: N/A

## (V) List of Substantial Shareholders

## List of Substantial Shareholders

December 31, 2019

Substantial Shareholder Name	Shares Held	Shareholding Ratio
Ying Chuan International Enterprise CO LTD	21,427,377	19.39%

## (VI) Market Price Per Share, Net Value, Surplus, Dividends and Related Information for the Latest Two Years

## Information on Market Price, Net Value, Surplus and Dividends Per Share

Item		Year	2018	2019	Current Year Up To March 31, 2020(Note 8)
Market Price Per Share (Note 1)	Highest		35.75	25.85	26.20
	Lowest		13.95	17.50	9.41
	Average		24.85	20.20	16.75
Net Worth Per Share (Note 2)	Before Distribution		13.19	11.67	—
	After Distribution		12.21	Shareholders' Meeting Not Yet Been Held	—
Earnings Per Share	Weighted Average Shares		102,301,424	110,485,538	110,485,538
	Earnings Per Share (Note 3) Before Adjustment		2.08	(0.04)	—
	Earnings Per Share (Note 3) After Adjustment		1.92	Shareholders' Meeting Not Yet Been Held	—
Dividend Per Share	Cash Dividend		0.2	0	—
	Unrequited Stock Dividends	Surplus Stock Dividends	0.8	0	—
		Capital Surplus Distribution	0	0	—
	Accumulated Unpaid Dividend (Note 4)		0	0	—
Analysis of Return on Investment	Price-to-Earnings Ratio (Note 5)		11.95	(505)	—
	Price-to-Dividend Ratio (Note 6)		124.25	Shareholders' Meeting Not Yet Been Held	—
	Cash Dividend Yield Ratio (Note 7)		0.8	Shareholders' Meeting Not Yet Been Held	—

Note 1: List the highest and lowest market prices of ordinary shares for each year, and calculate the average market price for each year based on the transaction value and volume of the year.

Note 2: Fill the shares based on the shares that have been issued by the end of the year and the distribution from the resolution of shareholders' meeting in the following year.

Note 3: If there is any retrospective adjustment required due to unrequited stock dividends, the earnings per share before and after adjustment should be listed.

Note 4: If there is any requirement for issuing equity securities that require undistributed dividends for the current year to be accumulated to the annual distribution of the retained earnings, it shall separately disclose the accumulated undistributed dividends as of that year.

Note 5: P/E Ratio = Average closing price per share for the current fiscal year/earnings per share.

Note 6: P/D = Average closing price for each share for the current fiscal year/cash dividend per share.

Note 7: Cash dividend yield ratio = Cash dividend per share/average closing price per share for the current year.

Note 8: Net worth per share and earnings per share shall be filled with the data of the most recent quarter that has been verified (examined) by CPAs up to the date of printing of this annual report: The rest of the columns should be filled.

## (VI) Dividend Policy and Implementation

1. The Company is in the changing industrial environment, and the enterprise life cycle is in a stable growth stage. The Board of Directors shall consider the company's future capital expenditure budget and capital demand, and shall measure the necessity of surplus fund demand, so as to determine the amount of surplus retention or distribution and the amount of dividend or bonus distributed to shareholders in cash.

If the Company has any surplus in the annual accounts, it shall first set aside the business income tax in accordance with the law and make up for the losses in the past years. If there is any balance, it shall itemize 10% of the statutory surplus reserve in accordance with the law, except when the statutory surplus reserve has reached the total capital of the company. In addition, after the special surplus reserve is itemized or turned over according to law, and the undistributed surplus at the beginning of the same period accumulates the distributable surplus for shareholders, the Board of Directors shall draw up a proposal for surplus allocation and submit it to the Board of Shareholders for allocation.

As for the preceding item, more than 10% of the distributable surplus shall be allocated for the distribution of dividends and shareholders' dividends, and the cash dividend shall not be less than 10% of the total dividends and shareholders' dividends.

The Company shall distribute remuneration to employees at the rate of 0.1% to 1% and remuneration to directors and supervisors at the rate of 1% or less for the current year's profit. However, if the company has accumulated losses, it shall make up for them.

Employee compensation may be in the form of stock or cash, and may be paid in the form of stock or cash to employees of a subsidiary company who meet certain conditions.

The said "profit situation of the current year" as mentioned in the first paragraph shall mean the profit before the deduction of the pretax profit of the current year from the bonus to the employees and the bonus to the directors and supervisors.

The bonus for employees and the bonus for directors and supervisors

shall be allocated by the Board of Directors upon the attendance of more than two-thirds of the directors and the consent of more than half of the directors present, and shall be reported to the shareholders' meeting.

2. The status of the proposed dividend distribution at this shareholders' meeting: No dividend distribution for this year.

(VII) The impact of the stock dividends on the company's operating performance, earnings per share and return on investment of shareholders: N/A.

(VIII) Remuneration of employees and remuneration of directors and supervisors:

1. Information about employee remuneration and remuneration of the Board of Directors contained in the Articles of Association, as shown in page 61 (VI) Company Dividend Policy.

2. Employee bonus plan and remuneration of directors and supervisors in this year:

(1) Distributed employee compensation of NT\$ 913.

(2) Distributed director/supervisor compensation of NT\$0.

(3) The employee remuneration to be distributed is NT\$ 913, which is NT\$ 913 difference from the estimated amount of NT\$ 0 for the year of 2019. In order to estimate the difference, it shall be listed as the next annual profit and loss in accordance with the accounting estimation. The remuneration of directors and supervisors will not be distributed, and there is no difference with the estimated amount in 2019.

(4) The proposal of basic earnings per share after calculating the employee bonus and director supervisors' remuneration is (NT\$ 0.04).

3. Information on the distribution of employee dividends approved by the Board of Directors: no distribution of employee bonus plan this year.

4. Employee bonus plan and remuneration of directors and supervisors in last year: None.

(IX) The company buys back the shares of the Company: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred stocks: None.

IV. Issuance of overseas depository receipts: None.

V. Handling of employee stock options: None.

VI. Handling of restricted employee shares: None.

VII. Handling of merger & acquisition: None.

VII. Plan of application of funds: None

# Chapter 5. Operation Overview

## I. Operation of the Company

### (I) Business Contents

1. International tourist hotel rooms rental with Chinese and Western restaurants, nightclubs and swimming pools.
2. General import and export business (except licensing business).
3. Except for permitted business, the company may engage in business not prohibited or restricted by law.
4. The above listed businesses account for 67% of the revenue from guest rooms, 33% from Chinese and Western restaurants, night clubs and swimming pools, and 0% from general import and export trade.
5. The Company's current product items and planned development of new products: hotel rental and catering services.

### (II) Sector Overview

#### (1) Current Status and Development of the Sector

The hotels registered and reported by the Tourism Bureau of Kaohsiung City Government are:

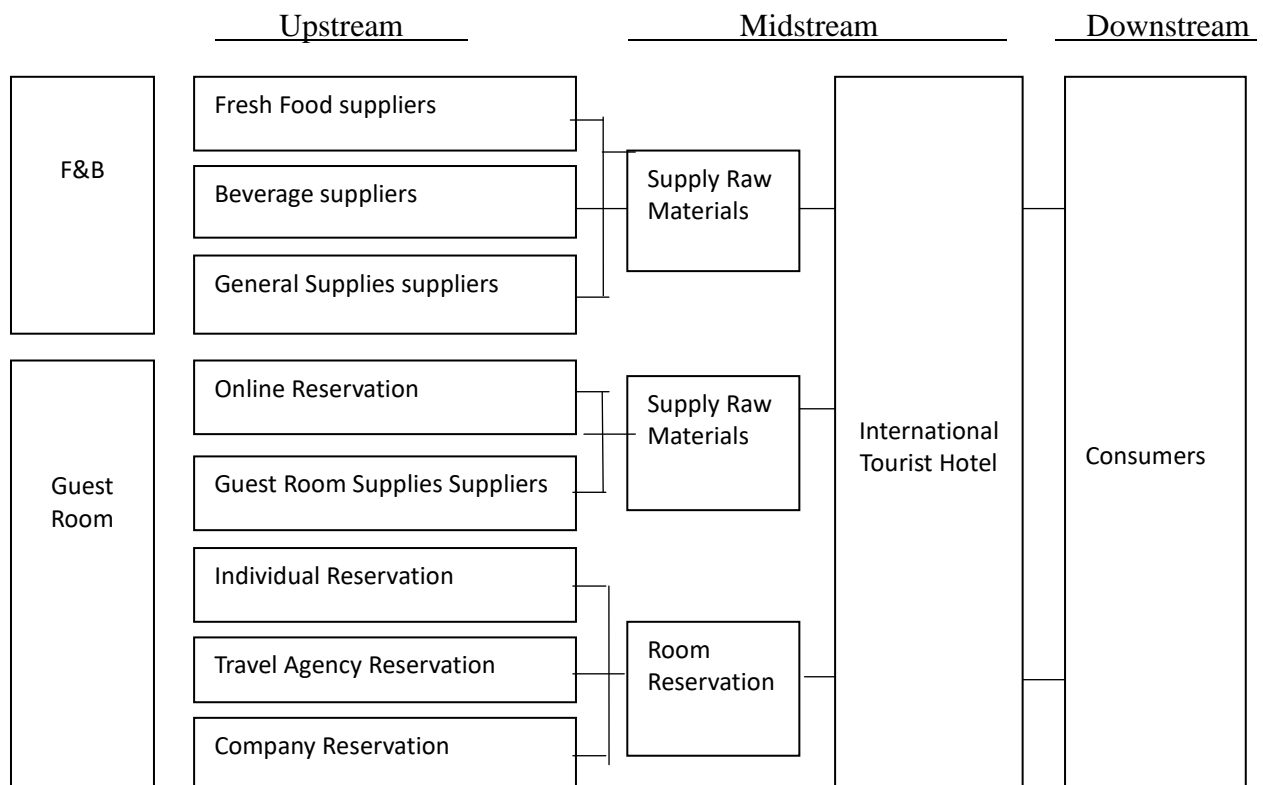
Midtown Richardson Hotel (592 rooms) is expected to be completed on Apr 30 2020.

Kuan Hotel (210 rooms) is expected to be completed on Aug 24 2020.

Ji Yu Hotel (206 rooms) is expected to be completed on Dec 31 2020.

DingDing Grand Hotel (308 rooms) is expected to be completed on Dec 31 2022.

#### (2) Correlation between upper, middle and lower downstream sectors:



(3) Product development trend and competition status:

At present, the number of people using the Internet is increasing rapidly, and there is also an amazing global growth. E-commerce has become the largest market, and consumers are becoming more and more accustomed to comparing prices on the Internet. The competition in the domestic tourism sector is increasingly intense and various hotels have launched the hotel brand layout to achieve different positions and to appeal to the demassified market. Apart from the traditional international sightseeing hotels, the hotel with design, cultural and creative style is to realize the increasingly bitter sector competition. The hotel will develop products with multiple market attributes to capture the market as a strategy to consolidate existing customers and actively develop new customers. We will continue to strengthen and upgrade the hotel's software and hardware services, improve the efficiency of e-commerce sales and Internet development applications, and increase the overall revenue.

(III) Technology and R&D Overview: N/A.

(IV) Long-Term and Short-Term Business Development Plans:

1. Continually plan and renovate the facilities and business premises to provide customers with more comfortable accommodation and catering.
2. Expand the level of consumer contact through alliances and cooperation with other credit card companies, and attract customers with special offers.
3. Cater to customers' preferences through cross-industry alliances with Internet vendors and the development of quality advertising.
4. Participate in domestic and overseas travel exhibition and business development activities planned by Tourism Bureau, Ministry of Transportation and Communications and Taiwan Visitors Association, and other institutes.

## II. Market and Production & Marketing Overview:

### 1. Market Analysis

Tourism is a multi-objective comprehensive enterprise, providing guests with accommodation, catering, social, meeting places, health and entertainment, shopping and other functions. The Company has a long history of operating hotels and restaurants, with an outstanding reputation. In order to meet the needs of the evolution of the times and the market, the Company constantly expand and update equipment to enhance the quality of service. The domestic and

foreign markets are analyzed as follows:

Domestic: At present, Taiwanese people's quality of life is improving day by day, and they pay more and more attention to leisure tourism. In addition, the Kaohsiung municipal government actively promotes tourism, improves the quality of tourism services and facilities, so that domestic tourists have a tendency to go to Kaohsiung City for sightseeing. The Company is located in the center of Kaohsiung City with convenient transportation, so that more visitors are attracted to visit here and spend.

Foreign: The Company is continuously committed to the expansion and development of Chinese, Japanese and overseas Chinese tourist groups.

American Company: In recent years, the development of the American market has been accelerated, the political and economic situation has been stable, and the return on investment of local hotels is high. In the future, we will not rule out expansion, and it will not be limited to California. If there is a target that meets the set rate of return, we may also focus on it.

The Company has international standard equipment, beautiful environment, more than 200 Ping of garden and swimming pool, and is located in the city, with convenient transportation, near the public security units, and high security; these are excellent conditions for the Kaohsiung to attract foreign tourists. How to grasp the business opportunities at home and abroad, improve service quality, strive for more customers, is the goal of all the staff of the Company.

## 2. Important Uses and Production Process:

The Company's main products are operating in the form of rooms for rent, as well as catering and meeting places and other related facilities, satisfying customers is our ultimate goal.

## 3. Supply Status of Primary Raw Materials:

The Company is mainly engaged in room rental and catering services, its main raw materials are customer supplies and raw food materials, etc., its supply situation is stable.

## 4. Name of customers accounted for more than 10% of the total purchase and sale volume in the last two years:

(1) Main Purchase Customers: The Company has no customers accounted for 10% of purchase volume, so it is not applicable.

(2) Main Sale Customers: The Company has no customers accounted for 10% of sale volume, so it is not applicable.

## 5. Table of production volume and value of the latest two years:

Unit: NT\$ 1,000

Year Product	2019		2018	
	Production Value	Percentage %	Production Value	Percentage %
Guest Room Costs	199,726	85.88%	195,471	85.77%
Catering Costs	32,825	14.12%	32,432	14.23%
Total	232,551	100%	227,903	100%

6. Table of sale volume and value of the latest two years:

Unit: NT\$ 1,000

Year Product	2019		2018	
	Amount	Percentage %	Amount	Percentage %
Guest Room Income	1,460,852	96.09%	1,118,936	95.66%
Catering Income	51,019	3.36%	46,043	3.94%
Other Income	8,371	0.55%	4,736	0.40%
Total	1,520,242	100%	1,169,715	100%

### III. Number of Employees in the Past Two Years

#### Employee Information for the Past Two Years Up to the Publication Date of This Annual Report

Year		2018	2019	Current Year Up To March 31, 2020
Number of Employees	Direct Labor	68	56	63
	Indirect Labor	38	45	42
	Total	106	101	105
Average Age		40	38.3	39.2
Average Years of Service		4.9	4.5	4.7
Ratio on Distribution of Academic Qualification	Doctor	0	0	0
	Master	1%	1%	1%
	Bachelor	47%	47%	51%
	Senior High School	40%	40%	37%
	Under Senior High School	12%	12%	11%

#### IV. Information on Environmental Protection Expenditure

1. The most recent year and up to the date of the publication of the annual report, total amount of losses and penalties due to environmental pollution: None.
2. Future countermeasures and possible expenditure: None.

#### V. Labor-Management Relations:

##### 1. Current major labor-management agreements and their implementation:

(1) Employee Welfare Measures: The "Welfare Committee" is composed of representatives from various departments of the Company. A certain amount of money will be deducted from the employee's salary every month as the fund for various welfare activities organized by the committee. The company's current welfare system is as follows:

- The employee joins the labor insurance as soon as he/she enters the company.
- Domestic tourism is held every year.
- Gifts or coupons for Dragon Boat Festival, Moon Festival and Chinese New Year.
- Cash gift or gifts for employee birthdays, weddings, funerals, births, etc.
- Year-end dinner party with a big lottery prizes held.
- The year-end bonus shall be paid according to the performance of the labors in the current year.

2. For the most recent year and up to the date of publication of the annual report, the company has suffered losses due to labor disputes, the estimated amount of current and future losses and the corresponding measures: since the company's management system and welfare system are in good condition, and there is a communication channel of the welfare association, which can coordinate and solve the problems immediately, thus there should be no dispute, and there was no labor dispute in the recent two years.

3. Employee further education, training, retirement system and its implementation:

(1) To maintain the safety of the hotel and improve the service quality of the staff, the following projects will be carried out this year:

Implemented Projects:

1. Basic Japanese Class
2. Basic Korean Class
3. Advanced Japanese Class
4. Advanced Korean Class
5. Professional Skills of Mobile Photography (People/Food)

6. How to Improve Self-Competitiveness and Application Methods
7. Up Selling Skills
8. The Use of AI in Hotels
9. Service Quality, Coping Skills and Service Mentality in the Workplace
10. Improve Communication Efficiency and Create a High-Quality Team
11. My Plate - Eat Smart and Welcome Health
12. Problem Solving and Analytical Skills
13. Licensed Chef Hygiene Lecture
14. The HACCP Lecture

Planned Projects (expected to be implemented in 2020):

1. Touching Service
2. Crisis Management
3. Butler Service
4. Improve presentation skills
5. Personal Data Protection
6. Customer Satisfaction Analysis
7. Education and training for new recruits
8. Creating a comprehensive service
9. Innovative and creative catering aesthetics
10. International Hospitality Etiquette Training
11. Analysis and handling of customer complaints
12. New Generation Employee Management Skills
13. Analysis of unit financial statements
14. CPR and AED Training in the workplace
15. Leadership and Ministry Formation Guidance
16. Innovative leadership team goal setting for performance
17. New Wisdom for Old Brands - Creative Marketing Practices and Channel Layout Strategies
18. Licensed Chef Hygiene Lecture
19. The HACCP Lecture

(2) Since July 1, 2005, the Company has established certain retirement provisions in accordance with the "Labor Pension Statutes", which are applicable to employees of the same nationality. For employees who choose to apply the labor pension system prescribed in the "Labor Pension Statutes", the Company shall contribute the labor pension at a rate of not less than 6% of their monthly salary to the personal account of employees of the Bureau of Labor Insurance. The payment of the employee's pension shall be made in monthly pension or lump sum pension according to the employee's individual pension account and the amount of accumulated benefits.

VI. Important Contracts: None.

# Chapter 6. Financial Overview

## I. Condensed Balance Sheet and Composite Income Statement for the Last Five Years, and Indicate the Name of the Accountant and His/Her Opinion on Audit

### (I) Condensed Balance Sheet and Composite Income Statement - International Accounting Standards

#### Concise Balance Sheet

#### (1) Consolidated Financial Report

Unit: NT\$ 1,000

Item	Annual	Financial Information for the Most Recent 5 Years (Note 1)					Current Year Up To March 31, 2020 Financial Information (Note 2)
		2015	2016	2017	2018	2019	
Current Assets		521,220	937,250	1,831,837	2,540,108	2,213,406	2,143,497
Real Estate, Plant and Equipment		2,975,895	3,522,213	2,900,500	2,929,346	4,279,580	4,257,853
Intangible Assets		388,762	551,943	423,033	403,004	750,664	744,152
Other Assets		57,853	88,871	150,937	127,575	402,775	489,923
Total Assets		3,943,730	5,100,277	5,306,307	6,000,033	7,646,425	7,635,425
Current Liability	Before Distribution	1,775,391	1,399,563	1,844,362	1,645,475	2,956,059	2,387,782
	After Distribution	1,775,391	1,399,563	1,844,362	1,645,475	Note3	-
Non-Current Liability		955,219	2,528,878	2,374,010	3,005,490	3,401,101	3,953,074
Total Liabilities	Before Distribution	2,730,610	3,868,441	4,218,372	4,650,965	6,357,160	6,340,856
	After Distribution	2,741,960	3,883,196	4,218,372	4,671,425	Note3	-
Equity Attributable to Owners of Parent Company		1,213,120	1,231,836	1,087,935	1,349,068	1,289,265	1,294,569
Share Capital		945,835	983,668	1,023,015	1,023,015	1,104,856	1,104,856
Capital Surplus		2,169	2,169	2,169	2,169	2,169	2,169
Retained Earnings	Before Distribution	177,428	189,672	133,262	348,224	241,231	235,766
	After Distribution	128,245	129,428	133,262	224,657	Note3	-
Other Equities		87,688	56,327	(70,511)	(24,340)	(58,991)	(48,222)
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interest		-	-	-	-	-	-
Equities Total Amount	Before Distribution	1,213,120	1,231,836	1,087,935	1,349,068	1,289,265	1,294,569
	After Distribution	1,201,770	1,217,081	1,087,935	1,328,608	Note3	-

Note 1: Financial information for each year has been audited by CPAs

Note 2: The Company's consolidated financial report for the first quarter of 2020 has been reviewed by the accountant.

Note 3: As of March 19, 2020, the regular meeting of shareholders of the Company has not been held.

## Concise Balance Sheet

### (2) Individual Financial Report

Unit: NT\$ 1,000

Annual Item		Financial Information for the Most Recent 5 Years (Note 1)				
		2015	2016	2017	2018	2019
Current Asset		24,377	25,332	477,439	633,371	1,104,734
Real Estate, Plant and Equipment		792,182	760,257	732,376	712,968	686,263
Permanent Investment		2,038,256	2,102,093	1,575,089	1,868,627	1,654,003
Other Assets		6,351	11,227	41,219	44,832	59,256
Total Assets		2,861,166	2,898,909	2,826,123	3,259,798	3,504,256
Current Liability	Before Distribution	1,112,958	1,159,063	1,276,340	1,411,909	1,743,381
	After Distribution	1,112,958	1,159,063	1,276,340	1,411,909	1,743,381
Non-Current Liability		535,088	508,010	461,848	498,821	471,610
Total Liabilities	Before Distribution	1,648,046	1,667,073	1,738,188	1,910,730	2,214,991
	After Distribution	1,659,396	1,681,828	1,738,188	1,931,190	Note3
Equity Attributable to Owners of Parent Company		1,213,120	1,231,836	1,087,935	1,349,068	1,289,265
Share Capital		945,835	983,668	1,023,015	1,023,015	1,104,856
Capital Surplus		2,169	2,169	2,169	2,169	2,169
Retained Earnings	Before Distribution	177,428	189,672	133,262	348,224	241,231
	After Distribution	128,245	129,428	133,262	224,657	Note3
Other Equities		87,688	56,327	(70,511)	(24,340)	(58,991)
Treasury Stock		-	-	-	-	-
Non-Controlling Interest		-	-	-	-	-
Equities Total Amount	Before Distribution	1,213,120	1,231,836	1,087,935	1,349,068	1,289,265
	After Distribution	1,201,770	1,217,081	1,087,935	1,328,608	Note3

Note 1: Individual financial report certified by an accountant.

Note 2: As of March 19, 2020, the regular meeting of shareholders of the Company has not been held.

Concise Composite Income Statement  
(1) Consolidated Financial Report

Unit: NT\$ 1,000

Year Items	Financial Information for the Most Recent 5 Years (Note 1)					Current Year Up To March 31, 2020 Financial Information(Note 2)
	2015	2016	2017	2018	2019	
Operating Income	868,056	1,386,669	1,365,015	1,169,715	1,520,242	277,921
Operating Margin	668,693	1,062,841	1,035,348	941,812	1,287,691	220,326
Operating Profit and Loss	105,267	177,372	137,476	82,040	219,650	(13,538)
Non-Operating Income and Expenditure	( 31,146)	( 66,656)	( 97,674)	316,443	(191,358)	(29,109)
Net Profit Before Tax	74,121	110,716	39,802	398,483	28,292	(42,267)
Continuing Operation Unit Current Net Profit	56,771	61,427	(2,308)	212,662	(4,692)	(5,465)
Loss from Discontinued Operations	-	-	-	-	-	-
Current Net Profit (Loss)	56,771	61,427	(2,308)	212,662	(4,692)	(5,465)
Current Other Comprehensive Profit and Loss (Net Amount After Tax)	39,397	(31,361)	(126,838)	48,471	(34,651)	10,769
Current Total Comprehensive Profit and Loss	96,168	30,066	(129,146)	261,133	(39,343)	5,304
Net Profit Attributable to Owners of the Parent Company	56,771	61,427	(2,308)	212,662	(4,692)	(5,465)
Net Profit Attributable to Non-Controlling Interests	-	-	-	-	-	-
Total Comprehensive Profit and Loss Attributable to Owners of Parent Company	96,168	30,066	(129,146)	261,133	(39,343)	5,304

Total Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-	-
Earnings Per Share	0.51	0.56	(0.02)	1.92	(0.04)	(0.05)

Note 1: Financial information for each year has been audited by accountants.

Note 2: The Company's consolidated financial report for the first quarter of 2020 has been reviewed by the accountant.

Note 3: As of March 19, 2020, the regular meeting of shareholders of the Company has not been held.

## Concise Composite Income Statement

### (2) Individual Financial Report

Unit: NT\$ 1,000

Year Items	Financial Information for the Most Recent 5 Years (Note 1)				
	2015	2016	2017	2018	2019
Operating Income	192,492	162,810	121,206	102,640	153,657
Operating Margin	120,043	95,790	66,352	49,074	101,895
Operating Profit and Loss	288	( 8,005)	(32,874)	(44,061)	(4,877)
Non-Operating Income and Expenditure	69,336	82,243	30,503	330,849	5,790
Net Profit Before Tax	69,624	74,238	(2,371)	286,788	913
Continuing Operation Unit Current Net Profit	56,771	61,427	(2,308)	212,662	(4,692)
Loss from Discontinued Operations	-	-	-	-	-
Current Net Profit (Loss)	56,771	61,427	(2,308)	212,662	(4,692)
Current Other Comprehensive Profit and Loss (Net Amount After Tax)	39,397	(31,361)	(126,838)	48,471	(34,651)
Current Total Comprehensive Profit and Loss	96,168	30,066	(129,146)	261,133	(39,343)
Net Profit Attributable to Owners of the Parent Company	56,771	61,427	(2,308)	212,662	(4,692)
Net Profit Attributable to Non-Controlling Interests	-	-	-	-	-

Total Comprehensive Profit and Loss Attributable to Owners of Parent Company	96,168	30,066	(129,146)	261,133	(39,343)
Total Comprehensive Income Attributable to Non-Controlling Interests	-	-	-	-	-
Earnings Per Share	0.51	0.56	(0.02)	1.92	(0.04)

Note 1: Individual financial report certified by an accountant.

