Stock Code:8077

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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Representation Letter

The entities that are required to be included in the combined financial statements of Green World Hotels Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Green World Hotels Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Green World Hotels Co., Ltd.
Chairman: Hsien-Chih Hsieh
Date: March 19, 2019

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Independent Auditors' Report

To the Board of Directors of Green World Hotels Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Green World Hotels Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of intangible assets, property, plant, and equipment:

   Refer to Notes 4(h) "Property, plant, and equipment", 4(j) "Intangible assets", 6(c) "Property, plant, and equipment" and 6(d) "Intangible assets" to the consolidated financial statements for the accounting policies and the details of the information.

Description of key audit matter

As of December 31, 2018, the carrying amount of intangible assets, property, plant, and equipment constitute 63% of the total assets of the Group. The major part of intangible assets are originated from the acquisition of Green World Hotel Co., Ltd. in 2015. Since the aforementioned assets' operation performance are affected by industry competition, government policy, and economic environment, the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimate intangible assets, property, plant, and equipment. We pay more attention to the appropriateness of the assumptions, estimates and judgments of the future discounted cash flows during the audit process.

How the matter was addressed in our audit

We cast professional skepticism on management' s impairment assessment model. The work includes evaluating whether management has identified all cash-generating units which might have impairments and considering whether all the assets which need to be tested have been included in the impairment assessment.

We also review the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash basis revenue, and cost increase rate). We verify the reasonability of the assumptions and accuracy of management's calculation based on available data.

Other Matter

We have also audited the financial statements of Green World Hotels Co., Ltd. as of and for the years ended December 31, 2018 and 2017, and have issued unqualified audit reports.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

KPMG

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Ying Chang and Shih-Chin Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 306,790	13	399,588	16
1150	Notes receivable, net (notes 6(b), (l) and 7)	27,940	1	34,669	2
1170	Accounts receivable, net (notes 6(b), (l) and 7)	58,174	2	53,246	2
1220	Current tax assets	193	-	-	-
1476	Other current financial assets (notes 6(a) and (e))	161,658	7	8,914	-
1479	Other current assets	23,145	1	18,069	1
		577,900	24	514,486	21
	Non-current assets:				
1600	Property plant, and equipment (note 6(c))	1,256,031	51	1,290,266	52
1780	Intangible assets (note 6(d))	426,903	17	451,671	18
1840	Deferred tax assets (note 6(i))	59,378	2	50,339	2
1980	Other financial assets-non-current (notes 6(e), 7 and 8)	156,763	6	156,035	7
1990	Other non-current assets	798	-	6,828	-
		1,899,873	76	1,955,139	79
	Total assets	$ 2,477,773	100	2,469,625	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(f))	$ 430,000	18	470,000	19
2130	Current contract liabilities (note 6(l))	8,972	-	-	-
2150	Notes payable	4,150	-	11,995	1
2170	Accounts payable (note 7)	47,597	2	41,906	2
2200	Other payable (notes 6(c), (h), (n) and 7)	53,836	2	53,165	2
2230	Current tax liabilities (note 6(i))	4,360	-	426	-
2399	Other current liabilities	1,767	-	7,116	-
		550,682	22	584,608	24
	Non-Current liabilities:				
2612	Long-term accounts payable (note 6(g))	135,356	6	134,072	5
2645	Guarantee deposits	828	-	828	-
		136,184	6	134,900	5
	Total liabilities	686,866	28	719,508	29
	Equity attributable to owners of parent (note 6(j)):				
3100	Capital stock	1,097,283	44	1,097,283	44
3200	Capital surplus	604,393	25	604,393	25
3310	Legal reserve	4,844	-	-	-
3350	Unappropriated retained earnings	84,387	3	48,441	2
	Total equity	1,790,907	72	1,750,117	71
	Total liabilities and equity	$ 2,477,773	100	2,469,625	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars , except earnings per share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues (note 6(l), (m) and 7)**	$ 1,161,786	100	1,095,731	100
5000	**Operating costs (notes 6(c), (d), (g), (h), (n) and 7)**	940,536	81	890,772	81
	Gross profit from operations	221,250	19	204,959	19
	Operating expenses (notes 6(c), (d), (g), (h), (n) and 7):				
6100	Selling expenses	112,016	10	87,026	8
6200	Administrative expenses	67,826	6	56,613	5
	Operating expenses	179,842	16	143,639	13
	Operating income	41,408	3	61,320	6
	Non-operating income and expenses (notes 6(c), (d), (o) and 7):				
7010	Other income	1,661	-	1,304	-
7020	Other gains and losses, net	(1,540)	-	(639)	-
7050	Finance costs	(4,494)	-	(11,404)	(1)
		(4,373)	-	(10,739)	(1)
7900	**Profit before income tax**	37,035	3	50,581	5
7950	Less: income tax expenses (gains) (note 6(i))	(3,755)	-	2,140	-
	Profit	40,790	3	48,441	5
8300	**Other comprehensive income, net**	-	-	-	-
8500	**Comprehensive income**	$ 40,790	3	48,441	5
	Profit, attributable to:				
8610	Owners of parent	$ 40,790	3	48,441	5
	Comprehensive income attributable to:				
8710	Owners of parent	$ 40,790	3	48,441	5
	Earnings per share (note 6(k))				
9710	Basic earnings per share (NT dollars)	$	0.37		0.51
9810	Diluted earnings per share (NT dollars)	$	0.37		0.51

