

Stock code: 8077



洛 碁 實 業 股 份 有 限 公 司
GREEN WORLD HOTELS CO., LTD.

2018

Annual Report

Date of publication: April 30, 2019

**The annual report of the current year can be seen at
<http://mops.twse.com.tw>**

Corporate website: <http://www.greenworldhotels.com>

I.Spokesperson: Wu,Pang-Ming Position: Chief Financial Officer

Tel: (02) 2563-3200

Email: greenworldhotels@greenworldhotels.com

Acting spokesperson: Peng, Fei-Hsiu Position: Accounting Manager

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II.Head Office: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

Tel: (02) 2563-3200

Branch Office	Address	Telephone
Green World Jianpei Branch Office	No.140, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25095151
Green World Songjiang Branch Office	No.485, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25098222
New World Hotel Branch Office	9F., No.141, Kunming St., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.)	02-23118863
Green World Station Branch Office	1F., No.21, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	02-23819199
Green-World-Qingtian Branch Office	7-9F.,No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25971281
Green-World-Xiemei Branch Office	10-12F., No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25971281
Green-World-Sansui Branch Office	1-5F., No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25971281
Green World Grand Nanjing Branch Office	12F, No.8, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25098882
Green World Mai – Nanjing Branch Office	No.163, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25035511
Green-World-Linsen Branch Office	No.617, Linsen N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25955225
Green World Songshan Branch Office	1F., No.149, Yucheng St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	02-27837088
Green World Zhongxiao Branch Office	1F., No.180, Sec. 4, Zhongxiao E. Rd., Daan Dist., Taipei City 106, Taiwan (R.O.C.)	02-27116869
Green World Flora Division Branch Office	No. 36, Section 1, Hankou Street, Zhongzheng District, Taipei City, Taiwan (R.O.C.)	02-23123811

Green World NanGang Branch Office	8F., No.528, Sec. 7, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	02-27893009
Green World Flora Main Branch Office	No.30 and 32, Huaining St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	02-23123801
Green World Mai – ZhongShan Branch Office	No.15, Ln. 105, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	02-25429511
Green World Triplebeds Branch Office	No.16, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	02-27630555

Factory: None.

Entrusted stock affairs and transfer service institution:

Name: Stock affairs service department of Mega Securities Co., Ltd.

Address: 1F., No. 95, Section 2, Zhongxiao East Rd., Zhongzheng District, Taipei City

Website: <http://www.emega.com.tw>

Tel: (02) 3393-0898

III. The certified public accountant for the most recent annual financial report:

Certified public accountant: Accountants CHANG, SHU-YING and CHIH, SHIH-CHIN

Accounting firm: KPMG Taiwan

Address: 68F., No. 7, Section 5, Xinyi Rd., Taipei City

Website: www.kpmg.com.tw

Tel: (02) 8101-6666

IV. The name of the overseas trading venue for the listed marketable securities and the information inquiry

for overseas securities: None.

Corporate website: <http://www.greenworldhotels.com>

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One. Letter to Shareholders

First and foremost, I would like to thank all shareholders for your support. In 2018, the number of tourists visiting Taiwan did not have significant growth, but the number of hotels in the market continues to increase, thus making competition in the hotel industry even more intensive. Especially in Taipei City, where the hotel industry is competitive and the market price is open and visible to consumers, the only way to maintain the profits and growth of the company is to adopt an effective marketing strategy and provide our hotel guests with high quality services. In addition to continuous investment in enhancing the value of the existing hotels, the Company's first hotel that combines technology, the Green World Triplebeds hotel, was acquired by the Company in 2018 and it had successfully attracted attention in the market. Furthermore, the Company progressively implements differential marketing based on various customer groups, and the fruitful result of this integrated marketing strategy is becoming more and more significant. This is also the reason that the Company was still able to maintain its profits in 2018, regardless of the continuously growing number of hotels and hotel rooms in Taipei City.

The Company continued to generate more than NT\$ 1 billion in revenue in 2018. The total revenue of the Company in 2018 was 1,161,786,000 NTD which is an increase of 6.03% from 2017, and the net profit after tax was 40,790,000 NTD. The 2018 annual business report of the Company is as follows:

I. The 2018 annual consolidated financial report: (in thousand NTD)

(I) The 2018 business implementation results

Year \ Items	2017	2018
Operating revenue	1,095,731	1,161,786
Operating costs	890,772	940,536
Operating gross profit	204,959	221,250
Operating gain or loss	61,320	41,408
Non-operating gain or loss	(10,739)	(4,373)
Net profit before tax	50,581	37,035
Net profit (loss) of the current period	48,441	40,790

(II) The 2018 annual budget implementation status: The company did not have a financial forecast plan and therefore it does not apply to the company.