Note 2: As of March 19, 2020, the regular meeting of shareholders of the Company has not been held.

## (II) Name and Opinion of the Accountant

Year	CPA Firm	Name of CPA	Auditor's Opinion
2015	PwC Taiwan	Yi-Chang Lin, Chien-Chih Wu	Unqualified Opinion
2016	PwC Taiwan	Chien-Chih Wu, A-Shen Liao	Unqualified Opinion
2017	PwC Taiwan	Chien-Chih Wu, A-Shen Liao	Unqualified Opinion
2018	PwC Taiwan	Chien-Chih Wu, A-Shen Liao	Unqualified Opinion
2019	PwC Taiwan	A-Shen Liao, Chien-Chih Wu	Unqualified Opinion

## II. Financial Analysis for the Most Recent 5 Years

### (I) Financial Analysis - International Accounting Standards

#### (1) Consolidated Financial Report

Year (Note 1) Analysis Items (Note 3)		Financial Analysis for the Most Recent 5 Years					Current Year Up To March 31, 2020 (Note 2)	
		2015	2016	2017	2018	2019		
Financial Structure (%)	Ratio of Liabilities to Assets	69.23	75.84	79.49	77.52	83.14	83.05	
	Ratio of Long-Term Capital to Real Estate Plant, and Equipment	72.86	106.77	119.35	148.65	109.60	123.25	
Debt-Paying Capacity (%)	Current Ratio	29.35	69.96	99.32	154.37	74.88	89.77	
	Quick Ratio	28.87	69.37	98.80	153.86	74.54	89.28	
	Interest Coverage Ratio	339.54	261.76	140.38	385.37	114.12	7.01	
Operating Capacity	Receivables Turnover Rate (Times)	31.71	34.55	35.72	34.25	43.31	12.08	
	Average Collection Days	11.51	10.56	10.22	10.65	8.43	30.22	
	Inventory Turnover Rate (Times)	42.54	38.62	36.94	53.12	44.47	23.11	
	Payables Turnover Rate (Times)	18.46	34.55	35.79	25.74	43.44	21.47	
	Average Days for Sale	8.58	9.45	9.88	6.87	8.21	15.79	
	Real Estate Plant, and Equipment Turnover Rate (Times)	0.37	0.42	0.43	0.40	0.36	0.07	
	Total Asset Turnover Rate (Times)	0.26	0.30	0.26	0.21	0.22	0.04	
Profitability Capacity	Rate of Return on Assets (%)	2.54	2.61	1.52	5.74	2.28	0.41	
	Rate of Return on Equity (%)	4.84	5.02	(0.19)	17.45	-0.36	-0.42	
	Paid-In Capital Ratio (%)	Operating Profit	11.13	18.03	13.43	8.02	19.88	-1.23
		Net Profit Before Tax	7.84	11.25	3.89	38.95	2.56	-3.86
	Profit Margin (%)	6.54	4.42	(0.16)	18.18	-0.31	-1.97	
	Earnings Per Share (NT\$)	0.55	0.60	(0.02)	2.08	-0.04	-0.05	
Cash Flow	Cash Flow Ratio (%)	12.46	32.45	16.63	3.23	9.52	1.49	
	Cash Flow Adequacy Ratio (%)	—	161.84	283.92	280.48	320.50	312.39	
	Cash Flow Reinvestment Ratio (%)	6.41	8.30	5.94	0.88	3.99	0.53	
Degree of Leverage	Degree of Operating Leverage	2.51	2.62	3.22	3.48	6.77	-20.06	
	Degree of Financial Leverage	1.41	1.62	3.53	(1.42)	11.40	0.23	

Reasons for changes in various financial ratios in the last 2 years (increased or decreased changes of more than 20%):

1. The decrease in return on equity is due to the net loss after tax this year, so the ratio is negative.
2. The decrease in net profit ratio is due to the net loss after tax this year, so the ratio is negative.
3. The increase in the cash reinvestment ratio is due to the increase in net cash inflow from operating activities.
4. Increased financial leverage is due to increased operating profit.

## (2) Individual Financial Report

Year (Note 1) Analysis Items (Note 3)		Financial Analysis for the Most Recent 5 Years					
		2015	2016	2017	2018	2019	
Financial Structure (%)	Ratio of Liabilities to Assets	57.60	57.51	61.50	58.61	63.21	
	Ratio of Long-Term Capital to Real Estate Plant, and Equipment	220.68	228.85	211.61	259.18	256.59	
Debt-Paying Capacity (%)	Current Ratio	2.19	2.19	37.41	44.86	63.37	
	Quick Ratio	1.78	1.77	37.13	44.68	63.18	
	Interest Coverage Ratio	663.29	451.27	86.63	1769.70	104.27	
Operating Capacity	Receivables Turnover Rate (Times)	60.11	37.98	23.11	17.93	22.73	
	Average Collection Days	6.07	9.61	15.79	20.36	16.06	
	Inventory Turnover Rate (Times)	42.54	38.62	36.94	91.45	44.90	
	Payables Turnover Rate (Times)	6.71	7.15	7.18	7.65	10.73	
	Average Days for Sale	8.58	9.45	9.88	3.99	8.13	
	Real Estate Plant, and Equipment Turnover Rate (Times)	0.24	0.21	0.16	0.14	0.22	
	Total Asset Turnover Rate (Times)	0.08	0.06	0.04	0.03	0.05	
Profitability Capacity	Rate of Return on Assets (%)	2.83	2.74	0.43	7.46	0.37	
	Rate of Return on Equity (%)	4.84	5.02	(0.20)	17.45	-0.36	
	Paid-In Capital Ratio (%)	Operating Profit	0.03	(0.81)	(3.21)	(4.31)	-0.44
		Net Profit Before Tax	7.36	7.55	(0.23)	28.03	0.08
	Profit Margin (%)	29.49	37.73	(1.90)	207.19	-3.05	
	Earnings Per Share (NT\$)	0.55	0.60	(0.02)	2.08	-0.04	
Cash Flow	Cash Flow Ratio (%)	2.40	(0.80)	1.38	(0.91)	-0.45	
	Cash Flow Adequacy Ratio (%)	—	9.38	24.68	25.44	-26.75	
	Cash Flow Reinvestment Ratio (%)	0.61	(0.96)	(1.63)	(0.55)	-0.98	
Degree of Leverage	Degree of Operating Leverage	113.21	(2.92)	0.07	0.33	-25.35	
	Degree of Financial Leverage	(0.02)	0.27	0.65	0.72	0.19	

Reasons for changes in various financial ratios in the last two years (increased or decreased changes of more than 20%):

1. The decrease in return on equity is due to the net loss after tax this year, so the ratio is negative.
2. The decrease in net profit ratio is due to the net loss after tax this year, so the ratio is negative.
3. The allowable cash flow ratio is due to the net cash inflow from operating activities during the year, so the ratio is negative.
4. The operating leverage is due to the net loss after tax this year, so the ratio is negative.

Note 1: The year in which has not been certified by an accountant shall be indicated.

Note 2: TWSE listed companies or whose shares have been purchased or sold at the business premises of a securities firm shall incorporate into their analysis the financial information of the year ended in the quarter prior to the publication date of the annual report.

Note 3: At the end of this table of the annual report, the following calculation formula should be listed:

1. Financial Structure

(1) Liabilities to Assets Ratio = Total Liabilities / Total Assets.

(2) Long-Term Capital to Property, Plant, And Equipment Ratio = (Total Equity + Non-Circulating Liability) / Net Amount of Property, Plant and Equipment.

2. Solvency

(1) Current Ratio = Circulating Asset / Circulating Liability.

(2) Quick Ratio = (Circulating Asset – Inventory – Prepaid Expense) / Circulating Asset.

(3) Interest Coverage Ratio = Net Profit Before Income Tax and Interest Expense / Current Interest Expenditure

3. Operating Performance

(1) Accounts Receivable (including receivable and bills receivable arising from business operations) Turnover Rate = Net Sales / Balance of Average Receivable in Various Periods (including accounts receivable and bills receivable arising from business operations).

(2) Average Collection Days = 365 / Receivables Turnover Rate.

(3) Inventory Turnover Rate = Cost of Sales / Average Inventory Value.

(4) Accounts Payable (including payable and bills payable arising from business operations) Turnover Rate = Cost of Sales / Balance of Average Payable in Various Periods (including accounts payable and bills payable arising from business operations).

(5) Average Days of Sales = 365 / Inventory Turnover Rate.

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Amount of Property, Plant and Equipment.

(7) Total Asset Turnover Rate = Net Sales / Average Total Assets.

4. Profitability Capacity

(1) Return on Asset = [Post-Tax Profit or Loss + Interest Expense (1–Tax Rate)] / Average Total Assets.

(2) Return on Equity = Post-Tax Profit or Loss / Average Total Equity.

(3) Profit Margin = Post-Tax Profit or Loss / Net Sales.

(4) Earnings Per Share = (Gain or Loss Attributable to Owners of the Parent Company – Preference Dividend) / Weighted Average Number of Issued Shares.

(Note 4)

#### 5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Circulating Liability.

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Past 5 Years / (Capital Expenditure + Inventory Increase + Cash Dividends) for the Past 5 Years.

(3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Property, Plant and Equipment + Permanent Investment + Other Non-Current Assets + Operating Capital). (Note 5)

#### 6. Degree of Leverage

(1) Degree of Operating Leverage = (Net Operating Income - Variable Operating Costs and Expenses) / Operating Profit

(2) Degree of Financial Leverage = Operating Profit / (Operating Profit - Interest Expense).

Note 4: The above formula for earnings per share shall be calculated with special attention to the following matters:

1. The weighted average is based on the number of ordinary shares, not the number of issued shares at the end of the year.
2. Traders with cash additions or treasury stocks shall calculate the weighted average shares, taking into account their period of circulation.
3. Where there is surplus to capital increase or capital reserve to capital increase, when calculating the earnings per share of previous years and half years, it shall be retroactively adjusted according to the proportion of capital increase, and it is not necessary to consider the issuance period of such capital increase.
4. If the preferred stocks are non-convertible accumulated special stocks, the current year dividend (whether or not issued) shall be deducted from the net after-tax profit or increased net after-tax loss. If the preferred stocks are non-cumulative in nature, the dividend of the preferred stocks shall be deducted from the net after-tax profit if there is net after-tax profit; If it is a loss, it needs not be adjusted.

Note 5: The cash flow analysis shall be calculated with special attention to the following matters:

1. Net cash flow of operating activities refers to the net cash inflow of operating activities in the cash flow table.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The goods on hand increase is only recorded when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be counted as zero.
4. Cash dividends include cash dividends for ordinary shares and preferred stocks.
5. Gross property, plant and equipment refers to the total amount of property, plant and

equipment before the deduction of accumulated depreciation.

Note 6: The issuer shall classify the various operating costs and operating expenses into fixed and variable according to their nature, and shall pay attention to the reasonableness and maintain the consistency if it involves estimation or subjective judgment.

Note 7: The ratio of paid-in capital of a foreign company shall be calculated on the basis of the ratio of net value.

(III) Other important information that can enhance the understanding of the financial position, operating results and cash flow or its trend: None.

3. Audit Committee's audit report of the most recent annual financial report

## **Hotel Holiday Garden**

### **Audit Report from the Auditing Committee**

The Board is expected to send the 2019 company's annual business report including the individual financial report, the consolidated financial report, and the proposal of surplus distribution. Upon the inspection of the Audit Committee, and no discrepancy found, and the report is prepared according to Article 14-4 of the Securities & Exchange Act and Article 219 of the Company Act, the aforementioned financial statements and documents are fairly presented as stated.

Regards

The 2020 Annual Meeting of Shareholders of Hotel Holiday Garden

Auditing Committee

GUO-YIN LU, Convener

March 19, 2020

4. The most recent annual financial statements including the audited statements of the accountant, the Balance Sheet, the Income Sheet, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows, and the notes or tables, with two years comparison.

attachment1

Independent Accountant's Report

(2020.) Tsai Shen Pao Tzu No.19004556

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, 2019 and 2018, the parent company only statements of comprehensive income of January 1 to December 31 of 2019 and 2018, 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, 2019 and 2018 and its financial performance and cash flows for the period from January 1 to December 31 of 2019 and 2018 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 2019 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 2019 of the Holiday Garden International Ltd.:

Evaluation of investment impairment accounted for using the equity method :

### **Investment which adopting to Equity method —Business Mergers and Acquisitions**

#### Description

Adopted to Equity method of accounting policy, please refer to parent company financial report note4(12).Description of investment which adopting to equity method of accounting policy,please refer to parent company financial report note6(4).Subsidiary of Holiday Garden International Ltd. Acquired Hotel Hyatt Place Emeryville with 2,045,468,000 NTD on April 12, 2019 which adopting accounting policy. Due to the significant estimation of management and purchase price allocation, the mergers and acquisition amount is material of this year, we recognized the mergers and acquisitions of subsidiary as one of major audit program of this year.

#### Corresponding audit program

1. We have implemented the following audit program corresponding to the aforementioned audit matter.
2. We have learned to obtain an understanding of internal control of Holiday Garden International Ltd. and subsidiary , inspect the related document of board of directors, and make sure the investment has been executed with the relevant procedures.
3. We have confirmed the purchase consideration, review the mergers and acquisition contract, and confirm price payment instrument.
4. We have obtained the purchase price allocation, evaluated the independence of external specialist, reviewed the information of the report. The auditor evaluated the valuation method and assumptions used in report to assess the purchase price allocation.

#### **Adopting to Equity method “ impairment evaluation of investment”**

### Description

For accounting policies on investments accounted for using the equity method, please refer to Note 4(12) 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, 2019 of subsidiaries of Holiday Garden International Ltd. is NT\$750,664,000, accounting for 9.82% 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.

## **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 ◦

## **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 reasonable 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

Liao A-shen

Wu Chien-chih

Financial Supervisory Commission

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

Former Financial Supervisory Commission of Executive  
Yuan

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

March 19, 2020

Holiday Garden International Ltd.  
Parent Company Only Balance Sheet  
December 31 of 2019 and 2018

Unit: NT\$, 000

Assets	Notes	December 31, 2019		December 31, 2018		
		A m o u n t	%	A m o u n t	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 91,968	3	\$ 30,969	1
1136	Net notes receivable	8	998,986	29	589,226	18
1150	Net accounts receivable	6(2)	938	-	400	-
1170	Other accounts receivable	6(2)	6,428	-	5,757	-
1200	Tax assets		2,874	-	3,355	-
1220	Inventories		-	-	1,051	-
130X	Advance payments	6(3)	993	-	332	-
1410	Other financial assets - current		2,306	-	2,188	-
1479	Other current assets - others		241	-	93	-
11XX	<b>Total current assets</b>		<u>1,104,734</u>	<u>32</u>	<u>633,371</u>	<u>19</u>
<b>Non-current assets</b>						
1550	Investments accounted for using the equity method	6(4)	1,654,003	47	1,868,627	57
1600	Property, plants, and equipment	6(5) and 8	686,263	19	712,968	22
1755	Right-of-use asset	6(6)	1,957	-	-	-
1840	Deferred tax assets	6(21)	56,921	2	43,745	2
1920	Guarantee deposits paid		378	-	1,087	-
15XX	<b>Total non-current assets</b>		<u>2,399,522</u>	<u>68</u>	<u>2,626,427</u>	<u>81</u>
1XXX	<b>Total Assets</b>		<u>\$ 3,504,256</u>	<u>100</u>	<u>\$ 3,259,798</u>	<u>100</u>

(Next page)

Holiday Garden International Ltd.  
Parent Company Only Balance Sheet  
December 31 of 2019 and 2018

Unit: NT\$, 000

Liabilities and equity	Notes	December 31, 2019		December 31, 2018		
		A m o u n t	%	A m o u n t	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(7) and 8	\$ 1,530,000	44	\$ 1,204,500	37
2110	Short-term notes and bills payable	6(8)	130,000	4	130,000	4
2130	Contractual liabilities - current	6(15)	8,196	-	6,967	-
2150	Notes payable		322	-	1,366	-
2170	Accounts payable		2,519	-	5,441	-
2200	Other accounts payable		15,663	-	12,917	1
2230	Income tax liabilities		1,370	-	-	-
2280	Unearned receipts		586	-	-	-
2320	Long-term liabilities - current portion	6(9) and 8	52,196	2	49,019	2
2399	Other current liabilities - others		2,529	-	1,699	-
21XX	<b>Total current liabilities</b>		<u>1,743,381</u>	<u>50</u>	<u>1,411,909</u>	<u>44</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(9) and 8	56,010	1	90,273	3
2570	Deferred income tax liabilities	6(21)	285,764	8	280,216	8
2580	Lease obligation -non current		1,389	-	-	-
2610	Long-term notes and accounts payable	6(5)	127,577	4	127,577	4
2645	Guarantee deposits received		870	-	755	-
25XX	<b>Total non-current liabilities</b>		<u>471,610</u>	<u>13</u>	<u>498,821</u>	<u>15</u>
2XXX	<b>Total liabilities</b>		<u>2,214,991</u>	<u>63</u>	<u>1,910,730</u>	<u>59</u>
<b>Equity</b>						
<b>Capital stock</b>						
		6(11)(13)				
3110	Common share capital		1,104,856	32	1,023,015	31
<b>Capital surplus</b>						
		6(12)				
3200	Capital surplus		2,169	-	2,169	-
<b>Retained earnings</b>						
		6(13)				
3310	Legal reserve		82,561	2	61,295	2
3320	Special reserve		71,161	2	71,161	2
3350	Retained earnings		87,509	3	215,768	7
<b>Other equity</b>						
3400	Other equity	6(14)	( 58,991)	( 2)	( 24,340)	( 1)
3XXX	<b>Total equity</b>					
<b>Major events after the reporting period</b>						
			1,289,265	37	1,349,068	41
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,504,256</u>	<u>100</u>	<u>\$ 3,259,798</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: Yu Su-ling

Holiday Garden International Ltd.  
Parent Company Only Statement of Comprehensive Income  
January 1 to December 31 of 2019 and 2018

				Unit: NT\$, 000			
		(Except earnings (loss) per share, which is in NT\$, 0.00)					
Item	Notes	2019		2018			
		A m o u n t	%	A m o u n t	%		
4000	<b>Operating revenue</b>	6(15)	\$ 153,657	100	\$ 102,640	100	
5000	<b>Operating cost</b>	6(3)(19)	( 51,762)	( 34)	( 53,566)	( 52)	
5900	<b>Operating gross profit</b>		101,895	66	49,074	48	
	<b>Operating expenses</b>	6(19)(20)					
6200	Management expense		( 106,647)	( 69)	( 93,135)	( 91)	
6450	Expected credit impairment loss	12(2)	( 125)	-	-	-	
6000	<b>Total operating expense</b>		( 106,772)	( 69)	( 93,135)	( 91)	
6900	<b>Operating loss</b>		( 4,877)	( 3)	( 44,061)	( 43)	
	<b>Nonoperating income and</b>						
7010	Other income	6(16)	24,155	16	13,069	13	
7020	Other gains and losses	6(17)	( 31,595)	( 21)	14,803	14	
7050	Financial cost	6(18)	( 21,375)	( 14)	( 17,176)	( 17)	
7070	Share of profit or loss of	6(4)	34,605	23	320,153	312	
7000	<b>Total non-operating income</b>		5,790	4	330,849	322	
7900	<b>Net profit (loss) before tax</b>		913	1	286,788	279	
7950	Income tax (expense) benefits	6(21)	( 5,605)	( 4)	( 74,126)	( 72)	
8200	<b>Net profit (loss)</b>		( \$ 4,692)	( 3)	\$ 212,662	207	
	<b>Other comprehensive income</b>						
	<b>Items may be subsequently</b>						
8361	Exchange differences on	6(14)	( \$ 43,314)	( 28)	\$ 55,805	54	
8399	Income tax of items that may be	6(21)	8,663	5	( 7,334)	( 7)	
8300	<b>Other comprehensive income</b>		( \$ 34,651)	( 23)	\$ 48,471	47	
8500	<b>Total comprehensive income</b>		( \$ 39,343)	( 26)	\$ 261,133	254	
	<b>Earnings (loss) per share</b>	6(22)					
9750	<b>Basic</b>		( \$ 0.04)		\$ 1.92		
9850	<b>dilution</b>		( \$ 0.04)		\$ 1.92		

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 : Yu Su-ling

Holiday Garden International Ltd.  
Parent Company Only Statements of Changes in Equity  
January 1 to December 31 of 2019 and 2018

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	Exchange differences of foreign translation	Unrealized gain or loss available-for-sale financial assets		
<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(14)	-	-	-	-	2,300	-	(2,300)	-
Balance after restatement, January 1,		<u>1,023,015</u>	<u>2,169</u>	<u>61,295</u>	<u>71,161</u>	<u>3,106</u>	<u>(72,811)</u>	-	<u>1,087,935</u>
Net income		-	-	-	-	212,662	-	-	212,662
Other comprehensive income	6(14)	-	-	-	-	-	48,471	-	48,471
Total comprehensive income		-	-	-	-	212,662	48,471	-	261,133
Balance, December 31, 2018		<u>\$1,023,015</u>	<u>\$ 2,169</u>	<u>\$ 61,295</u>	<u>\$ 71,161</u>	<u>\$215,768</u>	<u>(\$ 24,340)</u>	<u>\$ -</u>	<u>\$ 1,349,068</u>
<u>2019</u>									
Balance, January 1, 2019		<u>\$1,023,015</u>	<u>\$ 2,169</u>	<u>\$ 61,295</u>	<u>\$ 71,161</u>	<u>\$215,768</u>	<u>(\$ 24,340)</u>	<u>\$ -</u>	<u>\$ 1,349,068</u>
Net loss		-	-	-	-	(4,692)	-	-	(4,692)
Other comprehensive income	6(14)	-	-	-	-	-	(34,651)	-	(34,651)
Total comprehensive income		-	-	-	-	(4,692)	(34,651)	-	(39,343)
2018 Appropriation and distribution of retained earnings:									
Legal reserve		-	-	21,266	-	(21,266)	-	-	-
Stock dividends	6(13)	81,841	-	-	-	(81,841)	-	-	-
Cash dividends	6(13)	-	-	-	-	(20,460)	-	-	(20,460)
Balance, December 31, 2019		<u>\$1,104,856</u>	<u>\$ 2,169</u>	<u>\$ 82,561</u>	<u>\$ 71,161</u>	<u>\$ 87,509</u>	<u>(\$ 58,991)</u>	<u>\$ -</u>	<u>\$ 1,289,265</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: Yu Su-ling

Holiday Garden Hotel Co., Ltd.  
Parent Company Only Cash Flow Statement  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

	Notes	2019	2018
<b><u>Cash flows from operating activities</u></b>			
Net profit (losses) before tax		\$ 913	\$ 286,788
Adjustments:			
Revenue/expenses			
Provision for bad debt expense	12(2)	125	-
Depreciation expenses	6(5)(6)(19)	28,836	29,591
Interest expense	6(18)	21,375	17,176
Interest income	6(16)	( 21,077 )	( 10,713 )
Share of profit of subsidiaries, associates, joint ventures accounted for using equity method	6(4)	( 34,605 )	( 320,153 )
Loss on disposal and write-off of property, plants, and equipment	6(17)	( 62 )	-
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable		( 538 )	883
Accounts receivable		( 796 )	( 1,745 )
Inventories		( 661 )	507
Advance payments		( 118 )	476
Other current assets - others		( 148 )	( 45 )
Net changes in liabilities related to operating activities			
Contractual liabilities - current		1,229	( 2,878 )
Notes payable		( 1,044 )	( 547 )
Accounts payable		( 2,922 )	158
Other accounts payable		2,758	( 4,782 )
Unearned receipts		830	-
Operating cash inflows (outflows)		( 5,905 )	( 5,284 )
Interests received		21,558	10,551
Interests paid		( 21,387 )	( 17,070 )
Income taxes paid		( 2,149 )	( 1,051 )
Net cash outflows from operating activities		( 7,883 )	( 12,854 )
<b><u>Cash flows from investment activities</u></b>			
Other financial assets - increased flows		( 409,760 )	( 147,784 )
Acquisition of investments accounted for using the equity method	6(4)	( 400,000 )	( 40,000 )
Cash returned from capital reduction of investments accounted for using the equity method	6(4)	605,915	122,420
Acquisition of property, plants, and equipment	6(24)	( 1,973 )	( 11,098 )
Disposal of property, plants, and equipment		495	-
Increase (decrease) in guarantee deposits paid		709	800
Net cash outflows from investment activities		( 204,614 )	( 75,662 )
<b><u>Cash flows from fundraising activities</u></b>			
Increase in short-term borrowings	6(25)	1,660,000	1,517,500
Decrease in short-term borrowings	6(25)	( 1,334,500 )	( 1,372,977 )
Lease capital repayment	6(25)	( 573 )	-
Long-term borrowings	6(25)	20,000	-

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

Holiday Garden Hotel Co., Ltd.  
Parent Company Only Cash Flow Statement  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

	Notes	2019	2018
Payments of long-term borrowings	6(25)	( 51,086 )	( 48,996 )
Increase in guarantee deposits received		115	-
Distribution of cash dividends	6(13)	( 20,460 )	-
Net cash inflows from fundraising activities		273,496	95,527
Increase in cash and cash equivalents		60,999	7,011
Cash and cash equivalents, beginning of the period	6(1)	30,969	23,958
Cash and cash equivalents, end of the period	6(1)	\$ 91,968	\$ 30,969

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

Holiday Garden International Ltd.  
Notes for Parent Company Only Financial Statements  
2019 and 2018

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, 2020 ◦

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 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”

- 1.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.
- 2.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 \$2,537 on January 1, 2019 ◦
- 3.The Company will elect to apply the guidance of IFRS 16 and apply the following practical expedients:
  - (1) Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.
  - (2)The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
  - (3) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases , The amount recognized of the2019 contract:\$663.
  - (4)The company will exclude initial direct costs from the measurement of right-of-use assets. weighted average interest rate:1.68%
  - (5)According to IAS17 ,the lease liabilities will be measured at the present value of the remaining lease payments by using the incremental borrowing rate on January 1,2019 :

Adopted the IAS17 “Operating Lease”	\$ 3,515
Less: Exemption of short-term lease	( 663)
Leases of low-value assets	<u>( 217)</u>
Adopted IFRS16 “Total amount of Lease obligation contract”	<u>\$ 2,635</u>
First applicability of the incremental borrowing rate of interest	1.68%
Adopted to lease obligations recognized by IFRS16 from January 1,2020	<u>\$ 2,537</u>

(2)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 2020 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 and IAS8 “Disclosure Initiative -Definition of materiality”	January 1, 2020
Amendments to IFRS3 “Definition of a Business”	January 1, 2020
Amendments to IFRS9,IAS39 and IFRS7 “Interest Index Change”	January 1, 2020

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

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

<u>Newly issued/revised/amended standards and interpretations</u>	<u>Effective date of issuance by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 “ Sale or Contribution of Assets between an investor and its Associate or Joint Venture”	To be decided by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS1 「 Classifications of current or Non-current liabilities 」	January 1, 2022

The Company has determined that the above standards and interpretations have 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) 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

(1) 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) 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.