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					
			Retained earnings			
	Capital stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total equity attributable to owners of parent	Total equity
Balance on January 1, 2017	$ 537,669	148,508	-	(106,506)	579,671	579,671
Profit for the year ended December 31, 2017	-	-	-	48,441	48,441	48,441
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2017	-	-	-	48,441	48,441	48,441
Capital surplus used to offset accumulated deficits	-	(106,506)	-	106,506	-	-
Capital issue by cash	559,614	562,391	-	-	1,122,005	1,122,005
Balance on December 31, 2017	1,097,283	604,393	-	48,441	1,750,117	1,750,117
Profit for the year ended December 31, 2018	-	-	-	40,790	40,790	40,790
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2018	-	-	-	40,790	40,790	40,790
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	4,844	(4,844)	-	-
Balance on December 31, 2018	**$ 1,097,283**	**604,393**	**4,844**	**84,387**	**1,790,907**	**1,790,907**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit before tax	$	37,035	50,581
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		129,029	115,905
Amortization expense		27,508	29,086
Provision for bad debt expense		-	10
Interest expense		4,494	11,404
Interest income		(1,661)	(1,304)
Impairment loss on non-financial assets		4,382	2,735
Gain on reversal of long-term accounts payable		-	(540)
Lease expense		1,284	1,203
Total adjustments to reconcile (profit) loss		165,036	158,499
Changes in operating assets and liabilities:			
Notes receivable		6,729	(6,534)
Accounts receivable		(4,928)	(10,738)
Other current assets		(5,033)	6,108
Other financial assets		(244)	(303)
Contract liabilities		2,984	-
Notes payable		(7,845)	5,582
Accounts payable		5,691	18,759
Other payable		15,335	3,336
Other current liabilities		639	1,706
Total changes in operating assets and liabilities		13,328	17,916
Total adjustments		178,364	176,415
Cash inflow generated from operations		215,399	226,996
Interest received		1,661	1,304
Interest paid		(4,499)	(12,669)
Income taxes paid		(1,586)	(3,659)
Net cash flows from operating activities		210,975	211,972

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) investing activities:		
Acquisition of property plant, and equipment	(110,445)	(370,115)
Proceeds from disposal of property, plant, and equipment	-	676
Increase in other financial assets	(153,228)	(23,155)
Acquisition of intangible assets	(100)	(1,434)
Proceeds from disposal of intangible assets	-	44
Decrease in other non-current assets	-	1,544
Net cash flows used in investing activities	(263,773)	(392,440)
Cash flows from (used in) financing activities:		
Increase in short-term loans	280,000	470,000
Decrease in short-term loans	(320,000)	(56,250)
Decrease in short-term notes	-	(80,000)
Repayments of long-term debt	-	(540,044)
Decrease in other payables to related parties	-	(423,000)
Capital increase by cash	-	1,122,005
Net cash flows from (used in) financing activities	(40,000)	492,711
Net (decrease) increase in cash and cash equivalents	(92,798)	312,243
Cash and cash equivalents at beginning of period	399,588	87,345
Cash and cash equivalents at end of period	$ 306,790	399,588

See accompanying notes to consolidated financial statements.

(expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

GREEN WORLD HOTELS CO., LTD. (the "Company"), which was original named U-Chain Technology Co., Ltd. The Company was established in accordance with the Company Act of the Republic of China, and began running business on July 22, 1994. The Company changed its organization type to a company limited by shares in January 1996, and changed its name to "Applied Vacuum Coating Technologies Co., Ltd." in May 1997. The Company' s common shares were listed on the Taipei Exchange(TPEx) on December 6, 2004.

A resolution was passed during the general shareholders' meeting held on June 26, 2015, for changing its name to "Green World Hotel Co., Ltd.", and a resolution of short-form merger with the subsidiary Green World Hotel Co., Ltd. was passed during the meeting of Board of Directors held on August 11, 2015. The two parties merged in accordance with the Business Mergers and Acquisitions Act, the date of merger was set on October 1, 2015. After the merger, the Company is the survival one, and the subsidiary is eliminated.

The short-form merger was completed and approved in accordance with Ruling No.10401220100 issued by the Ministry of Economy on December 7, 2015.

The major business activities of the Group is Hotels and Restaurants Operation.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2019.

(3) New standards, amendments and interpretations adopted:

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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

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

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

1) Rendering of services

The Group provides hotel rooms and catering services. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. The Group evaluates and compares the fair value and the stand-alone selling prices of the services to the previous standard, and most of which are similar; hence, the Group believes that the point of revenue recognition of such services would not have significant impact on the Group's financial statements.