(III) The 2018 financial analysis:

Items	Year	2017	2018
Financial structure	Ratio of debts to assets	29.13	27.72
	Percentage of long-term funds to real property, factories and equipment	146.10	153.43
Solvency	Current ratio	88.01	104.94
	Quick ratio	84.91	100.74
Management capacity	Receivables turnover (number of times)	13.81	13.35
	Average number of cash received days	26.43	27.34
Profitability	Return on assets	2.3	1.79
	Return on equity	4.16	2.30

Items	Year	2017	2018
Ratio of net profit before tax to paid-up capital		4.61	3.38
Net profit rate		4.42	3.51
Earnings per share (dollars)		0.51	0.37

(IV) Status of research and development

The company's main business operations are tourism hotels and related businesses, hence it is not applicable.

II. It is affected by the external competitive environment, regulatory environment, and the overall environment of business operations:

The number of tourists visiting Taiwan reached a new high in 2018, and the Japanese market, out of the main market sources, had a growth rate of 3.7%. On the basis of the statistics of the Tourism Bureau, the tourists from Southeast Asian countries had the highest growth rate, followed by tourists from Japan, while the number of tourists from mainland China, Hong Kong, Macao and South Korea all decreased throughout the year. However, with the significant growth of Southeast Asian tourists, the total number of tourists visiting Taiwan reached 11,066,707 in 2018, which is an increase of 3.05% from 2017. The detailed data is as follows.

Region	Number of tourists visiting Taiwan in 2017	Number of tourists visiting Taiwan in 2018	Increase or decrease %	Increase or decrease number
Southeast Asia	2,137,138	2,430,119	13.71	292,981
Japan	1,898,854	1,969,151	3.70	70,297
Hong Kong and Macau	1,692,063	1,653,654	(2.27)	(38,409)
Mainland China	2,732,549	2,695,615	(1.35)	(36,934)
Korea	1,054,708	1,019,441	(3.34)	(35,267)

As for the increased number of hotels in 2018, the total increased number of general and legal hotels in Taipei City and New Taipei City is 32, with the total increased rooms being 2,101. The number of tourism hotels increased by one, with the total increased rooms being 150. The total increased number of rooms in general hotels and tourism hotels was 2,257. In summary, looking forward to 2019, the hotel industry is still expecting challenges to some extent, due to the factors such as the number of tourists visiting Taiwan is not expected to have significant growth, the growth number of illegal accommodation business operators, and the reducing number of tourists from mainland China continues.

III. Summary of the 2019 business plan and future development strategy of the company:

The company's 2019 business plan summary and future company development strategy are as follows:

(I) Continue to reinforce the 2018 operational policies

1. Add an investment strategy that aims to enhance the value of the existing hotels.
2. Continue to integrate the marketing strategies.
3. Strengthen the strategy of cost control.

(II) Expansion of new hotels

Including the expansion plan of new hotels outside of Taipei City.

(III) Creating a high quality experience

1. Improve tourist's reception experience.

2. Offer better breakfast.
 3. Improve interior decoration.
- (IV) Generate revenues other than accommodation
Create added value and increase revenue other than accommodation through the large amount of hotel guests.

Although more hotel business operators are expected to join the industry in Taipei City and New Taipei City in 2019 and the number of hotels and hotel rooms are expected to continue to increase, the Company is expected to continue to maintain the profit and enhance shareholders' rights and interests, with its comprehensive development strategy.