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) Financial assets at amortized cost

1. Financial assets at cost are corresponding to the following conditions :

- (1) The business model of the company which owns such financial assets is to collect the contractual cash flows as purpose.
  - (2) The contractual cash flows of specific financial asset under consideration are on account of repayment of principal and interest and they occur on specified dates.
2. The Group uses trade day accounting for financial assets measured at amortized cost through profit or loss and satisfying the accounting practice.
3. The Group measured transaction cost of initial recognition which reported at fair value .Using the effective interest method and is recognized in profit and loss which are recognized in profit and loss when the asset is derecognized.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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

(14) Lease transaction of Lessee – Right-of-use asset/Lease obligations

2019 applicable

1. Leased assets are recognized as right-of-use assets and lease liabilities at the date they become available for use by the Group. The lease payments are recognized as an expense over the lease term using the straight-line basis when a lease contract is a short-term lease or a lease of a low-value subject asset
2. Recognized the lease obligations as the present value of incremental borrowing rate of interest which lease started .The lease benefit included fixed benefit ,and deducted any Incentive. Provided the interest during the lease by measuring the cost after amortization whit adopting interest method . The group will reevaluate lease obligations and adjust the right-of-use assets when the lease term or benefit changed by amending non-contract.
3. Right-of-use assets are recognized as cost at the beginning of the lease .The cost includes the original measured amount of the lease liabilities. The useful life of right-of-use assets or the expiry date of the lease term will be provided to be depreciation. The right-if-use asset will adjust any remeasurement of the lease liabilities which is reassessed.

(15) Operating lease (lessor)

Applicable in 2018

Payments given under operating leases, net of any incentives from the lessor, are

recognized in profit or loss on a straight-line basis over the term of the lease.

(16) 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.

(17) 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.

(18) 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.

(19) Derecognition of financial liabilities

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

(20) 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.

(21) 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.

## (22) 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.

(23) 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 ◦

(24) 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, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash in treasury and working funds	\$ 1,485	\$ 760
Checking deposits and demand deposits	29,517	20,209
	<u>31,002</u>	<u>20,969</u>
Cash equivalents:		
Time deposits:	60,966	10,000
	<u>\$ 91,968</u>	<u>\$ 30,969</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, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 938	\$ 400
Less: Allowance for doubtful accounts	<u>          -</u>	<u>          -</u>
	<u>\$ 938</u>	<u>\$ 400</u>
Accounts receivable		
Less: Allowance for doubtful accounts	\$ 6,553	\$ 5,757
Notes receivable	<u>( 125)</u>	<u>          -</u>
Less: Allowance for doubtful accounts	<u>\$ 6,428</u>	<u>\$ 5,757</u>

1. Aging analysis of accounts and notes receivable :

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due and past due for 1 to 30 days	\$ 6,336	\$ 5,591
Past due for 31 to 90 days	1,035	497
Past due for more than 94 days	<u>120</u>	<u>69</u>
	<u>\$ 7,491</u>	<u>\$ 6,157</u>

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

- The balance of receivable(included note receivable) between the contract and company on December 31 , 2019 ,December 31, 2018 and January 1,2018 are \$7,491,\$6,157 and \$5,295.
- The Company does not t hold any collateral as security.
- 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, 2019 and 2018 was NT\$938 and NT\$400 respectively. The Company's maximum amount of credit risk exposure of the most representing accounts receivable for December 31, 2019 and 2018 was NT\$6,428 and NT\$5,757 respectively.
- For information related to credit risk of accounts and notes receivable, please refer to 12(2) .

(3) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for price decline in inventories</u>	<u>Carrying amount</u>
Foods and non-alcoholic and alcoholic beverages	<u>\$ 993</u>	<u>\$ -</u>	<u>\$ 993</u>
	<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>

The inventory cost that the Company recognized as expenses for 2019 and 2018 was \$17,629 and \$20,079 respectively.

(4) Investments accounted for using the equity method

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

	<u>2019</u>	<u>2018</u>
January 1	\$ 1,868,627	\$ 1,575,089
Increase investments accounted for using the equity method	400,000	40,000
Share of investment income accounted for using the equity method	34,605	320,153
Capital stock return of investments accounted for using the equity method	( 605,915)	( 122,420)
Changes in other equity	<u>( 43,314)</u>	<u>55,805</u>
December 31	<u>\$ 1,654,003</u>	<u>\$ 1,868,627</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Holiday Garden International Ltd.	\$ 1,603,478	\$ 1,814,419
Holiday Garden Development Co., Ltd.	<u>50,525</u>	<u>54,208</u>
	<u>\$ 1,654,003</u>	<u>\$ 1,868,627</u>

2. Information of the Company's subsidiaries are presented in Note 4(3) of the Company's 2019 consolidated financial statements. ◦

(5)Property, plants, and equipment

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land	\$ 481,493	\$ 481,493
Buildings and structures	181,294	203,260
Utility equipment	7,850	9,226
Business facilities/equipment	14,785	17,678
Other facilities	841	1,311
	<u>\$ 686,263</u>	<u>\$ 712,968</u>

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

Cost	2019			
	Opening balance	Addition	Reduction	Closing balance
Land	\$ 481,493	\$ -	\$ -	\$ 481,493
Buildings and structures	617,874	299	-	618,173
Utility equipment	31,320	968	-	32,288
Business facilities/equipment	47,182	706	( 5,841)	42,047
Other facilities	3,965	-	-	3,965
	<u>\$ 1,181,834</u>	<u>\$ 1,973</u>	<u>(\$ 5,841)</u>	<u>\$ 1,177,966</u>

使用滑鼠雙擊這裡以編輯新增的表格段。

Cost	2018			
	Opening balance	Addition	Reduction	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>\$ 1,181,834</u>

<u>Accumulated depreciation and impairment</u>	2019			
	<u>Opening balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Closing balance</u>
Buildings and structures	\$ 414,614	\$ 22,265	\$ -	\$ 436,879
Utility equipment	22,094	2,344	-	24,438
Business facilities/equipment	29,504	3,166	( 5,408)	27,262
Other facilities	2,654	470	-	3,124
	<u>\$ 468,866</u>	<u>\$ 28,245</u>	<u>(\$ 5,408)</u>	<u>\$ 491,703</u>

<u>Accumulated depreciation and impairment</u>	2018			
	<u>Opening balance</u>	<u>Addition</u>	<u>Reduction</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>\$ 468,866</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, 2019 and 2018 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 2019 and 2018.

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

(6) Lease transaction – Lessee

Applicable in 2019

1. The lease assets of the company included buildings and multifunctional office machine, and the terms between 3 to 5 years. The contract included different provisions and requirements, and no other restriction except using the assets as the guarantee to debit and credit.
2. The operating equipment of company included part of buildings and official vehicles and their terms are not over 12 months, they all belong to leases of low-value assets.
3. Information of the carrying amounts of right-of-use assets and recognized depreciation expense as the below:

	<u>December 31 , 2019</u>	<u>2019</u>
	<u>Carrying amount</u>	<u>Depreciation expense</u>
Building	1,861	519
Equipment(copy machine)	96	72
	<u>\$ 1,957</u>	<u>\$ 591</u>

4. The right-of-use of the company increase to \$11 in 2019.
5. Information of loss and gains related to lease transaction as the followings:

	<u>2019</u>
<u>Affected project of current loss and gain</u>	
Lease obligation interest	\$ 39
Expense of short-term lease	1,139
Expense of leases of low-value assets	135

6. The total cash flow amount of the company in 2019 is \$1,886.

(7) Short-term borrowings

<u>Types of borrowings</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured loans from banks	\$ 75,000	\$ 145,500
Secured loans from banks	<u>1,455,000</u>	<u>1,059,000</u>
	<u>\$ 1,530,000</u>	<u>\$ 1,204,500</u>
Range of interest rates	1.10%~1.90%	1.10%~1.30%

1. The Company's bank loans are recognized in the interest expense of profit or loss. Please see Note 6(18) ◦
2. For collaterals of the above-mentioned short-term borrowings, please refer to Note 8 ◦

(8) Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper payable	<u>\$ 130,000</u>	<u>\$ 130,000</u>
Range of interest rates	0.60%~0.96%	0.58%~0.76%

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

(9) 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, 2019</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	\$ 22,978
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:	38,895
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 installments.	1.70%	Note:	28,000
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>18,333</u>
				108,206
Less: Current portion of long-term loans payable				<u>( 52,196)</u>
				<u>\$ 56,010</u>

<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 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:	64,825
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:	39,200
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>3,889</u>
				139,292
Less: Current portion of long-term loans payable				<u>( 49,019)</u>
				<u>\$ 90,273</u>

1. The Company's bank loans are recognized in the interest expense of income. Please see Note 6(18).
2. Note: For collaterals of the above-mentioned long-term borrowings, please refer to Note 8.

#### (10) 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\$2,424 and NT\$2,308 in 2019 and 2018 respectively.

(11) Capital stock

1. As of December 31, 2019, the Company's authorized capital was NT\$1,500,000, and the paid-in capital was NT\$1,104,856,000 which was divided into 110,486,000 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	
	2019	2018
January 1	102,302	102,302
Capital increase by retained earnings	8,184	-
December 31	<u>110,486</u>	<u>102,302</u>

2. The Company's capital increase out of earnings was approved at the shareholders' meeting on June 19, 2019 and a total of 8,184,000 new shares were issued from the earning of \$81,841. This capital increase has been approved by the Financial Supervisory Commission on July 26, 2019 and the change has been registered.

(12) 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.

(13) 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\$102,301 and NT\$0 for 2019 and 2018 respectively. On March 20, 2020, the board of directors proposed to all surpluses are retained without dividend.

(14) Other equity items

	2019		
	<u>Unrealized gain/ loss on valuation</u>	<u>Foreign currency translation</u>	<u>Total</u>
January 1	\$ -	(\$ 24,340)	(\$ 24,340)
IFRS 9 applicable effects			
Foreign currency translation differences:	-	( 34,651)	( 34,651)

- Group \$ - (\$ 58,991) (\$ 58,991)

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

(15) Operating revenue

	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	<u>\$ 153,657</u>	<u>\$ 102,640</u>

1. Details of customer contract revenue

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

<u>2019</u>	<u>Guest room revenue</u>	<u>Foodservice Revenue</u>	<u>Others</u>	<u>Total</u>
Revenue from contracts with external revenue	<u>\$ 103,454</u>	<u>\$ 45,747</u>	<u>\$ 4,456</u>	<u>\$ 153,657</u>
<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, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contractual liabilities:			
Contractual liabilities - Room service contracts	\$ 3,161	\$ 3,626	\$ 5,493
Contractual liabilities - Foodservice contracts	<u>5,035</u>	<u>3,341</u>	<u>4,352</u>
	<u>\$ 8,196</u>	<u>\$ 6,967</u>	<u>\$ 9,845</u>

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

<u>2019</u>	<u>2018</u>
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Opening balance of contractual liabilities recognized as revenue:

Room service contracts	\$	3,626	\$	5,493
Foodservice contracts		<u>3,341</u>		<u>4,352</u>
	\$	<u>6,967</u>	\$	<u>9,845</u>

(16) Other income

	<u>2019</u>	<u>2018</u>
Interest income		
Bank deposit interest	\$ 21,077	\$ 10,713
Rental income	2,073	2,072
Other income - others	<u>1,005</u>	<u>284</u>
	<u>\$ 24,155</u>	<u>\$ 13,069</u>

(17) Other gains and losses

	<u>2019</u>	<u>2018</u>
Disposal of property, plants, and equipment loss	\$ 62	\$ -
Net gain (loss) on foreign currency exchange	( 31,649)	14,783
Other gains (losses), net	<u>( 8)</u>	<u>20</u>
	<u>(\$ 31,595)</u>	<u>\$ 14,803</u>

(18) Financial cost

	<u>2019</u>	<u>2018</u>
Interest expense :		
Long-term borrowings from banks	\$ 21,336	\$ 17,176
Lease obligations interest	<u>39</u>	<u>-</u>
	<u>\$ 21,375</u>	<u>\$ 17,176</u>

(19) Addition information on expenses

	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 57,788	\$ 52,893
Property, plants, and equipment depreciation	28,245	29,591
Right-of-use assets depreciation expense	591	-

(20) Employee benefit expense

	<u>2019</u>	<u>2018</u>
Wages and Salaries	\$ 49,444	\$ 45,065

Health and labor insurance expense	4,904	4,534
Pension expense	2,424	2,308
Other Employee benefit expense	1,016	986
	<u>\$ 57,788</u>	<u>\$ 52,893</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 2019 and 2018. The 2018 employee compensation and directors and supervisors remuneration resolved by the Board of Directors are the amount separately \$287 and \$0 recognized in the 2018 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

(21) Income tax

1. Income tax expense (benefit)

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

	<u>2019</u>	<u>2018</u>
Current income tax:		
Income tax generated from current income:	\$ -	\$ -
Tax on unappropriated earnings	4,570	-
Overestimation of prior year income tax	-	(118)
Total current tax	<u>4,570</u>	<u>(118)</u>
Deferred income tax:		
Origination and reversal of temporary differences	1,035	59,577
Effect on tax rate changes	-	14,667
Total of deferred tax income	<u>1,035</u>	<u>74,244</u>
Income tax expense (benefit)	<u>\$ 5,605</u>	<u>\$ 74,126</u>

(2) Other income tax amount related to comprehensive loss and gain:

	<u>2019</u>	<u>2018</u>
Exchange differences on translation of(\$	8,663)	\$ 11,161

foreign financial statements

Effect on tax rate changes	-	( 3,827)
	<u>(\$ 8,663)</u>	<u>\$ 7,334</u>

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

	<u>2019</u>	<u>2018</u>
Income tax calculated based on the net profit before tax at the statutory rate (See note)	\$ 183	\$ 57,358
Affected income tax amount according to adjustment items stipulated by income tax laws and regulations	852	2,219
Effect of tax rate changes	-	14,667
Overestimation of prior year income tax	-	( 118)
Tax on unappropriated earnings	<u>4,570</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ 5,605</u>	<u>\$ 74,126</u>

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

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

	<u>2019</u>			<u>December 31</u>
	<u>January 1</u>	<u>Recognized in Gain or loss</u>	<u>Recognized in Others Comprehensive income</u>	
Deferred tax assets:				
Temporary differences:				
Exchange differences on translation of foreign financial statements	\$ 6,891	(\$ 7,418)	\$ 8,663	\$ 8,136
Unrealized exchange loss	-	3,809	-	3,809
Bonus for not taking leave	212	46	-	258
Tax losses	<u>36,642</u>	<u>8,076</u>	<u>-</u>	<u>44,718</u>
	<u>\$ 43,745</u>	<u>\$ 4,513</u>	<u>\$ 8,663</u>	<u>\$ 56,921</u>

Deferred income tax liabilities:

Temporary differences:

Unrealized exchange gain	(\$ 2,110)	\$ 2,110	\$ -	\$ -
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Investment income recognized under the foreign equity method	( 184,639)	( 7,658)	-	( 192,297)
Unrealized reserve for land revaluation increment tax	( 93,467)	-	-	( 93,467)
	<u>(\$ 280,216)</u>	<u>(\$ 5,548)</u>	<u>\$ -</u>	<u>(\$ 285,764)</u>
	<u>(\$ 236,471)</u>	<u>(\$ 1,035)</u>	<u>\$ 8,663</u>	<u>(\$ 228,843)</u>

2018

	<u>January 1</u>	<u>Recognized in Gain or loss</u>	<u>Recognized in others Comprehensive Income</u>	<u>December 31</u>
Deferred income tax assets:				
Temporary differences:				
Exchange differences on translation of foreign financial statements	\$ 16,927	(\$ 2,702)	(\$ 7,334)	\$ 6,891
Unrealized exchange loss	720	( 720)	-	-
Bonus for not taking leave	184	28	-	212
Tax losses	<u>21,501</u>	<u>15,141</u>	<u>-</u>	<u>36,642</u>
	<u>\$ 39,332</u>	<u>\$ 11,747</u>	<u>(\$ 7,334)</u>	<u>\$ 43,745</u>
Deferred income tax liabilities:				
Temporary differences:				
Exchange differences on translation of foreign financial statements	\$ -	(\$ 2,110)	\$ -	(\$ 2,110)
Investment income recognized under the foreign equity method	( 100,758)	( 83,881)	-	( 184,639)
Unrealized reserve for land revaluation increment tax	( 93,467)	-	-	( 93,467)
	<u>(\$ 194,225)</u>	<u>(\$ 85,991)</u>	<u>\$ -</u>	<u>(\$ 280,216)</u>
	<u>(\$ 154,893)</u>	<u>(\$ 74,244)</u>	<u>(\$ 7,334)</u>	<u>(\$ 236,471)</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, 2019				
<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 Income tax assets Portion</u>
2013	Re-approved amount	\$ 14,300	\$ 14,300	-
2014	Reassessed and reapproved amount	3,003	3,003	-

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2015	Approved amount	9,018	9,018	-
2016	Approved amount	26,590	26,590	-
2017	Amount filed	72,817	72,817	-
2018	Amount to be filed	56,901	56,901	-
2019	Re-approved amount	40,958	40,958	-
		<u>\$ 223,587</u>	<u>\$ 223,587</u>	<u>\$ -</u>

December 31, 2018

<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	Unrecognized deferred income tax assets	<u>Income tax</u>
2023	Reapproved amount \$	14,300	\$ 14,300	\$	-
2024	Reapproved amount	3,003	3,003		-
2025	Approved amount	9,018	9,018		-
2026	Approved amount	26,590	26,590		-
2027	Amount filed	72,817	72,817		-
2028	Amount to be filed	<u>57,481</u>	<u>57,481</u>		-
		<u>\$ 183,209</u>	<u>\$ 183,209</u>	<u>\$</u>	<u>-</u>

- The tax authorities have examined and approved the Company's business income tax returns up to and including 2017. °
- 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.

(22) Earnings (loss) per share

	<u>2019</u>		
	<u>Amount after tax</u>	<u>Weighted average of outstanding shares (1,000 shares)</u>	<u>Loss per share (NT\$)</u>
<u>Basic loss per share</u>			
Current net loss attributable to the Company's common stock shareholders	(\$ 4,692)	110,486	(\$ 0.04)

	<u>2018</u>		
	<u>Amount after tax</u>	<u>Weighted average of outstanding shares (1,000 shares)</u>	<u>Earnings per share (NT\$)</u>

<u>Basic earnings per share</u>			
Current net income attributable to the Company's common stock shareholders	\$ 212,662	110,486	\$ 1.92

The above-mentioned weighted average number of outstanding shares has been retroactively adjusted proportionally according to the 2018 capital increase by retained earnings.

(23) Operating lease

Applicable in 2018

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 as rental expense in profit or loss of 2018 respectively. The total future minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	
Less than one year	\$	1,370
More than 1 year but less than 5 years		2,145
	\$	<u>3,515</u>

(24) Additional cash flows information

Investment activities paid partially by cash:

	<u>2019</u>		<u>2018</u>	
Purchase of property, plants, and equipment	\$	1,973	\$	10,183
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)
Cash paid	\$	<u>1,973</u>	\$	<u>11,098</u>

(25) Change of liabilities from financing activities

	<u>2019</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Lease Liabilities</u>	<u>Long-term liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$1,204,500	\$ 130,000	\$ 2,537	\$139,292	\$ 1,476,329
Change of cash flows from Financing activities	325,500	-	( 573)	( 31,086)	293,841
Other change of non cash	-	-	11	-	11
December 31	<u>\$1,530,000</u>	<u>\$ 130,000</u>	<u>\$ 1,975</u>	<u>\$108,206</u>	<u>\$ 1,770,181</u>
	<u>2018</u>				

	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Lease Liabilities</u>	<u>Long-term liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$1,059,977	\$ 130,000	\$ -	\$188,288	\$ 1,378,265
Change of cash flows from Financing activities	<u>144,523</u>	<u>-</u>	<u>-</u>	<u>( 48,996)</u>	<u>95,527</u>
December 31	<u>\$1,204,500</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$139,292</u>	<u>\$ 1,473,792</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. Holiday Garden U.S. ("US")	Subsidiaries directly held by the Company 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.
Holiday Garden EV CORP. ("EV CORP.")	Subsidiaries directly held by U.S.

### (2) Material Transactions with related parties

Primary management remuneration and compensation information

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	<u>\$ 2,825</u>	<u>\$ 2,980</u>

## 8. Collateralized assets

The Company's collateralized assets are listed below:

<u>Assets</u>	<u>Book value</u>		<u>For guarantee purposes</u> Short-term and long-term borrowings
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Land	\$ 481,493	\$ 481,493	

Buildings and structures	181,294	203,260	Short-term and long-term borrowings
Time deposits: (Stated in "Other financial asset - current")	997,129	587,084	Short-term borrowings
Time deposits: (Stated in "Other financial asset - current")	1,857	2,142	Voucher performance guarantee
	<u>\$ 1,661,773</u>	<u>\$ 1,273,979</u>	

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingency

None

(2) Undertakings

No undertakings

10. Significant casualty losses

None

11. Major events after the reporting period

None

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, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 2,214,991	\$ 1,910,730
Total assets	\$ 3,504,256	\$ 3,259,798
Debt to assets ratio	63	59

(2) Financial instruments

1. Types of financial instruments

<u>Financial assets</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 91,968	\$ 30,969
Financial assets measured at amortized	998,986	589,226
Notes receivable	938	400
Accounts receivable	6,428	5,757
Other accounts receivable	2,874	3,355
Guarantee deposits paid	378	1,087
	<u>\$ 1,101,572</u>	<u>\$ 630,794</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at		
Short-term borrowings	\$ 1,530,000	\$ 1,204,500
Short-term notes and bills	130,000	130,000
Notes payable	322	1,366
Accounts payable	2,519	5,441
Other accounts payable	15,663	12,917
Long-term borrowings	108,206	139,292
Long-term notes and accounts	127,577	127,577
Guarantee deposits received	870	755
	<u>\$ 1,915,157</u>	<u>\$ 1,621,848</u>
Lease liabilities	<u>\$ 1,975</u>	<u>\$ -</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, 2019

	Foreign currencies (NT\$1,000)	Exchange rate	Carrying amount (NT\$)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Currency item</u>						
US\$ : NT\$	\$ 35,354	29.98	\$ 1,059,910	1%	\$ 10,599	\$ -
<u>Long-term investments accounted for using the equity method</u>						
US\$ : NT\$	53,485	29.98	1,603,478	1%	-	16,035

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December 31, 2018

	Foreign currencies (NT\$1,000)	Exchange rate	Carrying amount (NT\$)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Currency item</u>						
US\$ : NT\$	\$ 19,148	30.72	\$ 588,140	1%	\$ 5,881	\$ -
<u>Long-term investments</u>						
	59,063	30.72	1,814,419	1%	-	18,144



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\$31,649 and (NT\$14,783) 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 rate, 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\$16,382 in 2019 and 2018 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</u>			<u>Total</u>
	<u>and past due</u>		<u>Past due for more</u>	
	<u>for 1 to</u> <u>30days</u>	<u>Past due for 31 to</u> <u>90 days</u>	<u>than 91</u> <u>days</u>	
<u>December 31, 2018</u>				
Expected loss rate	0.59%	1.06 %	100.00%	
Total book value	\$ 6,336	\$ 1,035	\$ 120	\$ 7,491
Loss allowance	3	2	120	125

	<u>Not past due</u>			<u>Total</u>
	<u>and past due</u>		<u>Past due for more</u>	
	<u>for 1 to 30</u> <u>days</u>	<u>Past due for 31 to</u> <u>90 days</u>	<u>than 91</u> <u>days</u>	
<u>December 31, 2018</u>				
Expected loss rate	0.11%	1.00%	100%	
Total book value	\$ 5,591	\$ 497	\$ 69	\$ 6,157
Loss allowance	-	-	-	-

G. The statement of changes in the allowance for loss on accounts receivable using the simplified method is as following

	<u>2019</u>	<u>2018</u>
January 1	\$ -	\$ -
Impairment loss provision	125	-
December 31	<u>\$ 125</u>	<u>\$ -</u>

### (3) Liquidity risk

A. 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, 2019 and 2018, the Company's money market position was NT\$90,483 and NT\$30,209 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, 2019

<u>Non-derivative financial liabilities:</u>	<u>In 1 year</u>	<u>1 to 2 years</u>	<u>More than 2</u> <u>years</u>
Short-term borrowings	\$ 1,532,085	\$ -	\$ -
Short-term notes and bills payable	130,000	-	-
Notes payable	322	-	-
Accounts payable	2,519	-	-
Other accounts payable	15,663	-	-
Lease obligation	614	1,420	-
Long-term borrowings (including the current portion of long-term debt payable)	53,712	39,856	16,896
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	25	368	477

December 31, 2018

<u>Non-derivative financial liabilities:</u>	<u>In 1 year</u>	<u>1 to 2 years</u>	<u>More than 2</u> <u>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

### 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: See Table 2 attached
5. Properties acquired at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 3 attached.
6. Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
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 4 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 5.

#### (2) Re-investment related information

The investee's name, location, and other related information (excluding investees in mainland China): See Table 6.