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group' s consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Impact on assets		-			-	
Current contract liabilities	$ -	8,972	8,972	-	5,988	5,988
Other current liabilities	10,739	(8,972)	1,767	7,116	(5,988)	1,128
Impact on liabilities		-			-	
Impact on equity		-			-	

	2018		
Impacted line items on the consolidated statement of cash flows	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting polices**	**Balance upon adoption of IFRS 15**
Cash flows from (used in) operating activities:			
Adjustments:			
Contract liabilities	$ -	2,984	2,984
Other current liabilities	3,623	(2,984)	639
Impact on net cash flows from operating activities		-	

(ii) IFRS 9 "Financial Instruments"

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

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

(Continued)

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

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

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

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

·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (Measurement categories and carrying amount of financial liabilities are not changed).

	IAS39		IFRS9	
Financial Assets	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Cash and equivalents	Loans and receivables (note)	399,588	Amortized cost	399,588
Trade and other receivables	Loans and receivables (note)	87,915	Amortized cost	87,915
Other financial assets	Loans and receivables (note)	164,949	Amortized cost	164,949

Note: Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

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

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

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

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

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with restatement of comparative information.

When applying the retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

(Continued)

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its buildings for hoteling business. The Group estimated that the right-of-use assets, deferred tax assets and the lease liabilities to increase by $3,543,525 thousand, $37,012 thousand, and $3,855,987 thousand, respectively, as well as the retained earnings and long-term accounts payables to decrease by $140,094 thousand and $135,356 thousand on January 1, 2019, respectively.

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

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

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

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

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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

(Continued)

(ii) List of subsidiaries in the consolidated financial statement:

Name of investor	Name of subsidiary	Nature of business	Shareholding ratio December 31, 2018	Shareholding ratio December 31, 2017	Notes
The Company	Green World Hotel ZhongHua Co., Ltd.	Hotels	100 %	100 %	The Company holds more than 50% of the investee's shares.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

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

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

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

Fair value through other comprehensive income (Available for sale) equity investment.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

An entity shall classify an assets as current when:

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

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

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

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

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

(Continued)

An entity shall classify a liability as current when:

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

Financial assets are classified into the following category: measured at amortized cost.

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

2) Impairment of financial assets

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

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

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

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

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

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

- significant financial difficulty of the borrower or issuer；
- a breach of contract such as a default or being more than 180 days past due；
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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

3) Derecognition of financial assets

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

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

Financial assets are classified into the following category: loans and receivables

1) Loans and receivables

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

Interest income is recognized in profit or loss, and it is included in other revenue items.

2) Impairment of financial assets

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

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

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

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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

(Continued)

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gain or loss items.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in operating costs.

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(Continued)

(h) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

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

- Buildings 21 years
- Transportation equipment 8 years
- Leasehold improvements 2~19 years
- Other equipment 2~14 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(i) Lease

(i) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(j) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets.

2) Measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value. Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Trademark rights 10 years
- Client relationship 10 years
- Computer software cost 1~5 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Any change thereof is accounted for as a change in accounting estimate.

(k) Impairment of non-financial assets

The carrying amounts of the Group' s non-financial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

Notwithstanding whether indicators exist, goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually.

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

For the purpose of impairment testing , goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer's CGUs, or groups of CGUs, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. If the carrying amount of the CGUs exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

An assessment is made at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized.

(l) Recognition of revenue

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

The Group provides catering, room accommodation, leasing and business management services to customers. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

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

The Group provides catering, room accommodation, leasing and business management services to customers. Revenue from the services of ordinary activities is measured at the fair value of the consideration received or receivable, net of value-added-tax. Revenue is recognized when services are rendered or goods are sold, the amount can be measured reliably, and it is probable that future economic benefits will flow to the entity. When the significant risks and rewards of ownership have been transferred to the customer, the Company has no continuing management involvement or maintaining effectively controls with the goods, customers accept the goods in accordance to sales contracts, or there is any objective evidence indicating that all terms and conditions are met, the transfer of goods occurs. Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

(m) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(o) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus and employee compensation.

(p) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Impairment of property, plant, and equipment, and intangible assets

In the process of evaluating the potential impairment of property, plant, and equipment, and intangible assets, the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash basis revenue, and cost increase rate) are affected by uncertainties of industry competition, government policy, and economic environment, and the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimate of intangible assets, property, plant, and equipment. Please refer to note 6(c) and (d) for further description of recoverable amount and impairment assessment.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash and petty cash	$ 3,304	5,257
Demand deposits	302,484	368,724
Check deposit	1,002	25,607
	$ 306,790	399,588

Please refer to note 6(p) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2018 and 2017, the bank time deposits with original maturities of more than three months are $160,000 thousand and $7,500 thousand, respectively, and are classified as other current financial assets.