Chairman and General Manager: HSIEH,HSIEN-CHIH

Two. Brief Introduction of the Company

I. Date of establishment: July 22, 1994

II. History of the Company

- July 1994 "宇晨科技有限公司" was officially founded with a registered capital of NT\$ 5,000,000 and paid-up capital of NT\$ 5,000,000. It was dedicated to the design and development of continuous vacuum sputtering coating equipment.
- May 1997 The company officially changed its name to "冠華科技股份有限公司."
- February 2003 The stock was officially listed on the emerging stock market.
- December 2004 With the approval of the Securities and Futures Bureau, the company was officially listed on the OTC market and increased its paid-in capital to 1,332,500,000 NTD.
- June 2013 In accordance with the resolution of the board of directors, the company requested reorganization with Taoyuan District Court of Taiwan and then declared an emergency disposition to Taoyuan District Court of Taiwan. The company's stock stopped trading on the OTC market.
- November 2013 In accordance with the resolution of the board of directors, the company requested to withdraw from reorganization and emergency disposition with Taoyuan District Court of Taiwan, and the company's stock continued trading on the OTC market.
- December 2013 The provisional meeting of shareholders had re-elected seven directors, which had changed more than one-third of the directors.
- December 2013 The provisional meeting of shareholders had resolved to dispose most of the real property, factories, and equipment in order to reduce the manufacturing business department and improve the financial structure of the company.
- April 2014 Mr. HSIEH,HSIEN-CHIH served as the chairman and general manager of the company.
- June 2014 Signed a management consultancy contract with Green World Hotels Co., Ltd., and the company was transformed from the technology industry to the hotel industry.
- August 2014 Signed a business consulting contract with Green World Hotels Co., Ltd.
- August 2014 To improve the financial structure, the company reduced 74.5% of the capital to make up for the accumulated losses. The paid-in capital was 302,948,880 dollars after the capital reduction.
- September 2014 The first private fundraising was conducted in 2014. The paid-up capital was 402,948,880 dollars after the capital increase.
- October 2014 The stock resumed trading on the OTC market.
The second private fundraising was conducted in 2014. The paid-up capital was 502,948,880 dollars after the capital increase.
- December 2014 The private preferred shares were fully converted into private common shares.
- May 2015 Ms. HSIEH,HSIU-MEI served as the general manager of the company.
- June 2015 The meeting of shareholders resolved the purchase case of the "Lochi Hotel".
- July 2015 The stock resumed trading as ordinary settlement.
The company changed its name to "Green World Hotels Co., Ltd."
- August 2015 Purchased 100% equity of "Green World Hotels Co., Ltd." and transformed to the hotel industry.
- September 2015 Starting 2015/09/21, the name of the trading stock was changed to "Green World" and its stock code is 8077.

October 2015 The merged subsidiary: Green World Hotels Co., Ltd.
The company after acquisition: Green World Hotels Co., Ltd.
It has 13 branches and 1 subsidiary: Green World Hotel ZhongHua Co., Ltd.

January 2016 Green World Grand Nanjing is officially in business.

June 2016 The 11th term of directors and supervisors were fully re-elected, and the board of directors elected and appointed Ms. Chiang Mei-Ling to be the chairman.

July 2016 The category of the company in the OTC market was changed from the "photovoltaic industry" to the "tourism business".

July 2016 Green World Songshan is officially in business.

August 2016 Green World Zhongxiao is officially in business.

September 2016 The first private fundraising was conducted In 2016, and its paid-in capital was 537,668,880 dollars after the capital increase.

October 2016 Green World Flora Division is officially in business.

December 2016 The provisional shareholders meeting resolved the case of second private common stock in 2016.

January 2017 Green World Flora Main and Green World Mai – ZhongShan are officially in business.

January 2017 The private fundraising in January 2017. H.I.S. Hotel Holdings Co., Ltd., participated in private fundraising and acquired 33.32% of the shares. The paid-in capital was increased to 806,338,880 dollars after the capital increase.

May 2017 Green World NanGang is officially in business.

June 2017 The private fundraising in May 2017. H.I.S. Hotel Holdings Co., Ltd., participated in private fundraising and acquired 51% of the shares. The paid-in capital was increased to 1,097,283,430 dollars after the capital increase.

April 2018 The first smart hotel - Green World Triplebeds - is officially in business.