#### (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. and subsidiaries

Loan funds

January 1,2019 to December 31,2019

Table 1

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

No. (Note.1)	Company providing the loan		Transaction item(Note2)	A related party yes or not	The maximum amount of this period (Note3)	Closing balance (Note 8)	Actual drawing amount	Range of interest rate	Type of loan fund (Note 4)	Business transaction amount (Note 5)	Reasons for short-term financing (Note6)	Recognized amount of loss allowance	Collaterals		Maximum amount of loans permitted to a single borrower(Note 7)	Total amount permitted for loaning of funds (Note 7)	Note
	Borrower												Name	Value			
1	Holiday Garden International Ltd.	Holiday Garden U.S.	Receivable from related companies	yes	\$ 1,448,560	\$ 1,448,560	\$ 1,054,242	Annual interest 6.5%	Short-term financing funds	\$ -	Operational needs	\$ -	None	\$ -	\$ 12,026,085	\$ 24,052,170	Note 9
2	Holiday Garden U.S.	Holiday Garden NW CORP.	Receivable from related companies	yes	92,520	92,520	92,520	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden VC CORP.	Receivable from related companies	yes	46,260	46,260	46,260	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden WC CORP.	Receivable from related companies	yes	584,820	584,820	429,370	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden WC CORP.	Receivable from related companies	yes	64,980	64,980	64,980	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden SN CORP.	Receivable from related companies	yes	539,350	-	-	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden EV CORP.	Receivable from related companies	yes	94,950	94,950	31,650	Annual interest 6.5%	Short-term financing funds	-	Operational needs	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden EV CORP.	Receivable from related companies	yes	953,680	953,680	559,362	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
3	Holiday Garden SF CORP.	Holiday Garden VC CORP.	Receivable from related companies	yes	154,200	154,200	154,200	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	843,578	1,687,155	Note 9
3	Holiday Garden SF CORP.	Holiday Garden U.S.	Receivable from related companies	yes	387,516	387,516	387,516	Annual interest 3.0%	Short-term financing funds	-	Operational needs	-	None	-	843,578	1,687,155	Note 9

Note 1: See the footnotes below

(1) 0 for the Company

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

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

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

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

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

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

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

Note 8: Enter the amount of funds loaned to others that remains effective as of the reporting month. (For an publicly listed company deciding to resolve each fund to be loaned to other at the Board of Directors according to Article 14.1 of the Procedure of Management of Loans to Others, then even if the fund has not yet been appropriated, the amount of loans resolved at the Board of Directors should be stated in the announced balance to disclose the exposed risk. If said funds are repaid later, the balance after the repayment should be disclosed to reflect the adjusted risk. If, in accordance with Article 14.2 of Regulations Governing the Administration of Shareholder Services of Public Companies, a publicly listed company decides to authorize the chairperson of the board, resolved at the board of directors, to have the funds for lending that are within the specific amount authorized in installment or revolver within one year, it is the balance of the amount of loans to others approved at the Board of Directors that should be announced and filed. Said loans to others may be repaid later, but because lending may be authorized again, use the amount of loans to others approved by the Board of Directors as the balance announced and reported.

Note 9: In accordance with the Company's Operating procedure of management of loans to others, the amount of loans to foreign subsidiaries, in which the Company holds directly or indirectly, 100% of the voting shares or to individual borrowers should not exceed 7.5 times of the Company's net value, and the total amount of loans should not exceed 15 times of the net value of the company, and the duration of loans should be no more than 15 years.

Holiday Garden Hotel Co., Ltd.  
 Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital  
 January 1,2019 to December 31,2019

Table 2

Unit: NT\$1,000

(Unless otherwise noted)

Buying and selling companies	Types of marketable securities (Note1)	Account	Transaction object (Note 2)	Relationship (Note 2)	beginning of term		Buying(Note3.5)		Selling(Note3.5)			End of term		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling Price	Book cost	Disposal of gain and	Number of shares	Amount
Holiday Garden Hotel Co., Ltd.	Seasoned equity offering	Investment adopted with Equity method	Holiday Garden International Ltd.	Parent and subsidiary companies	12,000	\$ 848,895	-	\$ 400,000	-	\$ -	(\$ 605,915)	\$ -	12,000	\$ 642,980

Note 1 : Marketable securities in this table refer to stocks, bonds, beneficial certificates and marketable securities arising from the above items.

Note 2 : Investors in equity-method securities are required to complete these two fields and the remaining fields are not required

Note3 : The cumulative purchase and sale amounts shall be calculated separately according to the market price to determine whether they amount to \$300 million or 20% of the paid-in capital

Note 4: 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

Note5 : Includes capital increases and decreases during the period, share of subsidiaries, affiliates and joint ventures recognized under the equity method, distribution of investment earnings under the equity method, valuation adjustments of available-for-sale financial assets of investees and translation differences in the financial statements of foreign operating companies.

Holiday Garden International Ltd. and subsidiaries  
 Properties acquired of at costs or prices of at least NT\$300 million or 20% of the paid-in capital  
 January 1,2019 to December 31,2019

Table 3

Unit: NT\$1,000

(Unless otherwise noted)

Company which acquired_ <u>properties</u>	<u>property name</u>	Occuring <u>Date</u>	Transaction <u>amount</u>	<u>Payment of price</u>	<u>Transaction object</u>	<u>Relationship</u>	<u>The former transfer information of transaction object is</u>			<u>reference of priceBasis</u>	purpose of acquisition <u>Usage</u>	other appointment_ <u>Item</u>	
							<u>Holder</u>	<u>Relationship with issuer</u>	<u>Transfer daye</u>				<u>Amount</u>
Holiday Garden EV CORP.	Emeryville Hyatt place 旅館	108/01/29	\$ 1,636,220	\$ 1,636,220	Bay street Hotel Properties,LLC	None-related parties	-	-	-	\$ -	Valuation report	Operating the food and hotel business in U.S.A	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.  
 January 1,2019 to December 31,2019

Table 4

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

<u>Companies of account receivable</u>	<u>Transaction object name</u>	<u>Relationship</u>	Balance of Receivable from related_ <u>companies (Note 1)</u>	<u>Turnover rate</u>	<u>Past due accounts receivable from related companies</u>		Accounts receivable recovered from related companies after the <u>reporting period</u>	Amount of loss allowance_ <u>recognized</u>
					<u>Amount</u>	<u>Treatment</u>		
Holiday Garden International Ltd.	Holiday Garden U.S.	Note 3	Account receivable : 1,019,320	Note 4	\$ -	-	\$ -	\$ -
Holiday Garden U.S.	Holiday Garden WC CORP.	Note 3	Account receivable : 449,700	Note 4	-	-	-	-
Holiday Garden SF CORP.	Holiday Garden U.S.	Note 3	Account receivable : 386,742	Note 4	-	-	-	-
Holiday Garden SF CORP.	Holiday Garden VC CORP.	Note 3	Account receivable : 149,900	Note 4	-	-	-	-
Holiday Garden U.S.	Holiday Garden EV CORP.	Note 3	Account receivable : 569,620	Note 4	-	-	-	-
Holiday Garden WC CORP.	Holiday Garden SF CORP.	Note 3	Account receivable : 109,345	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 1,2019 to December 31,2019

Table 5

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

Number (Note 1)	Name	Counterparty	Relationship with the counterparty (Note 2)	Transaction condition		Ratio to consolidated total revenue or total assets (Note 3)
				Account	Amount	
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Other accounts receivable	\$1,019,320	Processed according to the agreement between the two parties 13.33%
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Interest income	69,384	Processed according to the agreement between the two parties 4.56%
1	Holiday Garden International Ltd.	Holiday Garden SF CORP.	(3)	Other income	13,910	Processed according to the agreement between the two parties 0.91%
1	Holiday Garden International Ltd.	Holiday Garden NW CORP.	(3)	Other income	13,910	Processed according to the agreement between the two parties 0.91%
1	Holiday Garden International Ltd.	Holiday Garden VC CORP.	(3)	Other income	13,910	Processed according to the agreement between the two parties 0.91%
1	Holiday Garden International Ltd.	Holiday Garden WC CORP.	(3)	Other income	13,910	Processed according to the agreement between the two parties 0.91%
1	Holiday Garden International Ltd.	Holiday Garden EV CORP.	(3)	Other income	6,955	Processed according to the agreement between the two parties 0.46%
2	Holiday Garden U.S.	Holiday Garden SF CORP.	(3)	Other accounts receivable	34,487	Processed according to the agreement between the two parties 0.45%
2	Holiday Garden U.S.	Holiday Garden NW CORP.	(3)	Other accounts receivable	89,940	Processed according to the agreement between the two parties 1.18%
2	Holiday Garden U.S.	Holiday Garden WC CORP.	(3)	Other accounts receivable	449,700	Processed according to the agreement between the two parties 5.88%
2	Holiday Garden U.S.	Holiday Garden WC CORP.	(3)	Interest income	32,996	Processed according to the agreement between the two parties 2.17%
2	Holiday Garden U.S.	Holiday Garden EV CORP.	(3)	Interest income	31,701	Processed according to the agreement between the two parties 2.09%
2	Holiday Garden U.S.	Holiday Garden VC CORP.	(3)	Other accounts receivable	44,970	Processed according to the agreement between the two parties 0.59%
2	Holiday Garden U.S.	Holiday Garden EV CORP.	(3)	Other accounts receivable	569,620	Processed according to the agreement between the two parties 7.45%
3	Holiday Garden SF CORP.	Holiday Garden VC CORP.	(3)	Other accounts receivable	149,900	Processed according to the agreement between the two parties 1.96%
3	Holiday Garden SF CORP.	Holiday Garden U.S.	(3)	Other accounts receivable	386,742	Processed according to the agreement between the two parties 5.06%
3	Holiday Garden SF CORP.	Holiday Garden U.S.	(3)	Interest income	11,962	Processed according to the agreement between the two parties 0.79%
4	Holiday Garden SF CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	41,136	Processed according to the agreement between the two parties 0.54%
5	Holiday Garden NW CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	13,113	Processed according to the agreement between the two parties 0.17%
6	Holiday Garden WC CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	109,345	Processed according to the agreement between the two parties 1.43%

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

Note2: There are the following three types of relationship with counterparties, and only the type is specified (one disclosure for the same transaction between the parent company and a subsidiary or among subsidiaries). For example, for a transaction between the parent company and a subsidiary, if the parent company has already disclosed it, there is no need for the subsidiary to disclose the same transaction again. For transactions among subsidiaries, if one subsidiary has disclosed it already, then there is no need for the other subsidiary to disclose it again.)

(1) The parent company to a subsidiary

(2) A subsidiary to the parent company

(3) A subsidiary to another subsidiary

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

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

Holiday Garden International Ltd. and subsidiaries  
The investee's name, location, and other related information (excluding investees in mainland China)  
January 1,2019 to December 31,2019

Table 6

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

<u>Investor</u>	<u>Investee (Notes 1 and 2)</u>	<u>Location</u>	<u>Primary business items</u>	<u>Initial investment amount</u>		<u>End of the reporting period</u>			<u>Investee' s current profit and loss (Notes 2(2))</u>	<u>Recognized current investment gain or loss (Note 2(3))</u>	<u>Note</u>
				<u>Ending of reporting period</u>	<u>Previous year end</u>	<u>Number of shares</u>	<u>Ratio</u>	<u>Carrying amount</u>			
Holiday Garden International Ltd.	Holiday Garden International Ltd.	Taiwan	Tourism hotels	\$ 65,000	\$ 65,000	6,500	100	\$ 50,525	(\$ 3,683)	(\$ 3,683)	The Company's subsidiary
Holiday Garden International Ltd.	Holiday Garden International Ltd.	Bermuda	Investment business	642,980	848,895	12,000	100	1,603,478	38,288	38,288	The Company's subsidiary
Holiday Garden International Ltd.	Holiday Garden U.S.	USA	Investment business	251,291	251,291	18,000	100	468,511	( 59,775)	( 59,775)	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden SF CORP.	USA	Tourism hotels	84,662	84,662	170,000	100	112,477	46,280	46,280	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden SN CORP.	USA	Tourism hotels	72,900	72,900	150,000	100	-	( 5,143)	( 5,143)	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden NW CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	57,302	1,057	1,057	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden VC CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	19,052	2,327	2,327	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden WC CORP.	USA	Tourism hotels	80,700	80,700	150,000	100	( 80,777)	( 41,763)	( 41,763)	The Company's subsidiary
Holiday Garden U.S.	Holiday Garden EV CORP.	USA	Tourism hotels	77,188	-	150,000	100	40,178	( 35,851)	( 35,851)	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," 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.

Holiday Garden International Ltd.  
Statement of cash and cash equivalents  
December 31, 2019

Unit: NT\$1,000

<u>Item</u>	<u>Abstract</u>	<u>Amount</u>
Cash in treasury and working funds		\$ 1,485
Checking deposits		309
Demand deposits: in New Taiwanese Dollars		17,394
Demand deposits: in US Dollars	USD\$394,000, Exchange rate: 29.98	11,814
Time deposits: in New Taiwanese Dollars	Expiration date: February 2	
	Interest rate: 0.16%	10,000
	Expiration date :	
Time deposits: in US Dollars	January 20,2020-February 2,2020	
	Interest rate:2.10%-2.28%	50,966
		<u>\$ 91,968</u>

Holiday Garden International Ltd.  
Statement of changes in investment property accounted for using the equity method  
January 1 to December 31, 2019

Statement 2

Unit: NT\$1,000

Name	Opening balance		Add (Note 1)		Less (Note 2)		Closing balance			Market price or net equity		Guarantee	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	% shareholding	Amount	Unit price (\$)	Total price	Evaluation basis	
HOLIDAY GARDEN INTERNATIONAL Ltd.	12,000	\$1,814,419	-	\$438,288	-	(\$ 649,229)	12,000	100%	\$ 1,603,478	\$ 133,623	\$ 1,603,478	Equity Law	None
Holiday Garden Development Co., Ltd	6,500,000	54,208	-	-	-	( 3,683)	6,500,000	100%	50,525	7.77	50,525	Equity Law	None
		<u>\$1,868,627</u>		<u>\$438,288</u>		<u>(\$ 652,912)</u>			<u>\$ 1,654,003</u>		<u>\$ 1,654,003</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.

Holiday Garden International Ltd.  
Statement of short-term borrowings  
December 31, 2019

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	108.10.17~109.01.17	1.25%	\$ 30,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	5,000	108.08.16~109.08.16	1.25%	5,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	10,000	108.07.16~109.07.16	1.26%	10,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	20,000	108.08.01~109.08.01	1.26%	20,000	None	
Unsecured loans from banks	Export-Import Bank of Republic of China	10,000	108.12.16~109.12.16	1.26%	45,000	None	
Secured bank loans	Mega International Commercial Bank	400,000	108.06.04~109.06.03	1.90%	400,000	Land, Housing and Construction	
Secured bank loans	Mega International Commercial Bank	155,000	108.09.23~109.06.17	1.30%	170,000	Land, Housing and Construction	
Secured bank loans	CTBC Bank	400,000	108.12.06~109.05.06	1.10%	400,000	Time deposit	
Secured bank loans	CTBC Bank	100,000	108.10.30~109.04.30	1.10%	600,000	Time deposit	
Secured bank loans	0-Bank	400,000	108.12.27~109.01.22	1.11%	400,000	Time deposit	
		<u>\$ 1,530,000</u>					

Holiday Garden International Ltd.  
Statement of short-term notes and bills payable  
December 31, 2019

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.	108.12.13~109.02.11	0.96%	\$ 50,000	\$ -	\$ 50,000	
Commercial paper	China Bills Finance Corporation	108.12.13~109.02.11	0.60%	50,000	-	50,000	
	International Bills Finance Corporation						
Commercial paper		108.12.13~109.02.11	0.81%	<u>30,000</u>	<u>-</u>	<u>30,000</u>	
				<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	

Holiday Garden International Ltd.  
Statement of long-term borrowings  
December 31, 2019

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)	\$ 22,978	101.09.18~111.09.18	1.75%	\$ 58,678	Land, buildings and structures	
Mega International Commercial Bank	Secured loans (7 years)	38,895	103.06.04~110.06.04	1.90%	300,000	Land, buildings and structures	
Co., Ltd., Kaohsiung Branch							
Mega International Commercial Bank	Secured loans (7 years)	28,000	104.06.01~111.06.01	1.70%	100,000	None	
Co., Ltd., Kaohsiung Branch							
Hua Nan Commercial Bank – East Kaohsiung Branch	Unsecured loans (3 years)	<u>18,333</u>	108.09.20~111.09.20	1.38%	20,000	None	
		108,206					
	Less: Current portion of loans payable	( <u>52,196</u> )					
		<u>\$ 56,010</u>					

Holiday Garden International Ltd.  
Statement of operating cost  
January 1 to December 31, 2019

Unit: NT\$1,000

Item	Amount	Note:
Beginning foodservice inventory	\$ 332	
Current material purchased	19,820	
Transfer to operating expenses	( 1,524)	
Loss on physical inventory	( 6)	
Ending foodservice inventory	( 993)	
Current material consumed	17,629	
Foodservice and accommodation cost	34,127	
Loss on physical inventory	6	
	\$ 51,762	

Holiday Garden International Ltd.  
Statements of operating expenses  
January 1 to December 31, 2019

Unit: NT\$1,000

Item	Abstract	Amount	Note:
Salary and wage expense		\$ 43,318	
Miscellaneous expenses		7,693	
Various depreciation		7,080	
Utility expense		5,872	
Taxes		42,809	The balance does not exceed 5% of this account.
		\$ 106,772	

Holiday Garden International Ltd.  
Aggregation of employee

benefit, depreciation, and amortization expenses by function  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1, 000

Function Type	2019			2018		
	Under operating cos	Under operating expenses	Total	Under operating cos	Under operating expenses	Total
Employee benefit expense (See note)	\$9,597	\$48,191	\$57,788	\$9,077	\$43,816	\$52,893
Wages and salaries	8,092	39,387	47,479	7,578	35,687	43,265
Health and labor insurance expense	890	4,014	4,904	891	3,643	4,534
Pension expense	458	1,966	2,424	460	1,848	2,308
Board of director remuneration	-	1,965	1,965	-	1,800	1,800
Other employee benefit expense	157	859	1,016	148	838	986
Other employee benefit expense	21,756	7,080	28,836	22,337	7,254	29,591

Note:

1. As of December 13, 2019 and 2018, the Company had 117 employees and 119 employees respectively, and among them, there were 5 and 4 directors respectively who were not the Company's employees.
2. Companies whose shares are listed on a stock exchange or traded on an over-the-counter trading center should disclose the Information as following:
  - (1)The average of employee benefit this year \$498; he average of employee benefit last year \$444.
  - (2)The average of employee salary this year \$424; he average of employee salary last year \$376.
  - (3)The average of employee salary adjustment 13%.

## Attachment II

### Accountant's Audit Report and 2018 Annual Consolidated Financial Statement

#### Independent Accountants' Report

(2020) Tsai Shen Pao Tzu No. 19004772

Holiday Garden Hotel Co., Ltd.

### **Opinion**

We have audited the following financial statements of Holiday Garden International Ltd. and the subsidiaries (the "Group"): the consolidated balance sheets of December 31, 2019 and 2018, the consolidated statements of comprehensive income of January 1 to December 31 of 2019 and 2018, the consolidated statements of changes in equity, the consolidated statements of cash flows, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the period from January 1 to December 31 of 2019 and 2018 of the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Standards (IFRs), the international Accounting Standards (IASs), and the related interpretations and interpretative bulletins endorsed by the Financial Supervisory Commission of the Republic of China.

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### **Basis for opinion**

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

public accountants of the Republic of China, stayed fully independent of the Group and fulfilled other responsibilities in accordance with the code. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

## **Key audit matters**

Key audit matters refer to the most significant matters, according to our professional judgment, in the 2019 consolidated financial statements of the Group. These matters were addressed during the audit of the overall consolidated financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

We determine the following key audit matters of the consolidated financial statements of 2019 of the Group:

### **Business Mergers and Acquisitions**

#### **Description**

Holiday Garden Hotel Co., Ltd. acquired Hyatt Place Emeryville with the price 2,045,468,000 NTD at April 12, 2019.

For the accounting treatment of Business Combination, please refer to Note4(28) of the consolidated financial statements; The Purchase Price Allocation was evaluated with the acquiree's identifiable assets by the external specialist which the management appointed to, please refer to Note6(26) of the consolidated statement

According to the evaluation of the purchase price allocation and the transaction of the mergers and acquisitions was material. Therefore, Merger and acquisitions were chosen to be a key audit matter of this year.

#### **Corresponding audit program**

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

5. We have learned to understand and evaluated management's operating procedure for the intra-group transactions, verified the document of the board and the business plan approved by the Board of Directors.

6. We examined the M&A Process Agreement, verified the payment instrument and confirmed the acquisition price.
7. We obtained the purchase price allocation of the mergers and acquisitions to estimate the independence of the external specialist, verified the price estimation and assumptions of the report, and evaluate the rationality of the purchase price allocation .

## **8. Intangible assets impairment evaluation**

### **Description**

For accounting policies of intangible asset impairment, please refer to Note 4(19) of the consolidated financial statements. For accounting estimation and assumption uncertainty of evaluation of intangible investment impairment, please refer to Note 5(2) of the consolidated financial statements. For intangible assets, please refer to Note 6(6) of the consolidated financial statements.

The carrying amount of intangible assets as of December 31, 2019 of the Group is NT\$750,664,000, accounting for 9.82% of the total amount of the total consolidated assets. The booming of a wide variety of hotels and accommodations and the fierce competition in the hospitality industry in recent years have prompted management to treat each subsidiary as an independent and the smallest cash generating unit in the impairment evaluation of intangible assets and to use the estimated future cash flows of each subsidiary and an appropriate discount rate for discounting to measure the recoverable amount of each cash generating unit and to use this information for evaluating the impairment of intangible assets.

The aforementioned use of future cash flow estimation for measuring the recoverable amount of a cash generating unit may exert a significant impact on the measurement of the recoverable amount because the estimation is based on numerous assumptions, including the discount rate and the financial forecast for the next five years, which may lead to subjective judgment and a high level of uncertainty. Therefore, intangible asset impairment evaluation is chosen to be one of the key audit matter of this year.

### **Corresponding audit program**

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

1. We have learned to understand and evaluate management's operating procedure for estimating the subsidiaries' future cash flows and verified that their cash flows for the next five years are consistent with the business plan approved by the Board of Directors.
2. We discussed specific actions in the business plan with management and evaluated management's intent and ability for implementing the business plan by acquiring information related to the actual implementation of the management's business plan in the past.
3. We also evaluated the reasonableness by comparing the parameter and the discount rate of the recoverable amount.

### **Other matters: Parent company only financial report**

The Group has prepared the 2019 and 2018 parent company only financial statements, and we have issued an audit report with unmodified opinion. That report is available for reference.

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

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

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

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

## **Account's responsibilities for the audit of consolidated financial statements**

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

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

1. We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or errors, designed and performed audit procedures according to those risks, and obtained audit evidence that can sufficiently and appropriately form the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. We obtained an understanding of internal control relevant to the audit in order to design audit procedures suitable for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. We evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and related disclosures made by management.
4. We concluded on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern based on the audit evidence we have obtained. If we conclude that a material uncertainty exists, we will need to draw attention in our accountant's report to the related disclosures in the consolidated financial statements or to modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of this accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. We evaluated the overall presentation, structure and content of the consolidated financial statements, including the attached notes, and whether the consolidated financial statements represent the underlying transactions and events in a fair manner.
6. We obtained sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of group audits and are responsible for our audit opinion.