(b) Note and trade receivables

	December 31, 2018	December 31, 2017
Note receivables (include related parties)	$ 27,940	34,669
Trade receivables (include related parties)-measured as amortized cost	58,184	53,256
Less: Loss allowance	(10)	(10)
	$ 86,114	87,915

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

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 86,070	-%	-
1 to 60 days past due	44	-%	-
More than 181 days past due	10	100%	10
	$ 86,124		10

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Overdue 1 to 60 days	$ 606
Overdue 61 to 90 days	45
Overdue 91 to 120 days	7
Overdue 121 to 150 days	36
Overdue 151 to 180 days	18
Overdue more than 181 days	119
	$ 831

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

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 10	-	-
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	10		
Impairment losses recognized	-	10	-
Impairment losses reversed	-	-	-
Balance on December 31, 2018 and 2017	$ 10	10	-

As of December 31, 2018 and 2017, the Group did not provide any receivables as collateral for its loans.

(c) Property, plant, and equipment

The movements in the cost, depreciation, and impairment of the property, plant, and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and construction	Machinery and equipment	Leasehold improvement and Other facilities	Construction in progress	Total
Cost or deemed cost:						
Balance on January 1, 2018	$ 105,621	12,223	-	1,456,775	13,212	1,587,831
Additions	-	-	-	18,873	76,913	95,786
Reclassifications	-	-	-	89,783	(89,783)	-
Balance on December 31, 2018	$ 105,621	12,223	-	1,565,431	342	1,683,617
Balance on January 1, 2017	$ 105,621	12,223	1,201	1,136,575	48,537	1,304,157
Additions	-	-	-	37,021	248,121	285,142
Reclassifications	-	-	-	283,446	(283,446)	-
Disposal	-	-	(1,201)	(267)	-	(1,468)
Balance on December 31, 2017	$ 105,621	12,223	-	1,456,775	13,212	1,587,831
Depreciation and impairments loss:						
Balance on January 1, 2018	$ -	1,820	-	295,745	-	297,565
Depreciation	-	559	-	128,470	-	129,029
Impairment loss	-	-	-	992	-	992
Balance on December 31, 2018	$ -	2,379	-	425,207	-	427,586
Balance on January 1, 2017	$ -	1,261	683	177,773	-	179,717
Depreciation	-	559	98	115,248	-	115,905
Impairment loss	-	-	-	2,735	-	2,735
Disposal	-	-	(781)	(11)	-	(792)
Balance on December 31, 2017	$ -	1,820	-	295,745	-	297,565

(Continued)

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	Land	Buildings and construction	Machinery and equipment	Leasehold improvement and Other facilities	Construction in progress	Total
Carrying amounts:						
Balance on December 31, 2018	$ 105,621	9,844	-	1,140,224	342	1,256,031
Balance on January 1, 2017	$ 105,621	10,962	518	958,802	48,537	1,124,440
Balance on December 31, 2017	$ 105,621	10,403	-	1,161,030	13,212	1,290,266

(i) As of December 31, 2018 and 2017, due to payments to maintenance of lease buildings, the Group recognized other payables amounting to $3,086 thousand and $17,745 thousand, respectively.

(ii) During the year 2018 and 2017, since the carrying amount of the certain hotels was determined to be higher than its recoverable amount, impairment losses of leasehold improvement and other equipment of $992 thousand and $2,735 thousand, respectively, were recognized as other gains and losses in the consolidated statement of comprehensive income.

(iii) As of December 31, 2018 and 2017, the Group did not provide any property, plant, and equipment as collateral for its loans.

(d) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Goodwill	Trademarks	Customer relationships	Computer software	Total
Costs:					
Balance on January 1, 2018	$ 346,883	53,000	143,000	9,251	552,134
Additions	-	-	-	100	100
Balance on December 31, 2018	$ 346,883	53,000	143,000	9,351	552,234
Balance on January 1, 2017	$ 346,883	53,000	143,000	6,725	549,608
Reclassifications	-	-	-	1,149	1,149
Additions	-	-	-	1,434	1,434
Disposals	-	-	-	(57)	(57)
Balance on December 31, 2017	$ 346,883	53,000	143,000	9,251	552,134
Accumulated amortization and impairment losses					
Balance on January 1, 2018	$ 45,485	13,783	37,189	4,006	100,463
Amortization for the year	-	5,171	13,953	2,354	21,478
Impairment loss	3,390	-	-	-	3,390
Balance on December 31, 2018	$ 48,875	18,954	51,142	6,360	125,331

(Continued)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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	Goodwill	Trademarks	Customer relationships	Computer software	Total
Balance on January 1, 2017	$ 45,485	8,612	23,236	2,009	79,342
Amortization for the year	-	5,171	13,953	2,010	21,134
Disposals	-	-	-	(13)	(13)
Balance on December 31, 2017	$ 45,485	13,783	37,189	4,006	100,463
Carrying value:					
Balance on December 31, 2018	$ 298,008	34,046	91,858	2,991	426,903
Balance on January 1, 2018	$ 301,398	44,388	119,764	4,716	470,266
Balance on December 31, 2017	$ 301,398	39,217	105,811	5,245	451,671

(i) The amortization of intangible assets are included in the statements of comprehensive income:

	2018	2017
Operating costs	$ 222	206
Operating expenses	21,256	20,928
	$ 21,478	21,134

(ii) The recoverable amount of the cash-generating units (CGUs) of Hotel business was based on its value in use. During the year 2018, since the carrying amount of the CGUs was determined to be higher than its recoverable amount, an impairment loss of goodwill of $3,390 thousand was recognized as other gains and losses in the statement of comprehensive income.

(iii) For impairment testing purposes, goodwill had been allocated to individual CGUs as follows:

	Carrying amount	Amount after deducting impairment losses December 31, 2018	Amount after deducting impairment losses December 31, 2017
A	$ 52,018	52,018	52,018
B	24,598	24,598	24,598
C	63,280	55,360	58,750
D	28,695	28,695	28,695
E	56,478	56,478	56,478
F	8,416	-	-
G	64,255	34,883	34,883
H	13,210	10,043	10,043
I	15,854	15,854	15,854
J	20,079	20,079	20,079
	$ 346,883	298,008	301,398

(Continued)

As of December 31, 2018 and 2017, the recoverable amount of the above CGUs were based on its value in use. The carrying amount of the CGU C was determined to be higher than its recoverable amount, and an impairment loss of $3,390 thousand was recognized in 2018. The Group had deducted the impairment loss of the CGU C from its carrying amount, and the impairment loss was recognized as other gains and losses in the consolidated statement of comprehensive income.

The key assumptions used in the estimation of value in use were as follows.

	December 31, 2018	December 31, 2017
Discount rate	5.47%	5.76%
Terminal value growth rate	1%～10%	1%～10%

As of December 31, 2018 and 2017, the discount rates were based on weighted average cost of capital of the industry. The cash flow projections are based on five-year period financial budgets approved by the management. A long-term growth rate in perpetuity for cash flows in subsequent periods had been determined as constant.

The value in use of the CGUs had been determined by discounting the future cash flows that are generated from continuing use of the CGUs. Unless otherwise stated, the value in use of the CGUs and the key assumptions used had been applied consistently with those described in the financial statements for the year ended December 31, 2017.

1) The estimate of cash flow is based on past experience, actual operating results, and lease expiration date. Given the long-term operating cycle of hotel business, the management believes that the above forecast period is reasonable.

2) Estimated revenues in financial budgets are based on past experience and development of actual operating results.

3) Estimated operating costs and expenses in financial budgets are based on past experience and various factors of operating cost and expenses.

4) The recoverable amount of each CGU was determined by a pre-tax discount rate.

The value of these key assumptions represents the management's assessment to the trends of hotel business with consideration of both external and internal (historical) information.

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(e) Other financial assets

The other financial assets were as follows:

		December 31, 2018	December 31, 2017
Current			
Other receivables	$	1,658	1,414
Time deposits		160,000	7,500
Subtotal		161,658	8,914
Non-current			
Lease deposits		154,706	154,125
Other deposits		2,057	1,910
Subtotal		156,763	156,035
	$	318,421	164,949

(f) Short-term borrowings

The short term borrowings were summarized as follows:

		December 31, 2018	December 31, 2017
Unsecured bank loans	$	430,000	470,000
Interest rates		1%	1%

For the guarantee and endorsement from the ultimate parent company, please refer to note 7.

(g) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	439,391	420,122
Between one and five years		2,074,284	2,006,308
Over five years		1,861,325	2,017,492
	$	4,375,000	4,443,922

The Group leases a number of buildings under operating leases. The leases typically run for a period of 3 to 20 years, with an option to renew the lease after that date. These lease agreements meet the accounting policy criteria for classifying the leases as operating leases, because the major risks of ownership of leased properties have not been transferred to the Group.

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The lease contracts mentioned above were in accordance with IAS17, and the lease payments were recognized in lease expenses on a straight-line basis over the lease term. During the year 2018 and 2017, rental expenses amounting to $439,748 thousand and $418,222 thousand were reported in the consolidated statement of comprehensive income, respectively. Lease payables were $135,356 thousand and $134,072 thousand for the years ended December 31, 2018 and 2017, respectively.

(ii) Leases as lessor

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 18,709	25,051
Between one and five years	28,185	32,665
Over five years	13,714	17,143
	$ 60,608	74,859

(h) Employee benefits

(i) Defined contribution plans

The Group allocates 6% of each employee' s monthly wages in Taiwan to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of Labor Insurance amounted to $10,570 thousand and $8,739 thousand, for the years ended December 31, 2018 and 2017, respectively.