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

◦

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

We determined the key audit matters of the consolidated financial statements of 2019 of the Group according to matters communicated with those charged with governance. We described these matters in the accountant's report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

PwC Taiwan

Independent accountants

Liao A-shen

Wu Chien-chih

Financial Supervisory Commission

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

Former Financial Supervisory Commission of Executive  
Yuan

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

March 19, 2020March 19, 2020

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Balance Sheet  
December 31 of 2019 and 2018

Unit: NT\$, 000

Assets	Notes	D e c e m b e r 3 1 2 0 1 9 Amount	%	D e c e m b e r 3 1 2 0 1 8 Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents	\$ 1,139,837	15	\$ 1,801,148	30
1136	Financial assets available-for-sale - current	8 998,986	13	589,226	10
1150	Net notes receivable	1,438	-	800	-
1170	Net accounts receivable	34,412	1	33,552	-
1200	Other accounts receivable	3,232	-	52,043	1
1220	Tax assets	25,283	-	54,697	1
130X	Inventories	1,096	-	344	-
1410	Advance payments	8,830	-	8,000	-
1479	Other current assets - others	292	-	298	-
11XX	<b>Total current assets</b>	<u>2,213,406</u>	<u>29</u>	<u>2,540,108</u>	<u>42</u>
<b>Non-current assets</b>					
1600	Property, plants, and equipment	4,279,580	56	2,929,346	49
1755	Right if use asset	118,349	2	-	-
1780	Intangible assets	750,664	10	403,004	7
1840	Deferred tax assets	192,672	2	120,314	2
1915	Prepayments for equipment	83,278	1	-	-
1920	Guarantee deposits paid	8,273	-	7,054	-
1990	Other non-current assets - others	203	-	207	-
15XX	<b>Total non-current assets</b>	<u>5,433,019</u>	<u>71</u>	<u>3,459,925</u>	<u>58</u>
1XXX	<b>Total assets</b>	<u>\$ 7,646,425</u>	<u>100</u>	<u>\$ 6,000,033</u>	<u>100</u>

(Next page)

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Balance Sheet  
December 31 of 2019 and 2018

Unit: NT\$, 000

Liabilities and equity	Notes	108 年 12 月 31 日 Amount	%	107 年 12 月 31 日 Amount	%
<b>Current liabilities</b>					
2100	Short-term borrowings	\$ 1,530,000	20	\$ 1,204,500	20
2110	Short-term notes and bills payable	130,000	2	130,000	2
2130	Contractual liabilities - current	18,310	-	10,371	-
2150	Notes payable	322	-	1,472	-
2170	Accounts payable	3,020	-	5,892	-
2200	Other accounts payable	111,411	2	92,631	2
2230	Current income tax liabilities	1,370	-	-	-
2280	Current lease liabilities	5,664	-	-	-
2320	Long-term liabilities - current portion	1,153,308	15	198,832	4
2399	Other current liabilities: others	2,654	-	1,777	-
21XX	<b>Total current liabilities</b>	<u>2,956,059</u>	<u>39</u>	<u>1,645,475</u>	<u>28</u>
<b>Non-current liabilities</b>					
2540	Long-term borrowings	2,822,208	37	2,594,454	43
2570	Deferred income tax liabilities	332,231	4	282,304	5
2580	Lease obligations-non-current	117,715	1	-	-
2610	Long-term notes and accounts payable	127,577	2	127,577	2
2645	Deposits received	1,370	-	1,155	-
25XX	<b>Total non-current liabilities</b>	<u>3,401,101</u>	<u>44</u>	<u>3,005,490</u>	<u>50</u>
2XXX	<b>Total liabilities</b>	<u>6,357,160</u>	<u>83</u>	<u>4,650,965</u>	<u>78</u>
<b>Equity</b>					
<b>Consolidated net income attributable to owners of the parent company</b>					
<b>Capital stock</b>					
3110	Common share capital	1,104,856	15	1,023,015	17
<b>Capital surplus</b>					
3200	Capital surplus	2,169	-	2,169	-
<b>Capital surplus</b>					
3310	Legal reserve	82,561	1	61,295	1
3320	Special reserve	71,161	1	71,161	1
3350	Retained earnings	87,509	1	215,768	4
<b>Other equity</b>					
3400	Other equity	( 58,991)	( 1)	( 24,340)	( 1)
31XX	<b>Total income attributable to the owners of the parent company</b>	<u>1,289,265</u>	<u>17</u>	<u>1,349,068</u>	<u>22</u>
3XXX	<b>Total equity</b>	<u>1,289,265</u>	<u>17</u>	<u>1,349,068</u>	<u>22</u>
<b>Significant contingent liabilities and unrecognized contractual commitments</b>					
3X2X	<b>Major events after the reporting period</b>	<u>\$ 7,646,425</u>	<u>100</u>	<u>\$ 6,000,033</u>	<u>100</u>

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

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Yu Su-Ling

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

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

Item	Notes	2019		2018	
		A m o u n t	%	A m o u n t	%
4000 <b>Operating revenue</b>	6(17)	\$ 1,520,242	100	\$ 1,169,715	100
5000 <b>Operating cost</b>	6(3)(21)				
	(22)	( 232,551)	( 15)	( 227,903)	( 19)
5900 <b>Operating gross profit</b>		1,287,691	85	941,812	81
<b>Operating expenses</b>	6(6)(21)				
	(22)				
6200 Management expense		( 1,067,687)	( 70)	( 859,772)	( 74)
6450 Expected impairment loss	12(2)	( 354)	-	-	-
6000 <b>Total operating expenses</b>		( 1,068,041)	( 70)	( 859,772)	( 74)
6900 <b>Operating profit</b>		219,650	15	82,040	7
<b>Non-operating income and expenses</b>					
7010 Other income	6(18)	40,633	2	29,753	3
7020 Other gains and losses	6(19)	( 31,609)	( 2)	426,326	36
7050 Financial cost	6(20)	( 200,382)	( 13)	( 139,636)	( 12)
7000 <b>Total non-operating income and expenses</b>		( 191,358)	( 13)	316,443	27
7900 <b>Net profit before tax</b>		28,292	2	398,483	34
7950 Income tax expense	6(23)	( 32,984)	( 3)	( 185,821)	( 16)
8200 <b>Net profit (losses) for this year</b>		<u>(\$ 4,692)</u>	<u>( 1)</u>	<u>\$ 212,662</u>	<u>18</u>
<b>Other comprehensive income</b>					
<b>Components may be subsequently reclassified to profit/loss</b>					
8361 Exchange differences on translation of foreign financial statements	6(16)	(\$ 43,314)	( 3)	\$ 55,805	5
8399 Income tax of components that may be reclassified	6(23)	8,663	1	( 7,334)	( 1)
8300 <b>Net amount other comprehensive income (loss) after tax</b>		<u>(\$ 34,651)</u>	<u>( 2)</u>	<u>\$ 48,471</u>	<u>4</u>
8500 <b>Total comprehensive income (loss)</b>		<u>(\$ 39,343)</u>	<u>( 3)</u>	<u>\$ 261,133</u>	<u>22</u>
<b>Net income attributable to</b>					
8610 Owners of the parent company		<u>(\$ 4,692)</u>	<u>( 1)</u>	<u>\$ 212,662</u>	<u>18</u>
<b>Total comprehensive income (loss) attributable to:</b>					
8710 Owners of the parent company		<u>(\$ 39,343)</u>	<u>( 3)</u>	<u>\$ 261,133</u>	<u>22</u>
<b>Earnings (loss) per share</b>	6(24)				
9750 <b>Basic</b>			0.04		1.92
9850 <b>dilution</b>			0.04		1.92

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

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

		<u>Consolidated net income attributable to stockholders of the company</u>								
		<u>Retained earnings</u>				<u>Other equity</u>				
		Ordinary	Capital			Retained	Exchange	Unrealized gain		
Notes	share capital	excess	surplus - Additional paid-in capital in	Legal reserve	Special reserve	earnings	differences on or loss of translation of financial assets foreign	available-for-	sale	Total
<u>2018</u>										
	\$	1,023,015	\$ 2,169	\$ 61,295	\$ 71,161	\$ 806	(\$ 72,811)	\$ 2,300		\$ 1,087,935
Balance on January 1, 2018	6(16)	-	-	-	-	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
Current net profit		-	-	-	-	212,662	-	-		212,662
Other comprehensive income for this year	6(16)	-	-	-	-	-	48,471	-		48,471
Total current comprehensive income		-	-	-	-	212,662	48,471	-		261,133
Balance, December 31, 2018		<u>\$ 1,023,015</u>	<u>\$ 2,169</u>	<u>\$ 61,295</u>	<u>\$ 71,161</u>	<u>\$ 215,768</u>	<u>(\$ 24,340)</u>	<u>\$ -</u>		<u>\$ 1,349,068</u>
<u>2019</u>										
Balance on January 1, 2019		<u>\$ 1,023,015</u>	<u>\$ 2,169</u>	<u>\$ 61,295</u>	<u>\$ 71,161</u>	<u>\$ 215,768</u>	<u>(\$ 24,340)</u>	<u>\$ -</u>		<u>\$ 1,349,068</u>
Net loss		-	-	-	-	( 4,692 )	-	-		( 4,692 )
Other comprehensive income	6(16)	-	-	-	-	-	( 34,651 )	-		( 34,651 )
Total current comprehensive income		-	-	-	-	( 4,692 )	( 34,651 )	-		( 39,343 )
2018 Appropriation and distribution of retained earnings:										
Legal reserve		-	-	21,266	-	( 21,266 )	-	-		-
Stock dividends	6(15)	81,841	-	-	-	( 81,841 )	-	-		-
Cash dividends	6(15)	-	-	-	-	( 20,460 )	-	-		( 20,460 )
Balance on December 31, 2019		<u>\$ 1,104,856</u>	<u>\$ 2,169</u>	<u>\$ 82,561</u>	<u>\$ 71,161</u>	<u>\$ 87,509</u>	<u>(\$ 58,991)</u>	<u>\$ -</u>		<u>\$ 1,289,265</u>

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

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Yu  
Su-ling

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Cash Flow Statements  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

	Note	2019	2018
<b><u>Cash flows from operating activities</u></b>			
Net profit before tax		\$ 28,292	\$ 398,483
Adjustments:			
Revenue/expenses not affecting the cash flows			
Provision for bad debt expense	12(2)	354	-
Depreciation	6(4)(5)(21)	207,332	203,296
Amortization cost	6(6)(21)	43,062	33,051
Financial asset loss measured at fair value through profit or loss	6(19)	-	3,145
Interest expense	6(20)	200,382	139,636
Interest income	6(18)	( 37,413 )	( 27,288 )
Gain on disposal of available-for-sale group	6(19)	( 62 )	127
Loss on disposal and write-off of property, plants, and equipment	6(19)	-	( 414,794 )
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Notes receivable		( 638 )	483
Accounts receivable		( 1,819 )	( 1 )
Inventories		( 358 )	-
Advance payments		( 752 )	495
Other current assets - others		( 830 )	816
Notes receivable		6	( 232 )
Net changes in liabilities related to operating activities			
Contractual liabilities - current		8,193	( 4,007 )
Notes payable		( 1,150 )	( 3,591 )
Accounts payable		( 2,872 )	609
Other accounts payable		16,012	( 1,570 )
Unearned receipts			
Other current liabilities: others		877	( 8,736 )
Operating cash inflows		458,616	319,922
Interests received		37,403	27,127
Interests paid		( 196,006 )	( 136,214 )
Income taxes paid		( 18,635 )	( 157,621 )
Net cash inflows from operating activities		<u>281,378</u>	<u>53,214</u>
<b><u>Cash flows from investment activities</u></b>			
Acquisition of financial assets available-for-sale	6(27)	49,196	-
Proceeds from disposal of financial assets available-for-sale		( 409,760 )	( 147,784 )
Decrease (increase) in other financial assets - current		-	152,064
Acquisition of property, plants, and equipment	6(26)	( 2,045,468 )	-
Disposal of property, plants, and equipment	6(27)	( 8,595 )	( 163,616 )
Cash and cash equivalents classified to the group available for sale		495	-
Proceeds from disposal of group available-for-sale		-	477,882
Decrease (increase) in guarantee deposits paid	6(6)	( 1,804 )	-
Decrease in other non-current assets - others		( 83,278 )	-
Net cash inflows (outflows) from investment activities		( 1,367 )	868
Acquisition of financial assets available-for-sale		4	184
Proceeds from disposal of financial assets available-for-sale		( 2,500,577 )	( 319,598 )
<b><u>Cash flows from fundraising activities</u></b>			
Increase in short-term borrowings	6(28)	1,660,000	1,517,500
Decrease in short-term borrowings	6(28)	( 1,334,500 )	( 1,372,977 )
Increase in short-term notes and bills payable	6(28)	( 2,118 )	-
Proceeds from long-term borrowings	6(28)	1,441,860	663,300

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

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Yu Su-ling

Holiday Garden International Ltd. and Subsidiaries  
Consolidated Cash Flow Statements  
January 1 to December 31 of 2019 and 2018

Unit: NT\$1,000

	Note	2019	2018
Payments of long-term borrowings	6(28)	( 156,079 )	( 145,905 )
Increase in guarantee deposits received		215	400
Distribution of cash dividends	6(15)	( 20,460 )	-
Net cash inflows from fundraising activities		<u>1,588,918</u>	<u>662,318</u>
Effect of exchange rate changes		( 31,030 )	<u>36,155</u>
Increase (decrease) in cash and cash equivalents of the current period		( 661,311 )	1,071,285
Cash and cash equivalents at beginning of period	6(1)	<u>1,801,148</u>	<u>729,863</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,139,837</u>	<u>\$ 1,801,148</u>

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

Chairperson of the Board: Chen Hai-ni

Manager: Chen Hai-ni

Accounting Director: Yu Su-ling

Holiday Garden International Ltd. and subsidiaries  
Notes for Consolidated Financial Statements  
2019 and 2018

(Unless otherwise noted)

1. Company milestones

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

2. Date and procedure of approval of the financial report

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

3. Applicability of newly issued and revised standards and interpretations

(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 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
Amendments to IFRS 16 “LeaseS”	January 1, 2019
Amendments to IFRS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IFRS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
Interpretations to IFRS 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Annual Improvements to 2015 - 2017 Cycle	January 1, 2019

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

#### IFRS 16 "Leases"

1. 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 lessor, except more disclosure is required, the accounting treatment remains the same, i.e., according to whether it is an operating lease or a finance lease.
2. Amended and revised IFRS standards and interpretations applicable for 2019 approved by the Financial Supervisory Commission, 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 \$125,486 on January 1, 2019.
3. The Company will elect to apply the guidance of IFRS 16 and apply the following practical expedients:
  - (1) Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.
  - (2) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
  - (3) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases. The amount recognized of the 2019 contract: \$663.
  - (4) The company will exclude initial direct costs from the measurement of right-of-use assets.
4. The company accounted the amount of finance lease obligations by adopting incremental borrowing rate of interest. weighted average interest rate: 1.68%
5. According to IAS 17, the lease liabilities will be measured at the present value of the remaining lease payments by using the incremental borrowing rate on January 1, 2019

Adopted the IAS17 “Operating Lease”	\$ 148,535
Less: Exemption of short-term lease	( 663)
Leases of low-value assets	( 217)
Adopted IFRS16 “Total amount of Lease obligation contract”	<u>\$ 147,655</u>
First applicability of the incremental borrowing rate of interest	1.68%
Adopted to lease obligations recognized by IFRS16 from January 1,2020	<u>\$ 125,486</u>

(2)Impacts from not 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 but not yet approved and included by the Financial Supervisory Commission:

<u>Newly issued/revised/amended standards and interpretations</u>	<u>Effective date of issuance by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8 “Disclosure Initiative - Definition of Material”	January 1, 2020
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS9,IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020

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

(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 IFRS10 and IAS28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS17 “Insurance contracts”	January 1,2021
Amendments to IAS1 “Current or Non-current liabilities classification”	January 1,2021

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

#### 4. Summary of significant accounting policies

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

##### (1) Statement of compliance

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

##### (2) Basis of preparation

1. The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.
2. To prepare for financial reports in accordance with IFRSs, some important accounting estimations are required. When applying the Group's accounting policies, management also needs to make judgment, which involves accounts of a high level of decision-making and complexity or accounts associated with material assumption and estimation. Please refer to Not 5 attached.

##### (3) Basis of consolidation

###### 1. Principles for consolidated financial report preparation

- (1) The Group incorporates all subsidiaries into the the entities this consolidated financial report is prepared for. Subsidiaries refer to entities controlled by the Group (including structure entities). When the Group is exposed to variable rewards from participating in that entity or entitled to rights to said variable rewards and the Company has the power and ability to affect said rewards of that entity, the Group controls said entity. The subsidiaries are included into the consolidated financial report since the day the Group acquire their control and the consolidation ends on the day their control is lost.
- (2) The transactions, balance, and unrealized profit or loss generated between the subsidiaries of the Group had been eliminated. Necessary adjustment of accounting policies of the subsidiaries has been made to be consistent with policies of the Group.
- (3) Profit or loss and other comprehensive income components are attributable to owners of the parent company and non-controlling interests. Comprehensive income is also attributable to owners of the parent company and non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

- (4) If changes in the shareholding of a subsidiary do not lead to losing the control (transactions with non-controlling interests), they will be treated as equity transactions, i.e., transactions between shareholders. The difference between adjustment of non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity.
- (5) When the Group loses its control over a subsidiary, the remaining investment of the previous subsidiary should be re-measured at the fair value and be treated as the fair value of the initially recognized financial asset or the cost of initially recognized invested associates or joint ventures. The difference between the fair value and the carrying amount is recognized in profit or loss. For all amounts of a subsidiary previously recognized in other comprehensive income, the accounting treatment is based on the same principle as if the Group directly disposes the related assets or liabilities. That is, if the amount is previously recognized as a profit or loss of other comprehensive income, it should be reclassified as income when the related assets or liabilities are disposed. Moreover, when the Company loses the control over the subsidiary, such profit or loss shall be reclassified into income from equity.

## 2. Subsidiaries included in the consolidated financial report:

Investor	Subsidiary	Business scope	% shareholding		Description
			December 31, 2019	December 31, 2018	
Holiday Garden Hotel Co., Ltd.	HOLIDAY GARDEN INTERNATIONAL LTD.	Investment business	100	100	
	HOLIDAY GARDEN INTERNATIONAL LTD	Hotel operations	100	100	
HOLIDAY GARDEN INTERNATIONAL LTD.	HOLIDAY GARDEN U.S.	Investment business	100	100	
HOLIDAY GARDEN U.S.	HOLIDAY GARDEN SF CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN SN CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN NW CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN VC CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN WC CORP.	Hotel operations	100	100	
	HOLIDAY GARDEN EV CORP.	Hotel operations	100	-	Note

Note : Holiday Garden EV CORP. was founded at the first season of 2019 ◦

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

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

5. Significant restriction: None

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

## (4) Foreign currency translation

Accounts listed in the financial report of each entity of the Group are based on the money (i.e., functional currency) of the primary economic environment where the

entity operates. This consolidated financial report is presented in New Taiwanese Dollars (NT\$), which is the Company's functional and presentation currency.

#### 1.Foreign currency transaction and balance

- (1)For foreign currency transactions, spot rate of exchange on the trading day or the measurement date is used for functional currency translation, and the resulting exchange differences are recognized in current profit or loss.
- (2)Foreign currency monetary assets and liabilities balance is adjusted based on the spot exchange rate on the balance sheet date, and the resulting exchange differences are recognized in profit or loss.
- (3)Foreign currency monetary assets and liabilities balance is measured at fair value through profit or loss and adjusted using the spot exchange rate on the balance sheet. The resulting exchange differences are recognized in profit or loss. For foreign currency monetary assets and liabilities balance that is measured at fair value through other comprehensive income, it is adjusted using the the spot exchange rate on the balance sheet day. The resulting exchange differences are recognized in the account of other comprehensive income. As for those not measured at fair value, they are measured at the historical exchange rate on the initial transaction day.
- (4)All exchange gains or losses are recognized in "other gains and losses" in the statement of comprehensive income.

#### 2.Translation of foreign financial statements

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

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

- 1.Assets that meet one of the following criteria are classified as current assets:

- (1) Assets expected to be realized in the normal operating cycle or intended to be sold or consumed,
- (2) Liabilities held primarily for transaction purposes.
- (3) Assets expected to be realized within 12 months after the balance sheet date;
- (4) Cash and cash equivalents, excluding those to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

- (1) Liabilities expected to be paid off in the normal operating cycle;
- (2) Liabilities held primarily for transaction purposes.
- (3) Liabilities that are to be paid off within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Classification of liabilities for which, at the option of the counterparty, repayment is required for the issue of equity instruments is not affected.

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

(6) Cash equivalents

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

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

1. It refers to financial assets measured at amortized cost or at the fair value through other comprehensive income.
2. The Group uses trade day accounting for financial assets measured at fair value through profit or loss and satisfying the accounting practice.
3. The Group at initial recognition uses fair value measurement. Related transaction cost is recognized in profit or loss and subsequently measured at fair value. The gain or loss is recognized in profit or loss.

(8) Financial assets at amortized cost

1. Financial assets at cost are corresponding to the following conditions :
  - (1) The business model of the company which owns such financial assets is to collect the contractual cash flows as purpose.
  - (2) The contractual cash flows of specific financial asset under consideration are on account of repayment of principal and interest and they occur on specified dates.
2. The Group uses trade day accounting for financial assets measured at

- amortized cost through profit or loss and satisfying the accounting practice.
3. The Group measured transaction cost of initial recognition which reported at fair value .Using the effective interest method and is recognized in profit and loss which are recognized in profit and loss when the asset is derecognized ◦
  4. For short-term accounts receivable without certificate of deposit, they are measured at the original invoice amount because of insignificant effect of discounting ◦

(9) 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.

(10) Impairment loss on financial assets

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

(11) Derecognition of financial asset

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

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

(12) 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.

(13) Inventories

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

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

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

(15)Property, plants, and equipment

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

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

(16)Lease transaction of Lessee – Right-of-use asset/Lease obligations

2019 applicable

- 1. Leased assets are recognized as right-of-use assets and lease liabilities at the date they become available for use by the Group. The lease payments are recognized as an expense over the lease term using the straight-line basis when a lease contract is a short-term lease or a lease of a low-value subject asset
- 2. Recognized the lease obligations as the present value of incremental borrowing rate of interest which lease started .The lease benefit included fixed benefit ,and deducted any Incentive. Provided the interest during the

lease by measuring the cost after amortization with adopting interest method. The group will reevaluate lease obligations and adjust the right-of-use assets when the lease term or benefit changed by amending non-contract.

3. Right-of-use assets are recognized as cost at the beginning of the lease. The cost includes the original measured amount of the lease liabilities. The useful life of right-of-use assets or the expiry date of the lease term will be provided to be depreciation. The right-of-use asset will adjust any remeasurement of the lease liabilities which is reassessed.

(17) Operating lease (lessor)

Applicable in 2018

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.

(18) Intangible assets

1. Trademark and franchising

Trademark and franchising obtained separately are recognized by the acquisition cost. As for trademarks and franchising acquired from corporate merger, they are recognized using the fair value on the acquisition day. Trademarks and franchising are assets with finite useful lives and amortization is calculated using the straight-line method over the 15 to 22.6 years of useful lives.

2. Other intangible assets

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

(19) Non-financial asset impairments

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

(20) Borrowings

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

(21) Accounts and notes payable

1. Accounts and notes payable are liabilities for purchases of raw materials, goods or services resulting from operating and non-operating activities.

2. For short-term, non-interest-bearing accounts and notes payable, they are measured at the original invoice amount because of insignificant discounting effect.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) Employee benefits

1. Short-term employee benefits

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

2. Pensions

Defined contribution plans (DCP)

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

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

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

(25) Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized either in the income statement or in equity if it relates to items that are recognized in other comprehensive income or directly in equity

2. The Group calculates the current income tax using tax rates enacted or substantively enacted by the balance sheet date of the country generating the taxable income from operations. Management periodically evaluates the condition of income tax filing in accordance with appropriate income tax related laws and regulations and if applicable shall make tax payment to the tax authorities based on the estimated income tax liabilities. There is an additional tax of unappropriated earnings according to the Income Tax Act, and after the earning distribution is approved at the shareholders' meeting held in the year following the year the earnings are generated, the tax expense of undistributed earnings shall be recognized based on the actual condition of earning distribution.

3. For deferred income tax, the balance sheet liability method is adopted, and it is recognized on temporary differences between the tax base of assets and

liabilities and their carrying amounts in the balance sheet. Deferred income tax liabilities generated from the initial recognition of goodwill are not recognized. Moreover, deferred income tax is not recognized if it is originated from the initial recognition of assets or liabilities in transactions (business merger excluded) and neither accounting profits nor taxable income (or tax losses) is affected at the time of the transaction. For temporary differences generated from investments in subsidiaries, they are not recognized if the Group is capable of controlling the time point of reversal of the temporary differences, and the temporary differences may not be reversed in the foreseeable future. Deferred tax is determined using tax rates (and tax laws) enacted or substantively enacted by the balance sheet date, and the tax rates (and tax laws) used are the ones expected to be applicable when realizing related deferred tax assets or repaying related deferred tax liabilities.

4. Deferred tax assets are recognized to the extent when they are highly likely to be used to offset future taxable income, and unrecognized and already recognized deferred income tax assets should be re-evaluated on each balance sheet date.
5. Recognized current income tax assets and liabilities are offset only if there is the legally enforceable right to do so and the intent is to settle on a net basis or to realize the asset and settle the liability simultaneously and the net amount has to be stated in the balance sheet. Deferred income tax assets and liabilities are offset only if there is the legally enforceable right to do so and the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, but each entity intend to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(26)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.

(27)Revenue recognition

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

(28)Business combination

1. The Group uses the acquisition method for business combinations. Consolidated consideration is based on the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued,

and the consideration transferred includes the fair value of any assets and liabilities arising from contingent consideration agreements. Acquisition-related costs are recognized as an expense when incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured at fair value at the acquisition date. On an individual acquisition transaction basis, the Group elects to measure non-controlling interests whose components are present ownership interests and whose holders are entitled to a proportionate share of the net assets of the enterprise at the time of liquidation either at acquisition date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets; all other components of the non-controlling interest are measured at acquisition date fair value.

2. If the aggregate fair value of the transfer consideration, the non-controlling interest in the acquiree, and the interest previously held in the acquiree exceeds the fair value of the identifiable assets acquired and liabilities assumed, the difference is recognized as goodwill at the acquisition date; if the aggregate fair value of the identifiable assets acquired and liabilities assumed exceeds the aggregate fair value of the transfer consideration, the non-controlling interest in the acquiree, and the interest previously held in the acquiree, the difference is recognized in profit or loss for the current period.

(29) Operations department

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

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

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

(1) Material judgments adopted by accounting policies

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

## (2) Material accounting estimates and assumptions

Intangible assets (excluding goodwill) impairment evaluation

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

## 6. Details of significant accounts

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash in treasury and working funds	\$ 2,241	\$ 1,175
Checking deposits and demand deposits	<u>561,320</u>	<u>791,852</u>
	563,561	793,027
Cash equivalents:		
Time deposits	<u>576,276</u>	<u>1,008,121</u>
	<u>\$ 1,139,837</u>	<u>\$ 1,801,148</u>

#### 1. The Group places cash and deposits

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

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

### (2) Net amount of accounts and notes receivable

	<u>December 31, 2013</u>	<u>December 31, 2017</u>
Notes receivable	\$ 1,438	\$ 800
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 1,438</u>	<u>\$ 800</u>
Accounts receivable	\$ 34,762	\$ 33,552
Less: Allowance for doubtful accounts	<u>( 350)</u>	<u>-</u>
	<u>\$ 34,412</u>	<u>\$ 33,552</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due and past due for 1 to 30 days	\$ 32,111	\$ 28,431
Past due for 31 to 90 days	3,761	4,763
Past due for more than 91 days	<u>328</u>	<u>1,158</u>
	<u>\$ 36,200</u>	<u>\$ 34,352</u>

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

2. As at December 31, 108, December 31, 107 and January 1, 107, the Group's receivables (including notes receivable) from customers were \$36,200, \$34,352 and \$39,644, respectively.

3. The Group does not hold any collateral as security.

4. Without considering the collaterals held or other credit enhancement, the Group's maximum amount of credit risk exposure of the most representing notes receivable for December 31, 2019 and 2018 was NT\$800 and NT\$1,438 respectively. The Group's maximum amount of credit risk exposure of the most representing accounts receivable for December 31, 2019 and 2018 was NT\$34,412 and NT\$33,552 respectively

5. For information related to credit risk of accounts and notes receivable, please refer to 12(2).

**(3) Inventories**

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for price decline in inventories</u>	<u>Carrying amount</u>
Foods and non-alcoholic and alcoholic beverages	<u>\$ 1,096</u>	<u>\$ -</u>	<u>\$ 1,096</u>

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

The inventory cost that the Group recognized as expenses for 2019 and 2018 was \$20,143 and \$20,707 respectively.

**(4) Property, plants, and equipment**

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Land	\$ 1,357,541	\$ 1,104,221
Land improvements	67,423	58,288
Buildings and structures	2,516,868	1,534,556
Utility equipment	14,910	10,537
Business facilities/equipment	309,798	208,919
Other facilities	3,122	2,576
Unfinished construction and to be inspected equipment	<u>9,918</u>	<u>10,249</u>
	<u>\$ 4,279,580</u>	<u>\$ 2,929,346</u>

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

<u>Cost</u>	2019						
	<u>Opening balance</u>	<u>Current addition</u>	<u>Acquired in a combination</u>	<u>Current reduction</u>	<u>Current transfer</u>	<u>Exchange rate affected Amount</u>	<u>Closing balance</u>
Land	\$ 1,104,221	\$ -	\$ 276,331	\$ -	\$ -	(\$ 23,011)	\$ 1,357,541
Land improvements	86,483	-	15,819	-	-	( 2,541)	99,761
Buildings and structures	2,583,344	299	1,125,147	-	-	( 79,635)	3,629,155
Utility equipment	32,678	2,700	-	-	4,611	-	39,989
Business facilities/equipment	798,205	1,152	218,923	( 5,841)	-	( 24,334)	988,105
Other facilities	5,279	1,177	-	-	-	-	6,456
Unfinished construction and to be inspected equipment	10,249	4,280	-	-	( 4,611)	-	9,918
	<u>\$ 4,620,459</u>	<u>\$ 9,608</u>	<u>\$ 1,636,220</u>	<u>(\$ 5,841)</u>	<u>\$ -</u>	<u>(\$ 129,521)</u>	<u>\$ 6,130,925</u>
	2018						
<u>Cost</u>	<u>Opening balance</u>	<u>Current addition</u>	<u>Acquired in a combination</u>	<u>Current reduction</u>	<u>Current Reclassification</u>	<u>Exchange rate affected Amount</u>	<u>Closing balance</u>
Land	\$ 1,098,894	\$ -	\$ -	\$ -	(\$ 14,318)	\$ 19,645	\$ 1,104,221
Land improvements	63,870	5,855	-	-	14,318	2,440	86,483
Buildings and structures	2,508,176	14,171	-	-	-	60,997	2,583,344
Utility equipment	31,320	1,358	-	-	-	-	32,678
Business facilities/equipment	646,431	130,194	-	( 254)	-	21,834	798,205
Other facilities	3,808	1,471	-	-	-	-	5,279
Unfinished construction and to be inspected equipment	-	10,249	-	-	-	-	10,249
	<u>\$ 4,352,499</u>	<u>\$ 163,298</u>	<u>\$ -</u>	<u>(\$ 254)</u>	<u>\$ -</u>	<u>\$ 104,916</u>	<u>\$ 4,620,459</u>

<u>Accumulated depreciation and impairment</u>	2019				
	<u>Opening balance</u>	<u>Current addition</u>	<u>Current reduction</u>	<u>Exchange rate affected Amount</u>	<u>Closing balance</u>
Land improvements	\$ 28,195	\$ 4,972	\$ -	(\$ 829)	\$ 32,338
Buildings and structures	1,048,788	80,500	-	( 17,001)	1,112,287
Utility equipment	22,141	2,938	-	-	25,079
Business facilities/equipment	589,286	111,143	( 5,408)	( 16,714)	678,307
Other facilities	2,703	631	-	-	3,334
	<u>\$ 1,691,113</u>	<u>\$ 200,184</u>	<u>(\$ 5,408)</u>	<u>(\$ 34,544)</u>	<u>\$ 1,851,345</u>

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

3. In accordance with Kaohsiung Urban Development Kuei Tzu No. 10234984600 correspondence on October 28, 2013, the Group applied for making payment by installments for converting governmental land to commercial land in the land conversion urban plan, and the total amount to be paid is NT\$212,628. The Group made the first installment payment of NT\$85,051, and the remaining amount paid by the second and third installment payments was \$63,788 and \$63,789 respectively. These payments, which should be made before the applied construction permit or the new use permit is issued, were recognized in 2013 (The balance at December 31, 2019 and 2018 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 2019 and 2018.
5. For information on using property, plants, and equipment for guarantees, please refer to Note 8.
6. For the information for obtaining property, plants, and equipment with acquisition method on April 4, 2019, please refer to Note 6(26).

(5) Lease transaction – Lessee

Applicable in 2019

1. The lease assets of the company included buildings and multifunctional office machine, and the terms between 3 to 5 years. The contract included different provisions and requirements, and no other restriction except using the assets as the guarantee to debit and credit.
2. The operating equipment of company included part of buildings and official vehicles and their terms are not over 12 months, they all belong to leases of low-value assets.
3. Information of the carrying amounts of right-of-use assets and recognized depreciation expense as the below:

	<u>December 31, 2019</u>	<u>2019</u>
	<u>Carrying amount</u>	<u>Depreciation expense</u>
Buildings	\$ 118,253	\$ 7,076
Equipment (Copy machine)	96	72
	<u>\$ 118,349</u>	<u>\$ 7,148</u>

4. The right-of-use of the company increase to \$11 in 2019.
5. Information of loss and gains related to lease transaction as the followings:

	<u>2019</u>
<u>Affected project of current loss and gain</u>	
Lease obligation interest	\$ 2,094
Expense of short-term lease	1,139
Expense of leases of low-value assets	139

6. The total cash flow amount of the company in 2019 is \$5,490.

(6) Intangible assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trademark and franchising	\$ 744,998	\$ 398,504
Other intangible assets	5,666	4,500
	<u>\$ 750,664</u>	<u>\$ 403,004</u>

	<u>2019</u>	<u>2018</u>
January 1	\$ 403,004	\$ 423,033
Current addition-separation	1,804	-
Current addition-combination	409,248	-
Current amortization	( 43,062)	( 33,051)
Exchange rate affected amount	( 20,330)	13,022
December 31	<u>\$ 750,664</u>	<u>\$ 403,004</u>

Detailed list of intangible asset amortization :

	<u>2019</u>	<u>2018</u>
Operating expenses	<u>\$ 43,062</u>	<u>\$ 33,051</u>

For information on obtaining Intangible assets on April 12,2019 , please refer to Note 6(26) .

(7)Non-current assets available for sale

The Board of Directors on June 13, 2018 resolved to sell the subsidiary Holiday Garden SF CORP.'s Residence Inn Anaheim in California, USA, and the related assets and liabilities were transferred to the available for sale group. Because the no agreement is reached on the transaction price with the buyer, the Board of Directors resolved canceling the selling of the subsidiary Holiday Garden SF CORP.'s Residence Inn Anaheim in California, USA, and the transfer of the related assets and liabilities to the available for sale group was stopped.

The Board of Directors on November 7, 2017 resolved to sell the subsidiary Holiday Garden SN CORP.'s Residence Inn Sacramento Airport Natomas in California, USA, and the related assets and liabilities were transferred to the available for sale group

(8)Short-term borrowings

<u>Types of borrowings</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured loans from bank	\$ 75,000	\$ 145,500
Secured loans from banks	1,455,000	1,059,000
	<u>\$ 1,530,000</u>	<u>\$ 1,204,500</u>
Range of interest rates	1.10%~1.90%	1.10%~1.30%

1.The Group's bank loans are recognized in the interest expense of income. Please see Note 6(20) .

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

(9)Short-term notes and bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper payable	<u>\$ 130,000</u>	<u>\$ 130,000</u>
Range of interest rates	0.60%~0.96%	0.58%~0.76%

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

(10) Other payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries payable	\$ 32,933	\$ 22,436
Tax payable	16,000	18,400
Interest payable	8,299	4,136
management expenses payable	3,224	1,771
Royalty payable	3,760	3,701
Other	47,195	42,187
	<u>\$ 111,411</u>	<u>\$ 92,631</u>

(11) Long-term borrowings

<u>Types of borrowings</u>	<u>Period of borrowing and repayment method</u>	<u>Range of interest rates</u>	<u>Collaterals</u>	<u>December 31, 2018</u>
Long-term borrowings from banks				
Unsecured loans	The term of borrowing is from September 18, 2012 to September 18, 2022. The interest has been paid on a monthly basis. Starting from December 2015, the loan has been repaid quarterly for 28 installments.	1.75%	None	\$ 22,978
Secured loans	The term of borrowing is from June 4, 2014 to June 4, 2021. The interest has been paid on a monthly base. Starting from June 4, 2015, the loan has been repaid quarterly for 25 installments	1.90%	Note 1	38,895
Secured loans	The term of borrowing is from June 1, 2015 to June 1, 2022. The interest has been paid on a monthly base. Starting from June 1, 2016, the loan has been repaid quarterly for 25 installments.	1.70%	Note 1	28,000
Unsecured loans	The term of borrowing was from July 5, 2016 to July 5, 2019. The interest and principal were paid on a monthly basis.	1.38%	None	18,333
Secured loans	Notes 2 and 4	4.16%	Note 1	410,126
Secured loans	Notes 2 and 4	4.56%	Note 1	354,497
Secured loans	Notes 2 and 5	4.46%	Note 1	565,431
Secured loans	Notes 2 and 6	4.16%	Note 1	386,742
Secured loans	Notes 2 and 7	4.56%	Note 1	111,286
Secured loans	Notes 2 and 8	4.56%	Note 1	36,795
Secured loans	Notes 2 and 9	4.56%	Note 1	625,751
Secured loans	Notes 2 and 10	4.00%	Note 1	<u>1,376,682</u>
				3,975,516
Less: Current portion of long-term loans payable				<u>( 1,153,308)</u>
				<u>\$ 2,822,208</u>

<u>Types of borrowings</u>	<u>Period of borrowing and repayment method</u>	<u>Range of interest rates</u>	<u>Collaterals</u>	<u>December 31, 2018</u>
Long-term borrowings from banks				
Unsecured loans	The term of borrowing is from September 18, 2012 to September 18, 2022. The interest has been paid on a monthly basis. Starting from December 2015, the loan has been repaid quarterly for 28 installments.	1.75%	None	\$ 31,378
Secured loans	The term of borrowing is from June 4, 2014 to June 4, 2021. The interest has been paid on a monthly base. Starting from June 4, 2015, the loan has been repaid quarterly for 25 installments.	1.90%	Note 1	64,825
Secured loans	The term of borrowing is from June 1, 2015 to June 1, 2022. The interest has been paid on a monthly base. Starting from June 1, 2016, the loan has been repaid quarterly for 25 installments.	1.69%	Note 1	39,200
Unsecured loans	The term of borrowing was from July 5, 2016 to July 5, 2019. The interest and principal were paid on a monthly basis.	1.38%	None	3,889
Secured loans	Notes 2 and 3	4.87%	Note 1	468,173
Secured loans	Notes 2 and 4	5.12%	Note 1	374,882
Secured loans	Notes 2 and 5	5.02%	Note 1	598,168
Secured loans	Notes 2 and 6	4.99%	Note 1	396,288
Secured loans	Notes 2 and 7	5.12%	Note 1	117,572
Secured loans	Notes 2 and 8	5.12%	Note 1	38,819
Secured loans	Notes 2 and 9	5.12%	Note 1	<u>660,092</u>
				2,793,286
Less: Current portion of long-term loans payable				<u>( 198,832)</u>
				<u>\$ 2,594,454</u>

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

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

Note 3 : The term of borrowing of said loan is 5 years and the interest rate is a floating interest rate. Since March 2017, the subsidiary has been making a fixed repayment for the principal of US\$130,000 on a monthly basis, and when the term of borrowing ends in February 2021, the remaining amount of the borrowing will be returned in a lump sum.

Note 4 : The term of borrowing of said loan is 4.75 years and the interest rate is a floating interest rate. Since September 2016, the subsidiary has been making a fixed repayment for the principal of US\$30,500 on a monthly basis, and when the term of borrowing ends in June 2020, a lump sum repayment will be made for returning the remaining amount of the borrowing. The Group made an early repayment of said loan in February 2018.

Note 5 : The term of borrowing of said loan is 4.25 years and the interest rate is a floating interest rate. Since July 2016, the subsidiary has been making a fixed repayment for the principal of US\$50,946 on a monthly basis, and when the term of borrowing ends in December 2020, a lump sum repayment will be made for returning the remaining amount of the borrowing.

Note 6 : The term of borrowing of said loan is 3.7 years and the interest rate is a floating interest rate. When the term of borrowing ends in February 2021, the remaining amount of the borrowing will be returned in lump sum.

Note 7 : The term of borrowing of said loan is 3.5 years and the interest rate is a floating interest rate. Since July 2017, the subsidiary has been making a fixed repayment for the principal of US\$9,600 on a monthly basis, and when the term of borrowing ends in December 2020, the remaining amount of the borrowing will be returned in lump sum.

Note 8 : The term of borrowing of said loan is 3.67 years and the interest rate is a floating interest rate. Since January 2018, the subsidiary has been making a fixed repayment for the principal of US\$3,029 on a monthly basis, and when the term of borrowing ends in August 2021, the remaining amount of the borrowing will be returned in a lump sum.

Note 9 : The term of borrowing of said loan is 5 years and the interest rate is a floating interest rate. Since March 2018, the subsidiary has been making a fixed repayment for the principal of US\$51,260 on a monthly basis, and when the term of borrowing ends in February 2023, the remaining amount of the borrowing will be returned in a lump sum.

Note 10: The term of borrowing of said loan is 7 years and the interest rate is a floating interest rate. Since May 2019, the subsidiary has been making a fixed repayment for the principal of US\$10,000 on a monthly basis, and when the term of borrowing ends in April 2026, the remaining amount of the borrowing will be returned in a lump sum. °

The Group's bank loans are recognized in the interest expense of income. Please see Note 6(20).

#### (12) Pensions

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

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

(2) In accordance with the above-mentioned pension plan, the Group and domestic subsidiaries recognized a pension cost of NT\$2,807 and NT\$2,431 in 2019 and 2018 respectively. °

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

#### (13) Share capital

1. As of December 31, 2019, the Company's authorized capital was NT\$1,500,000, and the paid-in capital was NT\$1,104,856, which was divided into 110,486,000 shares, with a par value of NT\$10 per share. The Company's issued shares are fully paid-up.

beginning and the ending of the reporting period are as follow :

	Unit : 1000 of shares	
	108 年	107 年
January 1	102,302	102,302
Capital increase by earnings recapitalization	8,184	-
December 31	<u>110,486</u>	<u>102,302</u>

2. The Company's capital increase out of earnings was approved at the shareholders' meeting on June 19, 2019 and a total of 8,184,000 new shares were issued from the earning of \$81,841. This capital increase has been approved by the Financial Supervisory Commission on July 26, 2019 and the change has been registered. 13. Capital surplus

#### (14) 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.

(15)Retained surplus

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\$102,301 for 2018 and 2017 respectively. On March 19, 2019, the board of directors proposed to retain total appropriated profits without dividending allocation.

(16) Other equity items

	2019		
	<u>Unrealized gain</u> <u>/loss on valuation</u>	<u>Foreign currency</u> <u>Translation</u>	<u>Total</u>
January 1	\$ -	(\$ 24,340)	(\$ 24,340)
Foreign currency translation differences			
- Group	-	( 34,651)	( 34,651)
December 31	<u>\$ -</u>	<u>(\$ 58,991)</u>	<u>(\$ 58,991)</u>

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

(17) Operating revenue

	2019	2018
Revenue from contracts with customers	<u>\$ 1,520,242</u>	<u>\$ 1,169,715</u>

1. Details of revenue from contracts with customers

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

	Taiwan			USA	
	<u>Guest room</u>	<u>Foodservice</u> <u>Revenue</u>	<u>Others</u>	<u>Guest room</u>	<u>Total</u>
<u>2019</u> Revenue from contracts with external customers	<u>\$ 130,153</u>	<u>\$ 51,019</u>	<u>\$ 8,371</u>	<u>\$ 1,330,699</u>	<u>\$ 1,520,242</u>

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

2. Contractual liabilities

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contractual liabilities :			
Contractual liabilities - Room service contracts	\$ 13,275	\$ 7,030	\$ 9,754
Contractual liabilities - Foodservice contracts	5,035	3,341	4,352
	<u>\$ 18,310</u>	<u>\$ 10,371</u>	<u>\$ 14,106</u>

Contractual liabilities at beginning of the period recognized in revenue: :

	<u>2019</u>	<u>2018</u>
Opening balance of contractual liabilities recognized in revenue		
Room service contracts	\$ 7,030	\$ 9,754
Foodservice contracts	3,341	4,352
	<u>\$ 10,371</u>	<u>\$ 14,106</u>

(18) Other income

	<u>2019</u>	<u>2018</u>
Interest income: :		
Bank deposits interest	\$ 37,413	\$ 27,288
Rental income	2,073	2,072
Other income - others	1,147	393
	<u>\$ 40,633</u>	<u>\$ 29,753</u>

(19) Other gains and losses

	<u>2019</u>	<u>2018</u>
Disposal of property, plants, and equipment loss	\$ 62	(\$ 127)
Gain on disposal of available-for-sale group	-	414,794
Loss on disposal of investment	( 31,649)	14,783
Net gain (loss) on foreign currency exchange	-	( 3,145)
Financial asset loss measured at fair value through profit and	( 22)	21
	<u>(\$ 31,609)</u>	<u>\$ 426,326</u>

(20) Financial cost

	<u>2019</u>	<u>2018</u>
Interest expense		
Long-term borrowings from banks	\$ 198,288	\$ 139,636
Finance lease obligations interest	2,094	-
	<u>\$ 200,382</u>	<u>\$ 139,636</u>

(21)Addition information on expenses

	<u>2019</u>	<u>2018</u>
Employee benefits expenses	\$ 366,299	\$ 291,289
Property, plants, and equipment Depreciation	200,184	203,296
Right-of-use asset Depreciation	7,148	-
Intangible asset amortization cost	43,062	33,051

(22)Employee benefit expense

	<u>2019</u>	<u>2018</u>
Wages and salaries	\$ 312,731	\$ 250,072
Health and labor insurance	48,061	36,778
Pension expense	4,340	3,374
Other employee benefit expense	1,167	1,065
	<u>\$ 366,299</u>	<u>\$ 291,289</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 2019 and 2018. The 2018 employee compensation and directors and supervisors remuneration resolved by the Board of Directors are the amount separately \$287 and \$0 recognized in the 2018 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.

(23)Income tax

1. Income tax expense (benefit)

(1)Composition of income tax:

	<u>2019</u>	<u>2018</u>
Current income tax: :		
Income tax generated from current	\$ 44,148	\$ 87,480
Tax on unappropriated earnings	4,570	-
Underestimation (overestimation) of	249	( 139)
Total current tax	<u>48,967</u>	<u>87,341</u>
Deferred income tax: :		
Origination and reversal of	( 15,983)	83,813
Effect of tax rate changes	-	14,667
Total of deferred tax income	<u>( 15,983)</u>	<u>98,480</u>
Income tax expense	<u>\$ 32,984</u>	<u>\$ 185,821</u>

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

2019	2019	2018
Exchange differences on translation of foreign financial statements	(\$ 8,663)	\$ 11,161
	-	( 3,827)
	(\$ 8,663)	\$ 7,334

2. Reconciliation between income tax expense and accounting profit :

	2019	2018
Income tax calculated using net profit (loss) before tax based on statutory tax rate(Note)	(\$ 23,038)	\$ 151,008
Income tax effects of adjustments based on income tax laws and regulations	51,203	20,285
Underestimation (overestimation) of prior year income tax	249	( 139)
Effect of tax rate changes	-	14,667
Tax on unappropriated earnings	4,570	-
Income tax expense	\$ 32,984	\$ 185,821

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

3. The deferred income tax assets or liabilities generated from temporary :

	2019					
	January 1	Recognized in Gain or loss	Recognized in others <u>Comprehensive</u> income	Current Reclassification	Disposal of available-for-sale Groups	December 31 December 31
Deferred income tax assets:						
Temporary differences :						
Exchange differences on translation of foreign financial statements	\$ 6,891	(\$ 7,418)	\$ 8,663	\$ -	\$ -	8,136
Unrealized exchange loss	-	3,809	-	-	-	3,809
Bonus for not taking leave	212	46	-	-	-	258
Depreciation expense recognized as book-tax difference	18,157	( 18,269)	-	112	-	-
Amortization of book-tax difference for intangible assets	51	( 24)	-	-	-	27
US state tax effects	-	24,370	-	( 733)	-	23,637
Tax losses	95,003	64,824	-	( 3,022)	-	156,805
	120,314	67,338	8,663	( 3,643)	-	192,672
Deferred income tax liabilities:						
Temporary differences :						
Unrealized exchange gain	( 2,110)	2,110	-	-	-	-
Investment income recognized under foreign equity method	( 184,639)	( 7,658)	-	-	-	( 192,297)
Depreciation expense recognized as book-tax difference	-	( 47,909)	-	1,442	-	( 46,467)
Unrealized reserve for land revaluation increment tax	( 93,467)	-	-	-	-	( 93,467)
US state tax effects	( 2,088)	2,102	-	( 14)	-	-
	( 282,304)	( 51,355)	-	1,428	-	( 332,231)
	(\$ 161,990)	\$ 15,983	\$ 8,663	(\$ 2,215)	\$ -	(\$ 139,559)

2018						
<u>January 1</u>	<u>January 1</u>	<u>Recognized in Gain or loss</u>	<u>Recognized in others Comprehensive income</u>	<u>Exchange rate Effects</u>	<u>Transfer to available-for-sale Disposal groups</u>	<u>December 31</u>
Deferred income tax assets:						
Temporary differences: :						
Exchange differences on translation of foreign financial statements	\$ 16,927	(\$ 2,702)	(\$ 7,334)	\$ -	\$ -	6,891
Unrealized exchange loss	720	( 720)	-	-	-	-
Bonus for not taking leave	184	28	-	-	-	212
Depreciation expense recognized as book-tax difference	46,910	( 29,629)	-	951	( 75)	18,157
Amortization of book-tax difference for intangible assets	50	( 125)	-	3	123	51
Tax losses	<u>78,274</u>	<u>14,952</u>	<u>-</u>	<u>1,777</u>	<u>-</u>	<u>95,003</u>
	<u>143,065</u>	<u>( 18,196)</u>	<u>( 7,334)</u>	<u>2,731</u>	<u>48</u>	<u>120,314</u>
Deferred income tax liabilities:						
Temporary differences:						
Unrealized exchange loss	-	( 2,110)	-	-	-	( 2,110)
Exchange differences on translation of foreign financial statements	( 100,758)	( 83,881)	-	-	-	( 184,639)
Unrealized reserve for land revaluation increment tax	( 93,467)	-	-	-	-	( 93,467)
US state tax effects	<u>( 7,650)</u>	<u>5,707</u>	<u>-</u>	<u>( 141)</u>	<u>( 4)</u>	<u>( 2,088)</u>
	<u>( 201,875)</u>	<u>( 80,284)</u>	<u>-</u>	<u>( 141)</u>	<u>( 4)</u>	<u>( 282,304)</u>
	<u>(\$ 58,810)</u>	<u>(\$ 98,480)</u>	<u>(\$ 7,334)</u>	<u>\$ 2,590</u>	<u>\$ 44</u>	<u>(\$ 161,990)</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, 2019					
<u>Year of occurrence</u>	<u>Amount filed/ amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets portion</u>	<u>Year for last deduction</u>
2013	Approved amount	\$ 14,300	\$ 14,300	\$ -	2023
2014	Approved 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 filed	56,901	56,901	-	2028
2019	Amount to be filed	40,958	40,958	-	2029
		<u>\$ 223,587</u>	<u>\$ 223,587</u>	<u>\$ -</u>	

December 31, 2018					
<u>Year of occurrence</u>	<u>Amount filed/ amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Year for last deduction</u>
2013	Reassessed and	\$ 14,300	\$ 14,300	\$ -	2023
2014	Reassessed and	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	57,481	57,481	-	2028
		<u>\$ 183,209</u>	<u>\$ 183,209</u>	<u>\$ -</u>	

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

December 31, 2019					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible tax amount</u>	<u>Undeducted tax amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Deductible year</u>
2017	Amount filed	\$ 56,773	\$ 55,665	\$ -	2015~2137 None deduction period
2018	Amount to be filed	<u>52,856</u>	<u>52,856</u>	=	
		<u>\$ 109,629</u>	<u>\$ 108,521</u>	<u>\$ -</u>	

December 31, 2018					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted tax amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Deductible year</u>
2017	Amount filed	<u>\$ 56,773</u>	<u>\$ 55,665</u>	<u>\$ -</u>	2015~2137

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

December 31, 2019					
<u>Year of occurrence</u>	<u>Amount filed/amount approved</u>	<u>Deductible amount</u>	<u>Undeducted amount</u>	<u>Unrecognized deferred income tax assets amount</u>	<u>Year for last deduction</u>
2017	Amount filed	\$ 436	\$ 436	\$ -	2027
2018	Amount filed	12,843	12,843	-	2028
2019	Amount to be filed	<u>4,552</u>	<u>4,552</u>	-	2029
		<u>\$ 17,831</u>	<u>\$ 17,831</u>	<u>\$ -</u>	

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

7. The tax authorities have examined and approved the Company's business income tax returns through 2017.

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

(24) Earnings (loss) per share

	<u>2019</u>		
	<u>Amount after tax</u>	<u>Weighted average of Outstanding shares (1,000shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Current net income attributable to the common stock shareholders of the parent company	<u>(\$ 4,692)</u>	<u>110,486</u>	<u>(\$ 0.04)</u>

	<u>2018</u>		
	<u>Amount after tax</u>	<u>Weighted average of Outstanding shares (1,000shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic loss per share</u>			
Current net income attributable to the common stock shareholders of the parent company	<u>\$ 212,662</u>	<u>110,486</u>	<u>\$ 1.92</u>

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

(25) Operating lease

2018

The Corporate rents buildings, vehicles, operating equipment, office equipment, and other assets by operating lease for a lease term from 2016 to 2037. The Corporate recognized NT\$5,295 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>
Less than one year	\$ 4,970
More than 1 year but less than 5 years	30,825
More than five year	<u>112,740</u>
	<u>\$ 148,535</u>

(26) Business combination

1. The group purchase Hotel Hyatt Place Emeryville with \$2,045,468 NTD(66,250 USD) on April 12, 2019 ,operating the business related to the hotel in the U.S.A. The group expected to strengthen the market position.
2. Information on the consideration paid for the acquisition of the Hyatt Place Emeryville Hotel and the fair value of assets acquired and liabilities assumed at the acquisition date is as following:

The execution letter have been issued to the related party balance.