(ii) Short-term employee benefits

	December 31, 2018	December 31, 2017
Vacation liability	$ 2,764	1,587

(i) Income Tax

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

(Continued)

(i) Income tax

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

		2018	2017
Current tax expense			
Current period	$	5,284	2,236
Prior years income tax adjustment		-	37
		5,284	2,273
Deferred tax expense			
The origination and reversal of temporary differences		(156)	(133)
Adjustment in tax rate		(8,883)	-
Income tax expense (gain)	$	(3,755)	2,140

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

		2018	2017
Profit excluding income tax	$	37,035	50,581
Income tax using the Group's domestic tax rate		7,407	8,599
Prior years income tax adjustment		-	37
Non-deductible expenses		2,769	2,411
Impairment losses		876	465
Current-year losses for which no deferred tax asset was recognized		(7,539)	(6,935)
Change in unrecognized temporary differences		101	(20)
Adjustment in tax rate		(8,883)	-
Undistributed earnings additional tax		4,360	-
Others		(2,846)	(2,417)
	$	(3,755)	2,140

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2018	December 31, 2017
Tax effect of deductible Temporary Differences	$	1,591	1,266
The carry forward of unused tax losses		189,958	164,582
	$	191,549	165,848

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The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax assets

	Unused tax losses	Rental expenses	Total
Balance on January 1, 2018	$ 28,813	21,526	50,339
Recognized in profit or loss	5,085	3,954	9,039
Balance on December 31, 2018	$ 33,898	25,480	59,378
Balance on January 1, 2017	$ 28,813	21,393	50,206
Recognized in profit or loss	-	133	133
Balance on December 31, 2017	$ 28,813	21,526	50,339

3) As of December 31, 2018, the information of the Group's tax losses are as follows:

Year of loss	Unused tax loss	Expiry date
2008	$ 142,630	2018
2009	256,823	2019
2010	218,791	2020
2011	170,994	2021
2012	174,604	2022
2013	69,060	2023
2014	19,290	2024
2015	14,786	2025
2016	52,299	2026
	$ 1,119,277	

(iii) Business income tax administrative remedies

The Company's income tax return for the year 2016 had been examined and approved by the national tax authorities.

(j) Capital and other equity

As of December 31, 2018 and 2017, the total value of authorized ordinary shares both amounted to $2,500,000 thousand. As of that date, the ordinary shares amounted $1,097,283 thousand (including private placement $594,334 thousand) and $1,097,283 thousand (including private placement $1,047,015 thousand) were issued, respectively. All issued shares were paid up upon issuance.

(i) Ordinary and preferred shares

On December 15, 2016, the interim meeting of shareholders passed a resolution which authorized the Board of Directors to issue ordinary shares within a year under private placement, with the number of shares issued to not exceed 60,000 thousand, or for the issuance of unsecured / secured corporate bond in the domestic market within a year under private placement, with the number of dollars issued to not exceed one billion in appropriate time. In addition, on December 23, 2016, the board meeting approved the Company to issued 26,867 thousand ordinary shares under private placement. The ordinary shares were issued at $20.06 per share, par value of $10, and amounted to $268,670 thousand. The difference between the par value and the subscription price was credited as capital surplus, amounting to $270,282 thousand. The total capital rasied was $538,952 thousand, with January 23, 2017 as the date of capital increase. The Company has completed relevant statutory registration procedures on February 14, 2017.

On March 20, 2017, the interim meeting of shareholders passed a resolution which authorized the Board of Directors to issue ordinary shares within a year under private placement, with the number of shares issued to not exceed 30,000 thousand. In addition, on March 21, 2017, the board meeting approved the Company to issued 29,094 thousand ordinary shares under private placement. The ordinary shares were issued at $20.04 per share, par value of $10, and amounted to $290,944 thousand. The difference between the par value and the subscription price was credited as capital surplus, amounting to $292,109 thousand. The total capital raised was $583,053 thousand, with May 23, 2017 as the date of capital increase. The Company has completed relevant statutory registration procedures on July 10, 2017.

In accordance with the rules of Article 42 of the Securities and Exchange Act and Article 68 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the Company filed to the Financial Supervisory Commission to complete supplemental procedures for public issuance of 20,000 thousand ordinary shares under private placement in 2014, 2,346 thousand ordinary shares under private placement in 2012, and 22,922 thousand preferred shares under private placement in 2006 – 2010 (all preferred shares have been converted to ordinary shares). The relevant statutory registration procedures had been completed on October 31, 2018, December 27, 2018, and January 10, 2019, respectively.

As of December 31, 2018 and 2017, there were 59,433 thousand and 104,701 thousand ordinary shares under private placement. The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

(Continued)

(ii) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share capital	$ 604,393	604,393

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

According to the R.O.C. Company Act, the meeting of shareholders passed a resolution which issued and additional paid in capital of $106,506 million to offset the deficit in 22 June 2017.

(iii) Retained earnings

The Articles of Incorporation stipulate that Company' s net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

The meeting of shareholders held on June 26, 2018 passed a resolution that earnings of 2017 will not be distributed except for retaining $4,844 thousand as legal reserve.

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(k) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 40,790	48,441
Weighted average number of ordinary shares at December 31	109,728	95,367
Earnings per share (dollars)	$ 0.37	0.51
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (diluted)	$ 40,790	48,441
Weighted average number of ordinary shares (diluted) at December 31	109,728	95,367
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	19	16
Weighted average number of ordinary shares (diluted) at December 31	$ 109,747	95,383
	$ 0.37	0.51

(l) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets:	
Taiwan	$ 1,161,786
Major products/services lines:	
Hotel room service	$ 1,027,763
Hotel catering service	105,928
Management consultancy services	1,930
Leasing services	25,721
Sale of products service	444
	$ 1,161,786

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(ii) Contract balances

		December 31, 2018	January 1, 2018
Notes and Accounts receivable (including related parties)	$	86,124	87,925
Less: allowance for impairment		(10)	(10)
Total	$	86,114	87,915
Contract liabilities - hotel room service/unearned revenue	$	8,972	5,988

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was $5,988 thousand.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no other significant changes during 2018.

(m) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

		2017
Hotel room service revenue	$	969,223
Hotel catering service revenue		94,822
Management consultancy services revenue		5,400
Lease revenue		26,286
	$	1,095,731

Details of Revenue for 2018; please refer to note 6(l).

(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation, the Group should contribute no less than 0.7% ~10% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Group has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Group's affiliated companies who meet certain conditions.

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For the years ended December 31, 2018 and 2017, the Group estimated its employee remuneration amounting to $261 thousand and $339 thousand, and directors' and supervisors' remuneration were both zero. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated entity financial statements, are identical to those of the actual distributions for 2018 and 2017.

(o) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2018	2017
Interest income	$ 1,661	1,304

(ii) Other gains and losses

The details of other gains and losses were as follows:

	2018	2017
Foreign exchange gains	$ 1,680	1,303
Impairment loss		
Impairment loss on property, plant, and equipment	(992)	(2,735)
Impairment loss on intangible assets	(3,390)	-
Others	1,162	793
	$ (1,540)	(639)

(iii) Finance costs

The details of finance costs were as follows:

	2018	2017
Interest expense of bank loans	$ 4,494	8,018
Interest expense of borrowings from related parties	-	3,268
Other interest expense	-	118
	$ 4,494	11,404

(Continued)

(p) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6(b). Other financial assets at amortized cost include other receivables, time deposits and lease deposits.

All of these financial assets were considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments were considered to have low credit risk, please refer to note 4(f).

There was no increase in loss allowance provision during.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2018					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	$ 240,939	240,939	105,583	43,791	91,565
Fixed rate instruments	430,000	432,560	432,560	-	-
	$ 670,939	673,499	538,143	43,791	91,565
December 31, 2017					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	$ 241,138	241,138	107,066	31,191	102,881
Fixed rate instruments	470,000	471,973	471,973	-	-
	$ 711,138	713,111	579,039	31,191	102,881

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Entity's net income would have increased / decreased by $2,420 thousand and $3,060 thousand for the years ended December 31, 2018 and 2017 with all other variable factors remaining constant, respectively. This is mainly due to the changes in the variable-interest-rate deposits.

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 306,790				
Notes and trade receivable	86,114				
Other financial assets (Current)	161,658				
Other financial assets (Non-current)	156,763				
Subtotal	$ 711,325				
Financial assets measured at amortized cost					
Bank loans	$ 430,000				
Notes and accounts payable	51,747				
Other payables	53,836				
Guarantee deposits received	828				
Long-term accounts payable	135,356				
Subtotal	$ 671,767				

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 399,588				
Notes and trade receivable	87,915				
Other financial assets (Current)	8,914				
Other financial assets (Non-current)	156,035				
Subtotal	$ 652,452				
Financial assets measured at amortized cost					
Bank loans	$ 470,000				
Notes and accounts payable	53,901				
Other payables	53,165				
Guarantee deposits received	828				
Long-term accounts payable	134,072				
Subtotal	$ 711,966				

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(q) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The management of the Company reports regularly to the Board of Directors on its activities.

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Group's major business is hotel business service. The major customers are travel agencies. The management periodically evaluates the collections of account receivables from travel agencies, and expects there would be no significant credit risk. The Group does not require any collaterals of account receivables and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2018, no other guarantees were outstanding (2017: none).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. As of December 31, 2018 and 2017, the Group's unused credit line both amounted to zero.

(v) Market risk

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

(r) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders or issue new shares.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2018, the Group's capital management strategy is consistent with the prior year as of December 31, 2017, and the gearing ratio is maintained stable so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2018 and 2017, are as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 686,866	719,508
Less: cash and cash equivalents	(306,790)	(399,588)
Net debt	$ 380,076	319,920
Total equity	$ 1,790,907	1,750,117
Adjusted equity	$ 2,170,983	2,070,037
Debt-to-equity ratio at December 31	17.51%	15.45%

The increase of debt-to-equity ratio as of December 31, 2018 was mainly due to the cash expenditure on renovation of new hotels in the current period.

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(7) Related-party transactions:

(a) Parent company and ultimate controlling company

In 2017, the Company is the ultimate controller of the Company and its subsidiaries, and since May 23, 2017, H.I.S Hotel Holdings Co., Ltd. has been the parent company of the Group, with holding 51% of the outstanding ordinary shares; hence, the ultimate controller of the Group is changed to H.I.S Hotel Holdings Co., Ltd..