	<u>April 12,2019</u>
Purchase consideration	
Cash	<u>\$ 2,045,468</u>
Fair value of identifiable assets acquired and liabilities assumed	
Real estate and equipment	\$ 1,636,220
Intangible assets	<u>409,248</u>
Total identifiable net assets	<u>2,045,248</u>
Goodwill	<u>\$ -</u>

(27) Additional cash flows information

1. Investment activities paid partially by cash: :

	<u>2019</u>	<u>2018</u>
Purchase of property, plants, and equipment	\$ 9,608	\$ 163,298
Add: Other accounts payable at beginning of the period: Fees for converting land purposes (stated as “long-term notes and accounts payable”)	127,577	127,577
Accounts payable at beginning of the period (stated as “Other accounts payable”)	597	915
Less: Other accounts payable at the end of the period: Fees for converting land purposes (stated as “long-term notes and accounts payable”)	( 127,577)	( 127,577)
Accounts payable at the end of the period (stated as “Other accounts payable”)	<u>( 1,610)</u>	<u>( 597)</u>
Cash paid of this period	<u>\$ 8,595</u>	<u>\$ 163,616</u>

2. Operating activities affecting cash flows :

	<u>2019</u>	<u>2018</u>
Disposing financial asset proceeds measured at fair value through profit and loss		
Disposing financial asset proceeds measured at fair value through profit and loss	\$ -	\$ 47,785
Add : Other accounts receivable at the start of the period	47,785	-
Less : Other accounts receivable at the end of the period	-	( 47,785)
Affected rate amount	<u>1,411</u>	<u>-</u>
Cash received this period	<u>\$ 49,196</u>	<u>\$ -</u>

(28) Changes in liabilities related to fundraising activities

	<u>2019</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Lease liabilities</u>	<u>Long-term borrowings</u>	<u>Total liabilities from fundraising activities</u>
January 1,	\$ 1,204,500	\$ 130,000	\$ 125,486	\$ 2,793,286	\$ 4,253,272
Changes in fundraising cash flows	325,500	-	( 2,118)	1,285,781	1,609,163
Other changes in fundraising non-cash flow	-	-	11	-	11
Effect of exchange rate changes	-	-	-	( 103,551)	( 103,551)
December 31	<u>\$ 1,530,000</u>	<u>\$ 130,000</u>	<u>\$ 123,379</u>	<u>\$ 3,975,516</u>	<u>\$ 5,758,895</u>

	<u>2018</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes and bills payable</u>	<u>Lease liabilities</u>	<u>Long-term borrowings</u>	<u>Total liabilities from fundraising activities</u>
January 1	\$ 1,059,977	\$ 130,000	\$ -	\$ 2,200,281	\$ 3,390,258
Effect of financing cash flows	144,523	-	-	517,395	661,918
Effect of exchange rate changes	-	-	-	75,610	75,610
12月31日	<u>\$ 1,204,500</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 2,793,286</u>	<u>\$ 4,127,786</u>

7. Transactions with related parties

Primary management remuneration and compensation information

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	<u>\$ 21,047</u>	<u>\$ 15,944</u>

8. The Group's collateralized assets are listed below :

<u>Assets</u>	<u>Book value</u>		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>For guarantee</u>
Land and land improvements	\$ 1,424,964	\$ 1,162,509	Short-term and
Buildings and structures	2,504,235	1,521,073	Short-term and
Business facilities/equipment	291,002	187,155	Long-term
Time deposits (Stated as “Amortizes cost Financial assets–current” )	997,129	587,084	Short-term
Time deposits (Stated as “Amortizes cost Financial assets–current” )	1,857	2,142	Voucher
	<u>\$ 5,219,187</u>	<u>\$ 3,459,963</u>	

## 9. Significant contingent liabilities and unrecognized contractual commitments

### (1) Contingencies

None

### (2) Undertakings

1. The Group's subsidiary acquired Clementine Inn Anaheim、TownePlace Suites Newark Silicon Valley、Embassy Suites Valencia、Holiday Inn Express Walnut Creek and Hyatt Place Emeryville was commissioned by the Group to operate the above-mentioned hotels, and the contract ends on November 31, 2024, August 31, 2021, August 31, 2021, June 22, 2022, and April 11, 2024 respectively. The subsidiary shall pay Interstate Hotels & Resort management fees and performance bonus on a monthly basis, and the calculation of the related expenses is based on the fix rates agreed in the contract.
2. According to the management contract signed between the subsidiary and Interstate Hotels & Resort, a fix ratio of the operating revenue has to be appropriated on a monthly basis to an exclusive account for related asset purchase or repair (except the office). If said account is not enough to pay for the purchase or repair of assets related to the hotels, the subsidiary has to appropriate and deposit an adequate amount into the account.
3. Subsidiaries: HOLIDAY GARDEN SF CORP. and HOLIDAY GARDEN NW CORP. signed a royalty agreement with Marriott, and according to the agreement, Residence Inn Anaheim (until August 8, 2018) and TownePlace Suites Newark Silicon Valley (until March 31, 2030) will pay Marriott a certain proportion of the total guest room income as royalties for using Marriott's management maintenance system. The Group's subsidiary HOLIDAY GARDEN SF CORP. signed with Marriott an extension contract, and according to the contract, HOLIDAY GARDEN SF CORP. and Marriott's royalty agreement shall extend to October 15, 2018, but no more extension afterward. Once the agreement ends, the hotel will be operated using the self-owned brand Clementine Inn Anaheim.
4. The Group's subsidiary HOLIDAY GARDEN VC CORP. signed a royalty agreement with Hilton, and according to the agreement, Embassy Suites Valencia (until September 10, 2030) will pay Hilton a certain proportion of the total guest room income as royalties for using Hilton's management maintenance system.
5. The Group's subsidiary HOLIDAY GARDEN VC CORP. signed a royalty agreement with IHG, and according to the agreement, Holiday Inn Express Walnut Creek (until July 11, 2031) will pay IHG a certain proportion of the total guest room income as royalties for using IHG's management maintenance system.

6. The Group's subsidiary HOLIDAY GARDEN VC CORP. signed a royalty agreement with Hyatt, and according to the agreement, Hyatt Place Emeryville (until November 21, 2041) will pay Hilton a certain proportion of the total guest room income as royalties for using Hilton's management maintenance system.
7. Subsidiary HOLIDAY GARDEN SF CORP. and CTBC BANK CO.,LTD. signed a long-term loan contract on February 11, 2016 for a total credit line of US\$31,000,000. Subsidiary HOLIDAY GARDEN SF CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.3 . Subsidiary HOLIDAY GARDEN SF CORP. and CTBC BANK CO.,LTD consulted to maintain a times interest earned ratio no lower than 1.
8. Subsidiary HOLIDAY GARDEN NW CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on December 17, 2015 for a total credit line of US\$17,150,000. Subsidiary HOLIDAY GARDEN NW CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
9. Subsidiary HOLIDAY GARDEN VC CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on October 20, 2015 for a total credit line of US\$21,000,000. Subsidiary HOLIDAY GARDEN VC CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
10. Subsidiary HOLIDAY GARDEN WC CORP. and FIRST COMMERCIAL BANK. signed a long-term loan contract on August 29, 2016 for a total credit line of US\$23,300,000. Subsidiary HOLIDAY GARDEN WC CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.15.
11. Subsidiary HOLIDAY GARDEN VC CORP. and CTBC BANK CO.,LTD.. signed a long-term loan contract on April 12, 2019 for a total credit line of US\$46,000,000. Subsidiary HOLIDAY GARDEN VC CORP. pledged that during the credit period, the financial structure shall maintain a times interest earned ratio no lower than 1.2.
12. As of December 31, 2019 and 2018, the Group had total proceeds for contracted unfinished construction and prepayments for business facilities of NT\$11,320 and NT\$12,999 respectively, and the unrecognized amount was NT\$3,146 and NT\$3,577 respectively.

## 10. Significant casualty losses

None

## 11. Major events after the reporting period

None

## 12. Other

### (1) Capital management

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

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	<u>\$ 6,357,160</u>	<u>\$ 4,650,965</u>
Total assets	<u>\$ 7,646,425</u>	<u>\$ 6,000,033</u>
Debt to assets ratio	<u>83</u>	<u>78</u>

### (2) Financial instruments

#### 1. Types of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 1,139,837	\$ 1,801,148
Financial assets measured at amortized cost	998,986	589,226
Notes payable	1,438	800
Accounts payable	34,412	33,552
Other accounts payable	3,232	52,043
Guarantee deposits received	8,273	7,054
	<u>\$ 2,186,178</u>	<u>\$ 2,483,823</u>

## Financial liabilities

Financial liabilities measured at amortized cost

Short-term borrowings	\$	1,530,000	\$	1,204,500
Short-term notes and bills payable		130,000		130,000
Notes payable		322		1,472
Accounts payable		3,020		5,892
Other accounts payable		111,411		92,631
Long-term borrowings (including the current portion of long-term debt payable)		3,975,516		2,793,286
Long-term notes and accounts payable		127,577		127,577
Guarantee deposits received		1,370		1,155
	\$	<u>5,879,216</u>	\$	<u>4,356,513</u>
Lease liabilities	\$	<u>123,379</u>	\$	<u>-</u>

### 2. Financial instruments not measured at fair value

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

### 3. Risk management policies

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

#### 4. Nature and level of significant financial risk

##### (1) Market risk

###### Foreign exchange rate risk

- A. The Group is a multinational corporation, and as a result, the Group is exposed to foreign exchange rate risk generated from transactions using currencies different from the Company and the subsidiaries' functional currency (primarily the US dollars). Related foreign rate exchange risk from future commercial transactions and recognized assets and liabilities.
- B. The Group's management has set policies requiring the Group to manage the foreign exchange rate risk related to its functional currency. Each company should manage the risk according to the overall foreign exchange rate risk through the finance department of the Group.
- C. The Group's businesses involve several non-functional currencies (The Company's functional currency is New Taiwanese dollars, while the subsidiaries' functional currency is US dollars), and they are affected by exchange rate fluctuation. Information of foreign currency assets and liabilities subject to material effect of exchange rate fluctuation is presented below:

December 31, 2019

	<u>Foreign currencies</u> (NT\$1,000)	<u>Exchange rate</u>	<u>Carrying amount</u> (NT\$)	<u>Sensitivity analysis</u>		
				<u>Degree of variation</u>	<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Currency item</u>						
US\$ : NT\$	\$ 35,354	29.98	\$ 1,059,910	1%	\$ 10,599	\$ -

December 31, 2018

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

- D. The overall gain (loss) from the exchange (including realized and unrealized) of the Group's currency items due to material exchange rate fluctuation were NT\$14,783 and (NT\$ 31,649) in 2019 and 2018.

Price risk

None significant market risk is expected to the Group.

Cash flows and fair value interest rate risk

- A. The Group's interest risk comes from short-term and long-term borrowings at a floating rate of interests, and they expose the Group to cash flow interest rate risk. At December 31, 2019 and 2018, the Group's borrowings at floating rate of interests are in NT dollars and US dollars.
- B. The Group's loans are measured at amortized cost and the interest rates are re-set each year according to the contract. Therefore, the Group is exposed to the risk of future market interest rate changes.
- C. When interest rates of loans increase or decrease by 1% but all other factors remain the same, the net profit before tax decreased by NT\$55,055 and increased by NT\$39,978 at December 31, 2019 and 2018 respectively, and the main reason was changes in interest rates of floating rate loans.

(2) Credit risk

- A. The Group is exposed to credit risk of customers' or financial instruments' failure of fulfilling their contractual obligation, which can expose the Group to the risk of financial loss. The primary source of credit risk is the counterparty's failure of paying accounts receivable according to the terms of payment and the contractual cash flows of investment in liability instruments measured at fair value through profit and loss.
- B. The Group establishes credit risk management from the Group's perspective. Before entering into the terms and conditions of payment and service rendering with each new customer, each operating entity of the Group has to manage and analyze the credit risk in accordance with the internal credit policy. Internal risk control evaluates a customer's credit quality based on the customer's financial condition, past experience, and other factors.
- C. The Group adopts the premise provided by IFRS9: When the payment is 30

days past due according to the contractual terms and conditions, the credit risk of this financial asset is deemed to have increased significantly since its initial recognition.

- D. The Group adopts the premise provided by IFRS9: When the payment is more than 90 days past due according to the contractual terms and conditions, default is deemed to have happened.
- E. The Group classifies customers' notes and accounts receivable according to credit conditions and adopts a simplified method of using the loss rate as the basis for estimating the expected credit loss.
- F. According to future forward-looking considerations, the Group adjusts the loss rate established based on the history of the specific period and current information to estimate the loss allowance of notes and accounts receivable. The provision matrix of December 31, 2019 and 2018 is as follow: :

	Not past due <u>Past due for 1 to 30 days</u>	Past due for 31 <u>to 90 days</u>	Past due for more than <u>91 days</u>	<u>Total</u>
<u>December 31, 2019</u>				
Expected loss rate	0.59%	1.06%	100.00%	
Total book value	\$ 32,111	\$ 3,761	\$ 328	\$ 36,200
	Not past due <u>Past due for 1 to 30 days</u>	Past due for 31 <u>to 90 days</u>	Past due for more than <u>91 days</u>	<u>Total</u>
<u>December 31, 2018</u>				
Expected loss rate	0.11%	1%	100%	
Total book value	\$ 28,431	\$ 4,763	\$ 1,158	\$ 34,352

- G. The group simplified the accounts receivable as following :

	<u>2019</u>	<u>2018</u>
January 1	\$ -	\$ -
Impairment loss	354	-
Effected rate amount	( 4)	-
December 31	<u>\$ 350</u>	<u>\$ -</u>

### (3) Liquidity risk

- A. Cash flows forecasts are performed by each operating entity of the Company and summarized by the finance department of the Group. The Group's finance department monitors the Group's circulating capital requirements to ensure that the Company has sufficient capital for its operating needs and to maintain a sufficient unspent loan commitment at all times ◦

B. transferred back to the finance department of the Group. The Group's finance department will invest the residual funds in demand deposits, checking deposits, time deposits, and marketable securities, and the selected instruments have a proper due date or an adequate liquidity in order to meet the above-mentioned forecasts and to ensure that the Group has sufficient liquidity to fund the requirements. At December 31, 2019 and 2018, the Group's money market position was NT\$1,137,596 and NT\$1,799,973 respectively, and they can generate immediate cash flows for liquidity risk management.

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

December 31, 2019

<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	\$ 1,532,085	\$ -	\$ -
Short-term notes and bills payable	130,000	-	-
Notes payable	322	-	-
Accounts payable	3,020	-	-
Other accounts payable	111,411	-	-
Long-term borrowings	7,694	30,460	105,300
Long-term borrowings (including the current portion of long-term debt payable)	1,318,209	938,875	2,250,386
Long-term notes and accounts payable	-	127,577	-
Guarantee deposits received	525	368	477

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	1,472	-	-
Accounts payable	5,892	-	-
Other accounts payable	92,631	-	-
Long-term borrowings	304,015	1,311,938	1,408,630
Long-term borrowings (including the current portion of long-term debt payable)	-	127,577	-
Guarantee deposits received	420	25	710

### 13. Supplementary disclosure

#### Information related to material transactions

1. Financing provided: See Table 1 attached.
2. Endorsement provided: None
3. Marketable securities held at end of reporting 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: See Table 2 attached.
5. Properties acquired at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 3 attached.
6. Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
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 4 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 5 attached.

#### Re-investment related information

The investee's name, location, and other related information (excluding investees in mainland China): See Table 6 attached ◦

#### Investment in mainland China

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

### 14. Segment information

#### (1) General information

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

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

#### (2) Measurement of segment information

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

### (3) Segment information

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

	2019			
	<u>Taiwan business</u>	<u>USA business</u>	<u>Adjustment</u>	<u>Total</u>
Revenue				
Revenue from	<u>\$ 189,543</u>	<u>\$ 1,330,699</u>	<u>\$ -</u>	<u>\$ 1,520,242</u>
Segment profit and loss	<u>(\$ 7,420)</u>	<u>\$ 227,070</u>	<u>\$ -</u>	<u>\$ 219,650</u>
Interest income				37,413
General revenue				3,220
Interest expense				( 200,382)
Other gains and losses				( 31,609)
Net profit before tax				<u>\$ 28,292</u>
Segment assets	<u>\$ 722,166</u>	<u>\$ 3,557,414</u>	<u>\$ -</u>	<u>\$ 4,279,580</u>
General assets				<u>3,366,845</u>
Total assets				<u>\$ 7,646,425</u>
Amortization and	<u>\$ 37,520</u>	<u>\$ 212,874</u>	<u>\$ -</u>	<u>\$ 250,394</u>
Capital expenditure	<u>\$ 9,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,608</u>
Segment liabilities	<u>\$ 2,344,396</u>	<u>\$ 4,012,764</u>	<u>\$ -</u>	<u>\$ 6,357,160</u>
	2018			
	<u>Taiwan business</u>	<u>USA business</u>	<u>Adjustment</u>	<u>Total</u>
Revenue				
Revenue from	<u>\$ 107,693</u>	<u>\$ 1,062,022</u>	<u>\$ -</u>	<u>\$ 1,169,715</u>
Segment profit and loss	<u>(\$ 57,243)</u>	<u>\$ 139,283</u>	<u>\$ -</u>	<u>\$ 82,040</u>
Interest income				27,288
General revenue				2,465
Interest expense				( 139,636)
Other gains and losses				426,326
Net profit before tax				<u>\$ 398,483</u>
Segment assets	<u>\$ 743,363</u>	<u>\$ 2,185,983</u>	<u>\$ -</u>	<u>\$ 2,929,346</u>
General assets				<u>3,070,687</u>
Total assets				<u>\$ 6,000,033</u>
Amortization and	<u>\$ 29,930</u>	<u>\$ 206,417</u>	<u>\$ -</u>	<u>\$ 236,347</u>
Capital expenditure	<u>\$ 40,917</u>	<u>\$ 122,381</u>	<u>\$ -</u>	<u>\$ 163,298</u>
Segment liabilities	<u>\$ 1,917,436</u>	<u>\$ 2,733,529</u>	<u>\$ -</u>	<u>\$ 4,650,965</u>

The Group adopted to IFRS16 “Lease”, the effect to the information in 2019 as the followings below:

	<u>2019</u>		
	<u>Taiwan business</u> <u>segment</u>	<u>USA business</u> <u>segment</u>	<u>Total</u>
Depreciation expense improve	\$ 7,148	\$ -	\$ 7,148
Segment assets improve	\$ 118,349	\$ -	\$ 118,349
Segment assets improve	\$ 123,379	\$ -	\$ 123,379

#### Reconciliation of segment profit and loss

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

#### Product type and service type information

Please refer to Note 6(17) .

#### Regional information

The Group's regional information for 2019 and 2018 is as follows: :

	<u>2019</u>		<u>2018</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
USA	\$ 1,330,699	\$ 4,391,560	\$ 1,062,022	\$ 2,589,194
Taiwan	189,543	840,514	107,693	743,363
	<u>\$ 1,520,242</u>	<u>\$ 5,232,074</u>	<u>\$ 1,169,715</u>	<u>\$ 3,332,557</u>

#### Important customer information

It is not applicable because none of the revenue from each customer of the Group in 2019 and 2018 reached 10% of the amount of the comprehensive income statement.

Holiday Garden International Ltd. and subsidiaries  
Loan funds  
January 1, 2019 to December 31, 2019

Table 1

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

No. (Note 1)	Company providing the loan		Transaction item (Note 2)	A related party yes or not	The maximum amount of this period (Note 3)	Closing balance (Note 8)	Actual drawing amount	Range of interest rate	Type of loan fund (Note 4)	Business transaction amount (Note 5)	Reasons for short-term financing (Note 6)	Recognized amount of loss allowance	Collaterals		Maximum amount of loans permitted to a single borrower (Note 7)	Total amount permitted for loaning of funds (Note 7)	Note
	Borrower												Name	Value			
1	Holiday Garden International Ltd.	Holiday Garden U.S.	Receivable from related companies	yes	\$ 1,448,560	\$ 1,448,560	\$ 1,054,242	Annual interest 6.5%	Short-term financing funds	\$ -	Operational needs	\$ -	None	\$ -	\$ 12,026,085	\$ 24,052,170	Note 9
2	Holiday Garden U.S.	Holiday Garden NW CORP.	Receivable from related companies	yes	92,520	92,520	92,520	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden VC CORP.	Receivable from related companies	yes	46,260	46,260	46,260	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden WC CORP.	Receivable from related companies	yes	584,820	584,820	429,370	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden WC CORP.	Receivable from related companies	yes	64,980	64,980	64,980	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden SN CORP.	Receivable from related companies	yes	539,350	-	-	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden EV CORP.	Receivable from related companies	yes	94,950	94,950	31,650	Annual interest 6.5%	Short-term financing funds	-	Operational needs	-	None	-	3,513,833	7,027,665	Note 9
2	Holiday Garden U.S.	Holiday Garden EV CORP.	Receivable from related companies	yes	953,680	953,680	559,362	Annual interest 6.5%	Short-term financing funds	-	Hotel acquisition	-	None	-	3,513,833	7,027,665	Note 9
3	Holiday Garden SF CORP.	Holiday Garden VC CORP.	Receivable from related companies	yes	154,200	154,200	154,200	Annual interest 3.0%	Short-term financing funds	-	Hotel acquisition	-	None	-	843,578	1,687,155	Note 9
3	Holiday Garden SF CORP.	Holiday Garden U.S.	Receivable from related companies	yes	387,516	387,516	387,516	Annual interest 3.0%	Short-term financing funds	-	Operational needs	-	None	-	843,578	1,687,155	Note 9

Note 1: See the footnotes below

(1) 0 for the Company

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

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

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

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

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

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

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

Note 8: Enter the amount of funds loaned to others that remains effective as of the reporting month. (For an publicly listed company deciding to resolve each fund to be loaned to other at the Board of Directors according to Article 14.1 of the Procedure of Management of Loans to Others, then even if the fund has not yet been appropriated, the amount of loans resolved at the Board of Directors should be stated in the announced balance to disclose the exposed risk. If said funds are repaid later, the balance after the repayment should be disclosed to reflect the adjusted risk. If, in accordance with Article 14.2 of Regulations Governing the Administration of Shareholder Services of Public Companies, a publicly listed company decides to authorize the chairperson of the board, resolved at the board of directors, to have the funds for lending that are within the specific amount authorized in installment or revolver within one year, it is the balance of the amount of loans to others approved at the Board of Directors that should be announced and filed. Said loans to others may be repaid later, but because lending may be authorized again, use the amount of loans to others approved by the Board of Directors as the balance announced and reported.

Note 9: In accordance with the Company's Operating procedure of management of loans to others, the amount of loans to foreign subsidiaries, in which the Company holds directly or indirectly, 100% of the voting shares or to individual borrowers should not exceed 7.5 times of the Company's net value, and the total amount of loans should not exceed 15 times of the net value of the company, and the duration of loans should be no more than 15 years.

Holiday Garden Hotel Co., Ltd.  
Properties disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital  
January 1,2019 to December 31,2019

Table 2 Unit: NT\$1,000  
(Unless otherwise noted)

Buying and selling companies	Types of marketable securities (Note1)	Account	Transaction object (Note 2)	Relationship (Note 2)	beginning of term		Buying(Note3.5)		Selling(Note3.5)			End of term		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling Price	Book cost	Disposal of gain and	Number of shares	Amount
Holiday Garden Hotel Co., Ltd.	Seasoned equity offering	Investment adopted with Equity method	Holiday Garden International Ltd.	Parent and subsidiary companies	12,000	\$ 848,895	-	\$ 400,000	-	\$ -	(\$ 605,915)	\$ -	12,000	\$ 642,980

Note 1 : Marketable securities in this table refer to stocks, bonds, beneficial certificates and marketable securities arising from the above items.

Note 2 : Investors in equity-method securities are required to complete these two fields and the remaining fields are not required

Note3 : The cumulative purchase and sale amounts shall be calculated separately according to the market price to determine whether they amount to \$300 million or 20% of the paid-in capital

Note 4: 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

Note5 : Includes capital increases and decreases during the period, share of subsidiaries, affiliates and joint ventures recognized under the equity method, distribution of investment earnings under the equity method, valuation adjustments of available-for-sale financial assets of investees and translation differences in the financial statements of foreign operating companies.

Holiday Garden International Ltd. and subsidiaries

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

January 1,2019 to December 31,2019

Table 3

Unit: NT\$1,000

(Unless otherwise noted)

Company which acquired_ <u>properties</u>	<u>property name</u>	Occuring <u>Date</u>	Transaction <u>amount</u>	<u>Payment of price</u>	<u>Transaction object</u>	<u>Relationship</u>	<u>The former tranfer information of transaction object is</u> <u>related party</u>		Transfer <u>date</u>	<u>Amount</u>	reference of <u>priceBasis</u>	purpose of acquisition <u>Usage</u>	other appointment_ <u>Item</u>
							<u>Holder</u>	<u>issuer</u>					
Holiday Garden EV CORP.	Emeryville Hyatt place 旅館	108/01/29	\$ 1,636,220	\$ 1,636,220	Bay street Hotel Properties,LLC	None-related parties	-	-	-	\$ -	Valuation report	Operating the food and hotel business in U.S.A	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.  
 January 1,2019 to December 31,2019

Table 4

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

<u>Companies of account receivable</u>	<u>Transaction object name</u>	<u>Relationship</u>	Balance of Receivable from related_ <u>companies (Note 1)</u>	<u>Turnover rate</u>	<u>Past due accounts receivable</u> <u>from related companies</u>		Accounts receivable recovered from related companies after <u>the</u> <u>reporting period</u>	Amount of loss allowance_ <u>recognized</u>
					<u>Amount</u>	<u>Treatment</u>		
Holiday Garden International Ltd.	Holiday Garden U.S.	Note 3	Account receivable : 1,019,320	Note 4	\$ -	-	\$ -	-
Holiday Garden U.S.	Holiday Garden WC CORP.	Note 3	Account receivable : 449,700	Note 4	-	-	-	-
Holiday Garden SF CORP.	Holiday Garden U.S.	Note 3	Account receivable : 386,742	Note 4	-	-	-	-
Holiday Garden SF CORP.	Holiday Garden VC CORP.	Note 3	Account receivable : 149,900	Note 4	-	-	-	-
Holiday Garden U.S.	Holiday Garden EV CORP.	Note 3	Account receivable : 569,620	Note 4	-	-	-	-
Holiday Garden WC CORP.	Holiday Garden SF CORP.	Note 3	Account receivable : 109,345	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 1,2019 to December 31,2019

Table 5

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

Number (Note 1)	Name	Counterparty	Relationship with the counterparty	Transaction condition		Ratio to consolidated	
				Account	Amount		
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Other accounts receivable	\$1,019,320	Processed according to the agreement between	13.33%
1	Holiday Garden International Ltd.	Holiday Garden U.S.	(3)	Interest income	69,384	Processed according to the agreement between	4.56%
1	Holiday Garden International Ltd.	Holiday Garden SF CORP.	(3)	Other income	13,910	Processed according to the agreement between	0.91%
1	Holiday Garden International Ltd.	Holiday Garden NW CORP.	(3)	Other income	13,910	Processed according to the agreement between	0.91%
1	Holiday Garden International Ltd.	Holiday Garden VC CORP.	(3)	Other income	13,910	Processed according to the agreement between	0.91%
1	Holiday Garden International Ltd.	Holiday Garden WC CORP.	(3)	Other income	13,910	Processed according to the agreement between	0.91%
1	Holiday Garden International Ltd.	Holiday Garden EV CORP.	(3)	Other income	6,955	Processed according to the agreement between	0.46%
2	Holiday Garden U.S.	Holiday Garden SF CORP.	(3)	Other accounts receivable	34,487	Processed according to the agreement between	0.45%
2	Holiday Garden U.S.	Holiday Garden NW CORP.	(3)	Other accounts receivable	89,940	Processed according to the agreement between	1.18%
2	Holiday Garden U.S.	Holiday Garden U.S.	(3)	Other accounts receivable	449,700	Processed according to the agreement between	5.88%
2	Holiday Garden U.S.	Holiday Garden WC CORP.	(3)	Interest income	32,996	Processed according to the agreement between	2.17%
2	Holiday Garden U.S.	Holiday Garden EV CORP.	(3)	Interest income	31,701	Processed according to the agreement between	2.09%
2	Holiday Garden U.S.	Holiday Garden VC CORP.	(3)	Other accounts receivable	44,970	Processed according to the agreement between	0.59%
2	Holiday Garden U.S.	Holiday Garden EV CORP.	(3)	Other accounts receivable	569,620	Processed according to the agreement between	7.45%
3	Holiday Garden SF CORP.	Holiday Garden VC CORP.	(3)	Other accounts receivable	149,900	Processed according to the agreement between	1.96%
3	Holiday Garden SF CORP.	Holiday Garden U.S.	(3)	Other accounts receivable	386,742	Processed according to the agreement between	5.06%
3	Holiday Garden SF CORP.	Holiday Garden U.S.	(3)	Interest income	11,962	Processed according to the agreement between	0.79%
4	Holiday Garden VC CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	41,136	Processed according to the agreement between	0.54%
5	Holiday Garden NW CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	13,113	Processed according to the agreement between	0.17%
6	Holiday Garden WC CORP.	Holiday Garden SF CORP.	(3)	Other accounts receivable	109,345	Processed according to the agreement between	1.43%

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

Note2: 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

(1) The parent company to a subsidiary

(2) A subsidiary to the parent company

(3) A subsidiary to another subsidiary

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

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

Holiday Garden International Ltd. and subsidiaries  
The investee's name, location, and other related information (excluding investees in mainland China)  
January 1, 2019 to December 31, 2019

Table 6

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 profit and loss	Recognized current investment gain or loss	Note
				Ending of reporting_	Previous year end	Number of shares	Ratio	Carrying amount			
Holiday Garden	Holiday Garden	Taiwan	Tourism hotels	\$ 65,000	\$ 65,000	6,500	100	\$ 50,525	(\$ 3,683)	(\$ 3,683)	The
Holiday Garden	Holiday Garden	Bermuda	Investment	642,980	848,895	12,000	100	1,603,478	38,288	38,288	The
Holiday Garden	Holiday Garden U.S.	USA	Investment	251,291	251,291	18,000	100	468,511	( 59,775)	( 59,775)	The
Holiday Garden U.S.	Holiday Garden SF CORP.	USA	Tourism hotels	84,662	84,662	170,000	100	112,477	46,280	46,280	The
Holiday Garden U.S.	Holiday Garden SN CORP.	USA	Tourism hotels	72,900	72,900	150,000	100	-	( 5,143)	( 5,143)	The
Holiday Garden U.S.	Holiday Garden NW CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	57,302	1,057	1,057	The
Holiday Garden U.S.	Holiday Garden VC CORP.	USA	Tourism hotels	81,250	81,250	150,000	100	19,052	2,327	2,327	The
Holiday Garden U.S.	Holiday Garden WC CORP.	USA	Tourism hotels	80,700	80,700	150,000	100	( 80,777)	( 41,763)	( 41,763)	The
Holiday Garden U.S.	Holiday Garden EV CORP.	USA	Tourism hotels	77,188	-	150,000	100	40,178	( 35,851)	( 35,851)	The

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 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.

# Chapter 7. Review Analysis and Risk Assessment of Financial Position and Operating Results

## I. Financial Position - Consolidated

### (I) Review and Analysis of Financial Position

(the increase or decrease amount is more than NT\$ 10 million and the change proportion is more than 20%)

Unit: NT\$ 1,000

Year Items	2019	2018	Difference	
			Amount	%
Current Asset	2,213,406	2,540,108	-326,702	-12.86
Real Estate, Plant and Equipment	4,279,580	2,929,346	1,350,234	46.09
Intangible Assets	750,664	403,004	347,660	86.27
Other Assets	402,775	127,575	275,200	215.72
Total Assets	7,646,425	6,000,033	1,646,392	27.44
Current Liability	2,956,059	1,645,475	1,310,584	79.65
Non-Current Liability	3,401,101	3,005,490	395,611	13.16
Total Liabilities	6,357,160	4,650,965	1,706,195	36.68
Equity Attributable to Owners of Parent Company	1,289,265	1,349,068	-59,803	-4.43
Share Capital	1,104,856	1,023,015	81,841	8.00
Capital Surplus	2,169	2,169	—	—
Retained Earnings	241,231	348,224	-106,993	-30.73
Other Equities	(58,991)	(24,340)	-34,651	142.36
Treasury Stock	—	—	—	—
Non-Controlling Interest	—	—	—	—
Total Equity	1,289,265	1,349,068	-59,803	-4.43%

Reasons for the difference:

1. The increase in total assets, real estate, plant and equipment and intangible assets was due to the acquisition of the foreign hotel Emeryville Hyatt Place.
2. The increase in total liabilities Current liabilities is due to an increase in long-term borrowings due within one year.
3. Other reduction in equity is due to cumulative conversion adjustments.

## II. Review and Analysis of Business Operating Results – Consolidated

### (I) Comparative analysis of business operating results:

(the increase or decrease amount is more than NT\$ 10 million and the change proportion is more than 20%)

Unit: NT\$ 1,000

Items	2019	2018	Increase (Decrease) Amount	Variable Proportion %
Operating Income	1,520,242	1,169,715	350,527	29.97
Operating Margin	1,287,691	941,812	345,879	36.72
Operating Profit and Loss	219,650	82,040	137,610	167.74
Non-Operating Income and Expenditure	(191,358)	316,443	-507,801	-160.47
Net Profit Before Tax	28,292	398,483	-370,191	-92.90
Continuing Operations Net Income	(4,692)	212,662	-217,354	-102.21
Loss from Discontinued Operations	—	—	—	—
Current Net Profit (Loss)	(4,692)	212,662	-217,354	-102.21
Current Other Comprehensive Profit and Loss (Net Amount After Tax)	(34,651)	48,471	-83,122	-171.49
Current Total Comprehensive Profit and Loss	(39,343)	261,133	-300,476	-115.07
Net Income Attributable to Owners of Parent Company	(4,692)	212,662	-217,354	-102.21
Net Profit Attributable to Non-Controlling Interests	—	—	—	—
Total Comprehensive Profit and Loss Attributable to Owners of the Parent Company	(39,343)	261,133	-300,476	-115.07
Total Comprehensive Profit and Loss Attributable to Non-Controlling Interest	—	—	—	—
Earnings Per Share	(0.04)	1.92	-1.96	-102.08

#### Explanation analysis:

1. The increase in operating income, gross profit and operating loss compared to last year was due to the purchase of new hotels in the United States.
2. The increase in non-operating income and expenses was due to the increase in foreign currency exchange loss and interest expense.

### (II) Analysis of operating margin changes: None

### III. Review and Analysis of Cash Flow - Consolidated

#### (I) Cash Flow Analysis

2019

Unit: NT\$ 1,000

Beginning Cash Balance	Net Cash Flow from Operating Activities Throughout the Year	Cash Outflows (Inflows) from Investment and Financing Activities Throughout the Year	Cash Balance Amount	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
\$1,801,148	\$281,378	(\$ 942,689)	\$1,139,837	—	—

(II) The net cash flow of each item changes by 50% at present and later stage, and the change in the amount is more than 5% of the paid-in capital.

Unit: NT\$ 1,000

Items	2019	2018	Changes in the Amount	Rate of Change %
Operating Activities	281,378	53,214	228,164	428.77
Investment Activities	-2,500,577	319,598	-2,820,175	-882.41
Financing Activities	1,588,918	662,318	926,600	139.90

Net cash flow from financing activities: due to the purchase of a new hotel in the United States. °

(III) Remedial measures for insufficient cash and liquidity analysis: N/A

(IV) Analysis of cash liquidity in the next year:

Unit: NT\$ 1,000

Beginning Cash Balance (1)	Expected Full-Year Net Cash Flow from Operating Activities (2)	Expected Full-Year Net Cash Flow Amount (3)	Cash Balance (Insufficient) Amount (1)+(2)-(3)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,139,837	\$ 0	\$ 400,000	\$ 739,837	—	—

IV. The Impact of Recent Material Capital Expenditures on Financial Operations: None

IIV. Recent Annual Reinvestment Policy, Main Reason for Income or Loss, Its Improvement Plan and Investment Plan for the Next Year

Unit: NT\$ 1,000

Explanations Items	Amount	Policies	Main Cause of Profit or Loss	Improvement Plan	Other Future Investment Plans
Holiday Garden International Ltd.	34,605 (2019)	Offshore Holding Company	Operating profit through American sub-subsidiary Holiday Garden International's investments in hotels such as Clementine Hotel & Suites Anaheim in California	Made profits in 2019, and the Company is still strengthening various controls to achieve greater profits	None

## VI. Risk Items and Assessment

- (1) Impacts on interest rate, fluctuation in exchange and inflation on corporate gains and losses and future countermeasures:
  1. The Company is engaged in short-term and long-term loans, which is a kind of debt with floating interest rate. Therefore, the change of market interest rate will cause the effective interest rate of short-term and long-term loans to change accordingly. The Company will continue to maintain a good interactive relationship with its banks, obtain preferential loan terms, and minimize the risk of interest rate fluctuations affecting interest expenses.
  2. Recently, the exchange rate of USD and JPY fluctuates a lot, but most of our tourists are from mainland China, so the influence on our Company is limited.
  3. Under the pressure of rising prices, the Company will purchase in bulk to reduce the cost of goods in response to inflation.
- (2) Policies on high-risk, highly leveraged investments, capital loans for others, endorsements, and derivative transactions, major causes of profits or losses and future countermeasures: The Company forbids high-risk and highly leveraged investments. For the capital loan to other people and endorsement of the object of guarantee, they are limited to affiliated enterprises with 50% reinvestment. Up to the date of publication, no funds have been loaned. The Company has so far prohibited trading in derivative products.
- (3) Future R&D plan and expected invested R&D cost: The Company is in the service sector, and we have no such plan at present.
- (4) The impact of important domestic and foreign policies and laws on the company's financial business and countermeasures: The Financial Supervisory Commission of the Executive Yuan issued on May 14, 2009 that TWSE & TPEX listed companies

shall prepare financial reports in accordance with IFRS (main framework of International Accounting Standards and important accounting standards of International Financial Reporting Standards) from 2013; the Company has adopted IFRS to prepare financial reports.

- (5) Impact of technological and industrial changes on the company's financial business and countermeasures:  
Over the years, the Internet booking has become a new trend, in addition to the layout of a number of Internet booking companies, to strengthen the expansion of the business, training related business personnel, for the company's largest volume of business.
- (6) Impact of corporate image change on corporate crisis management and countermeasures:  
The Company has always upheld the supremacy of guests, service first for the most priority, so that guests feel at home. In case of any customer complaint, it is necessary to make timely correction and improvement, maintain the corporate image of law-abiding and trustworthy, and cultivate the business philosophy of environmental responsibility in silence.
- (7) Anticipated benefit, possible risks and countermeasures of the merger and acquisition:  
The merger and acquisition policy of the Company has always been conservative, and we will only do so when we can do our best and do not take additional debt, when the expected benefits are expected, and when the risks are the lowest.
- (8) Anticipated efficiency, possible risks and countermeasures of the expanded plants:  
The Company's land use rate is full, there is no plan to expand the hotel.
- (9) Risks and countermeasures encountered in the purchase or turnover concentration:  
The Company is in service sector, the object of purchase and sales are very scattered and the source channels are diverse, sales has always taken business personnel and the cooperation with travel agencies, so the Company's purchase and sales concentrated risk is minimal.

(10) Directors, supervisors, or major shareholders holding more than 10% of the company's shares, in terms of the impact and risks of the transfer or change of ownership on the company: The directors of the company are all appointed by Yingchuan International Enterprise Co., Ltd., and the majority shareholder holding more than 10% shares is only the legal person shareholder, so there is little risk of substantial transfer of shares.

(11) Impact of the change of management right on the company, risks and countermeasures:

So far, there has been no change in the management of the Company.

(12) The company and its directors, supervisors, general managers, substantial heads, major shareholders holding more than 10% of the shares of the company and its subsidiaries shall be listed in the litigation or non-litigation or administrative disputes in which the company has determined or is still in possession. Where the outcome may have a material impact on shareholders' equity or securities prices, it shall disclose the facts of the dispute, the target amount, the commencement date of the lawsuit, the major litigants involved and the disposition as of the date of publication of the annual report: No such thing happened in the Company.

(13) Other important risks and countermeasures:

Description of the information security risk assessment analysis:

With the advancement of technology, the Internet is becoming more and more prevalent, and the relative risk is information security. Under this risk, the company's current approach to staff is to set up training courses on the Personal Data Protection Act to strengthen staff's control over the company's information security and personal data; and to set up an Active Directory server on the system to distinguish clearly and in detail between departments and staff to ensure the protection of the authority of each department.

Under the AD domain, employees have their own accounts and must update their passwords regularly to protect the security

of their personal account information, which can increase the efficiency of company control and information security, and the use of group principle management can effectively limit the user to download and install software, greatly reducing the risk of poisoning. The company's File Server is also AD-controlled, so all departments and employees can have detailed read and write restrictions to protect their data from infringement.

In the hardware, the company has also installed a physical firewall - Forti Gate 100D, which can externally block malicious attacks and block viruses; internally, it can effectively control the traffic, filter web pages and applications to reduce the chances of users being infected with Trojans, worms or viruses, and the dashboard can monitor the network status and incoming and outgoing IPs; personal computers are also installed with anti-virus software such as Windows Defender, Avast and ESET, and computer monitoring and regular anti-virus schedules are enabled to prevent viruses at any time.

(14) Other important items: None.

## **Chapter 8. Special Noted Items**

### **1. Related Information on Affiliated Enterprises**

(I) Consolidated Business Report of Affiliated Enterprises:  
Please refer to pages 223~226.

(II) Consolidated Financial Statement of Affiliated Enterprises:  
Please refer to pages 151~214.

(III) Relationship report: None.

2. For the most recent year and up to the date of publication of the annual report, the status of private offering of marketable securities: None.

3. For the most recent year and up to the date of publication of the annual report, the status of holding or disposing of the Company's shares by a subsidiary: None.

4. Other necessary supplementary notes: None.

## **Chapter 9. For the Most Recent Year and up to the Date of Publication of the Annual Report, There are Matters that Have a Material Impact on The Shareholders' Equity or the Securities Price as Provided for in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:**

The Company re-elected its directors in FY108, with more than one-third of the directors changed this time.

Please refer to the implementation of the resolutions of the 108th Annual General Meeting of Shareholders on page 52 of this annual report.

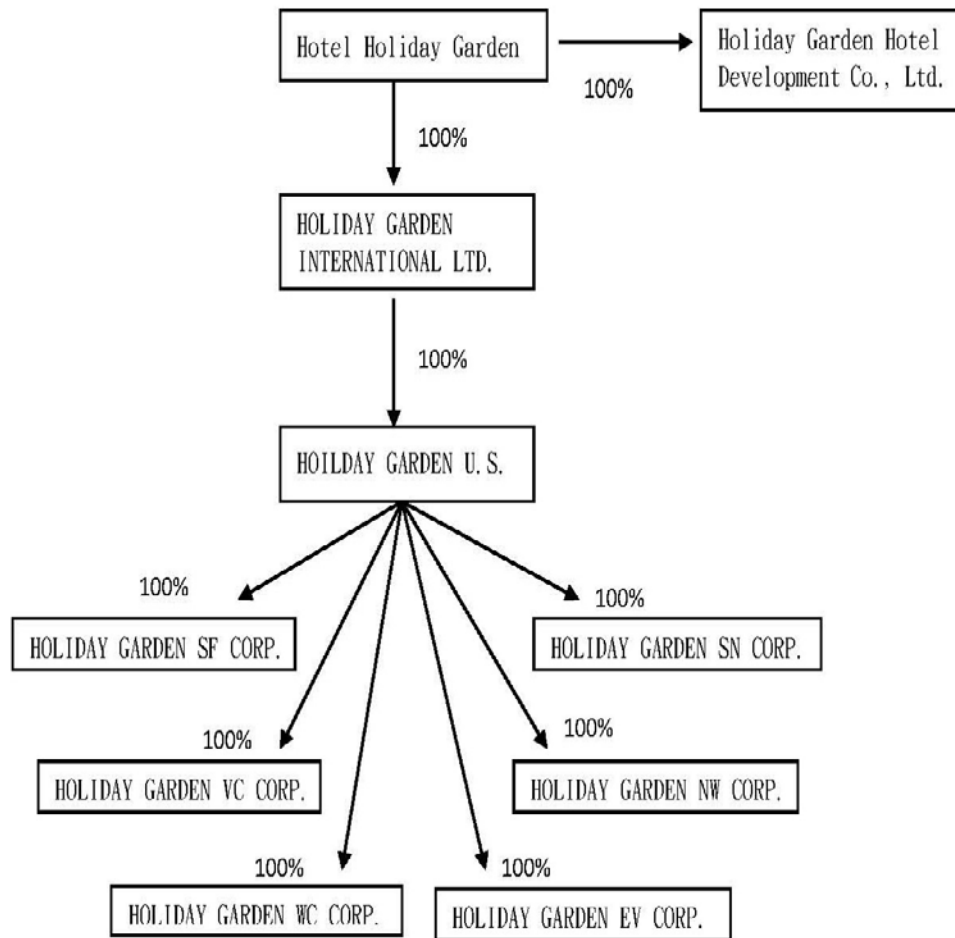
# Holiday Garden Hotel Co., Ltd.

## Consolidated Business Report of Affiliated Enterprises

### I. Affiliated Enterprise Profile

#### I. Organizational Profile of the Affiliated Enterprises

##### (I) Organization Chart of the Affiliated Enterprises



(II) A company presumed to have a controlling and subordinate relationship under Article 369-3 of the Company Act: No such situation.

(III) A company which has a controlling and subordinate relationship as provided for in Article 6 of the preparation guidelines for the Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statement of Affiliated Enterprises, and Relationship Report: No such situation.

## II. Basic Information on Affiliated Enterprises

Unit: NT\$ 1,000

Enterprise Name	Date of Incorporation	Address	Paid-In Capital (Note)	Major Business or Production Items
HOLIDAY GARDEN INTERNATIONAL LTD.	March 14, 1997	Canon's Court, 22 Victoria Street, PO Box 1624, Hamilton HM EX, Bermuda	USD 12	Investment Business
HOILDAY GARDEN U.S.	January 22, 1997	202 S. Minnesota Street, Carson City, NV 89703, U.S.A.	USD 180	Investment Business
HOLIDAY GARDEN SF CORP.	January 21, 1997	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 170	Operating Tourist Hotel Business
HOLIDAY GARDEN SN CORP.	October 24, 2012	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 150	Operating Tourist Hotel Business
HOLIDAY GARDEN VC CORP.	July 8, 2015	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 150	Operating Tourist Hotel Business
HOLIDAY GARDEN NW CORP.	July 20, 2015	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 150	Operating Tourist Hotel Business
HOLIDAY GARDEN WC CORP.	May 18, 2016	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 150	Operating Tourist Hotel Business
Holiday Garden Hotel Development Co., Ltd.	September 28, 2017	No. 1, Zhong'an Rd., Qianzhen Dist., Kaohsiung City	NT 65,000	Operating Tourist Hotel Business
HOLIDAY GARDEN EV CORP.	April 12, 2019	1540 W. Artesia Sq., Unit D Gardena, CA, U.S.A. 90248	USD 150	Operating Tourist Hotel Business

Note: The exchange rate on the reporting date was USD1 = NT29. 98.

III. The same shareholder information is presumed to be controlled and affiliated: None.

IV. Sectors covered by the overall business operation of the affiliated enterprise: The business of the company and its affiliated enterprises mainly involves the investment and operation of tourist hotels and restaurants.

V. Information on Directors and General Manager of Affiliated Enterprises:

Unit: Shares; %

Enterprise Name	Title	Name or Representative	Shares Held	
			Number of Shares (shares)	Shareholding Percentage (%)
Holiday Garden Hotel Development Co., Ltd.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	Holiday Garden Hotel Co., Ltd. Hai-Ni Chen	6,500,000 -	100 -
HOLIDAY GARDEN INTERNATIONAL LTD.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	Holiday Garden Hotel Co., Ltd. Hai-Ni Chen	12,000 -	100 -
HOLIDAY GARDEN U.S.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN INTERNATIONAL LTD. Hai-Ni Chen	18,000 -	100 -
HOLIDAY GARDEN SF CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	170,000 -	100 -
HOLIDAY GARDEN SN CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	150,000 -	100 -
HOLIDAY GARDEN VC CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	150,000 -	100 -
HOLIDAY GARDEN NW CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	150,000 -	100 -
HOLIDAY GARDEN WC CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	150,000 -	100 -
HOLIDAY GARDEN EV CORP.	Director Chairman of the Board (Representative of Hotel Holiday Garden)	HOLIDAY GARDEN U.S. Hai-Ni Chen	150,000 -	100 -

Note 1: If the affiliated enterprise is a foreign company, its equivalent position shall be listed.

Note 2: If the investee company is a company limited by share, the number of shares and shareholding ratio shall be filled in.

## II. Operating Profile of Affiliated Enterprises

The Financial Position and Operating Results of the Relevant Enterprises (Note)

Unit: NT\$ 1,000

Enterprise Name	Capital	Total Value of Assets	Total Liabilities	Net Value	Operating Income	Operating (Loss) Profit	Current (Loss) Profit (After Tax)	Earnings Per Share(NT\$) (After Tax) (Note )
Holiday Garden Hotel Development Co., Ltd.	\$ 65,000	\$ 179,930	\$ 129,405	\$ 50,525	\$ 35,886	\$ ( 2,543)	\$ ( 3,683)	\$ (0.57)
HOLIDAY GARDEN INTERNATIONAL LTD.	\$ 360	\$ 5,616,243	\$ 4,012,766	\$ 1,603,477	\$ 1,330,699	\$ 227,069	\$ 38,288	\$ 3,190.63
HOLIDAY GARDEN U.S.	\$ 5,396	\$ 1,874,626	\$ 1,406,115	\$ 468,511	\$ -	\$ (33,492)	\$ (59,775)	\$ (3,320.81)
HOLIDAY GARDEN SF CORP.CORP.	\$ 5,097	\$ 1,237,227	\$ 1,124,750	\$ 112,477	\$ 343,623	\$ 96,354	\$ 46,280	\$ 272.24
HOLIDAY GARDEN SN CORP.CORP.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,395)	\$ (5,143)	\$ (34.28)
HOLIDAY GARDEN VC CORP.CORP.	\$ 4,497	\$ 816,056	\$ 797,004	\$ 19,052	\$ 294,991	\$ 39,379	\$ 2,327	\$ 15.52
HOLIDAY GARDEN NW CORP.CORP.	\$ 4,497	\$ 639,867	\$ 582,565	\$ 57,302	\$ 168,771	\$ 29,343	\$ 1,057	\$ 7.04
HOLIDAY GARDEN WC CORP.CORP.	\$ 4,497	\$ 1,045,859	\$ 1,126,636	\$ (80,777)	\$ 231,357	\$ 1,118	\$ (41,763)	\$ (278.42)
HOLIDAY GARDEN EV CORP.CORP.	\$ 4,497	\$ 2,051,904	\$ 2,011,726	\$ 40,178	\$ 291,958	\$ 22,863	\$ (35,851)	\$ (239.00)

Note: Average buy/sell rate of reporting date on December 31, 2019 was USD1 = NTD29.98. Average exchange rate from January 1 to December 31, 2019 was USD1 = NTD30.91.

Holiday Garden Hotel

Signature and seal of the person in charge:

Hai-Ni Chen