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Sanpu Travel Service Co., Ltd. (Sanpu Travel)	Same chairman with the Company
Tour Royale Service Co., Ltd.	Same chairman with the Company
Star Light Co., Ltd.	Same chairman with the Company
Cherry Tourist Co., Ltd.	Same chairman with the Company
H.I.S. Sanken Travel Co., Ltd.	Same chairman with the Company
Green World Co., Ltd.	Same chairman with the Company
Nien Fu Investment Co.	Same chairman with the Company
Hsien-Chih Hsieh	The Company's chairman
Hsiu-Mei Hsieh	The Company's director
H.I.S Hotel Holdings Co., Ltd.	The Company's parent company

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	2018	2017
Hotel room and catering service revenue		
Other related parties－Sanpu Travel	291,089	302,157
Other related parties	14,027	23,351
Lease revenue		
Other related parties－Sanpu Travel	7,800	7,800
Other related parties	3,000	3,000
	$ 315,916	336,308

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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(ii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Notes receivable	Other related parties－Sanpu Travel	$ 26,310	32,623
Notes receivable	Other related parties	1,476	1,788
Accounts receivable	Other related parties－Sanpu Travel	26,661	25,474
Accounts receivable	Other related parties	1,659	1,563
		$ 56,106	61,448

(iii) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts payable	Other related parties	$ -	95
Accounts payable	The Group's main management	13	-
Other payables	Other related parties	244	3,857
Other payables	Parent company	254	-
		$ 511	3,952

(iv) The Group rented office buildings and hotels from other related parties, and the rental expenses were determined based on nearby office rental rates. For the years ended December 31, 2018 and 2017, the rental expenses were $86,003 thousand and $74,465 thousand, respectively. As of December 31, 2018 and 2017, the rental deposits both amounted to $280 thousand, which were reported as other financial asset－non-current.

(v) Contract commitment

The commitment with other related parties due to hotel renovation project was as follows:

	December 31, 2017	
	Contract amount	Amount paid
Contract commitment	$ 1,288	1,288

(vi) Guarantee

As of December 31, 2018 and 2017, the ultimate parent company had provided a guarantee for loans taken out by the Group. The credit limits of the guarantee were as follows:

	December 31, 2018	December 31, 2017
H.I.S Hotel Holdings Co., Ltd.	$ 430,000	470,000

(Continued)

(vii) Management consultant fee

The details of the payments made by the Group to the management consultant services are as follows:

		2018	2017
H.I.S Hotel Holdings Co., Ltd.	$	254	-

(viii) Other

In 2017, the Company paid $3,268 thousand of the interest expenses of the borrowing from the related parties, and reported them as financial costs.

(d) Key management personnel compensation

Key management personnel compensation comprised:

		2018	2017
Short-term employee benefits	$	6,828	5,745
Post-employment benefits		116	147
	$	6,944	5,892

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2018	December 31, 2017
Other financial asset—non-current	Guarantee for rental payment	$	35,500	35,500

(9) Commitments and contingencies:

(a) The Group's significant commitments of hotel renovation project and purchase computer software were as follows:

		December 31, 2018	December 31, 2017
The price signed (tax included)	$	16,246	24,066
The price paid (tax included)	$	11,711	-

(b) Please refer to note 6(h) for the leasing contracts of the Group as of December 31, 2018 and 2017. Besides, the notes payable due to leasing payments were $608,185 thousand and $539,655 thousand, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2018			2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	150,841	45,155	195,996	142,384	34,576	176,960
Labor and health insurance	15,584	4,478	20,062	13,819	2,974	16,793
Pension	8,285	2,285	10,570	7,188	1,551	8,739
Remuneration of directors	-	600	600	-	710	710
Others	9,990	3,095	13,085	9,417	2,405	11,822
Depreciation	127,711	1,318	129,029	114,955	950	115,905
Amortization	4,677	22,831	27,508	6,276	22,810	29,086

(b) Seasonality of operations

The Group' s hotel business is subject to seasonal fluctuations as a result of vacation. Thus, this industry typically has higher revenues and results for the first and fourth quarter of the year.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(in thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Sanpu Travel Service Co., Ltd.	other related party	Sale	296,693	28%	O/A 45 days	-		52,769	65%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(in thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Green World Hotels Co., Ltd.	Green World Hotel ZhongHua Co., Ltd.	1	Operating revenue	3,600	5 days after invoice date	0.31%
0	Green World Hotels Co., Ltd.	Green World Hotel ZhongHua Co., Ltd.	1	Other receivables	317	〃	0.01%

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(in thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying value				
The Company	Green World Hotel ZhongHua Co., Ltd.	Taiwan	Hotels and Motels	170,000	170,000	17,000,000	100.00 %	177,078	100.00 %	3,854	3,360	Subsidiary

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None

(ii) Limitation on investment in Mainland China: None

(iii) Significant transactions: None

(14) Segment information:

(a) General information

The Group's hotel business is considered as operating segment, whose segment profit or loss, assets, and liabilities are similar to the consolidated report. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(b) Major customer information

Please refer to note 7 for the details of the operating revenue from single customer, which is more than 10% of total revenue of the Group.