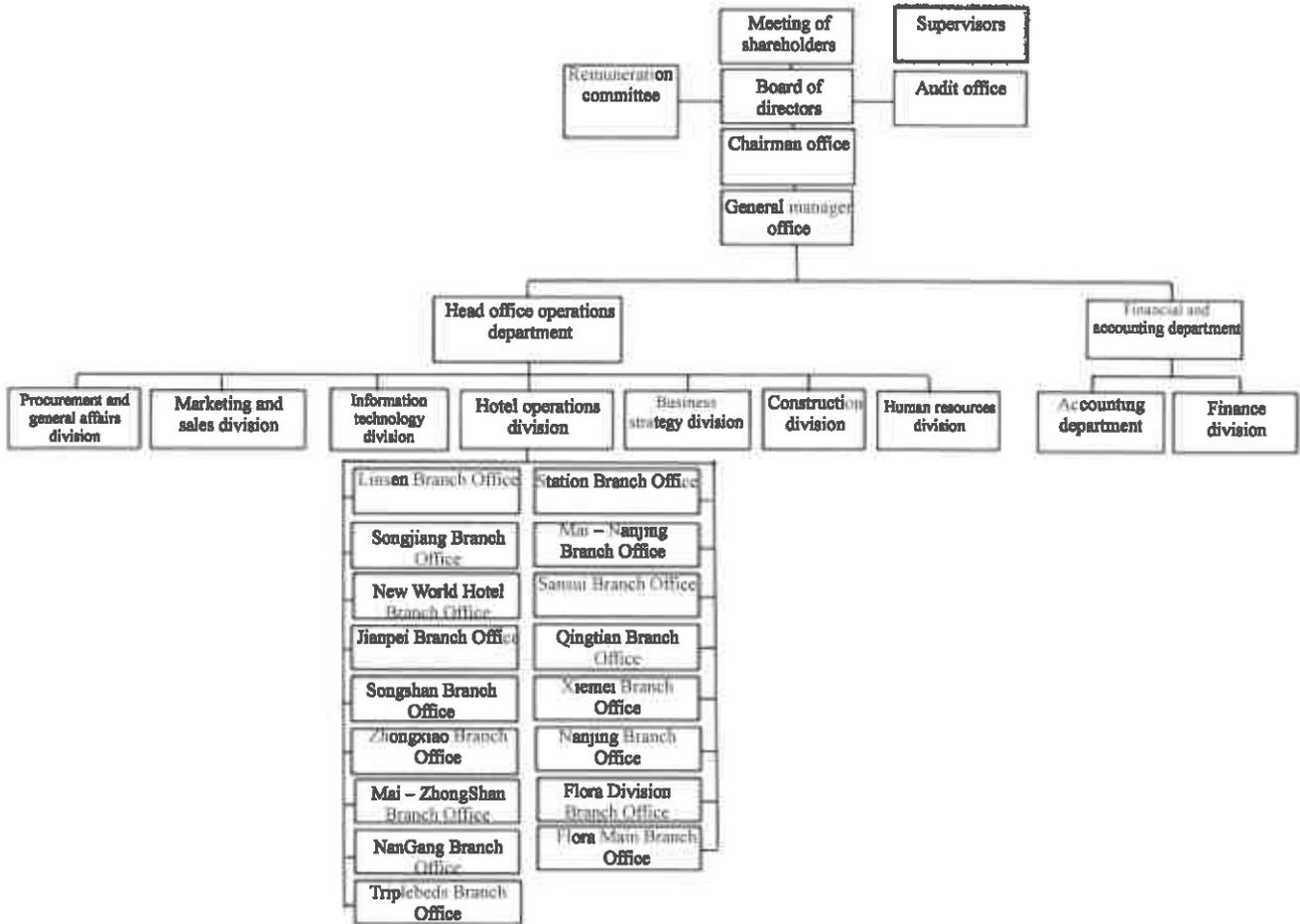
November 2018 The privately offered common stock in 2012 and the 20,000,000 shares of privately offered common stock in 2014 were available for trading on the OTC market on November 19, 2018, with total shares of 25,026,754.

January 2019 The privately offered common stock in 2012, the private preferred stock in 2006 and 2007, and the private common stock in 2010, with a total of 25,268,134 shares, were available for trading on the OTC market on January 29, 2019, and the total of the company's shares was 50,294,999.

Three. Report on Corporate Governance

I. The organization system

(I) Organization chart



Note: The original organization chart was obsoleted upon the resolution of the board of directors on March 19, 2019. This organization chart was approved by the chairman and will soon be submitted to the board of directors for approval.

(II) Business scope of main departments

Department	Duties and responsibilities
General manager's office	<ol style="list-style-type: none"> 1. Business Planning and Management . 2. The med-term and long-term management policy and strategic planning . 3. Promotion and management of annual policy and goals. 4. Management of daily operating performance .
Hotel operations division	<ol style="list-style-type: none"> 1. Management of hotel affairs. 2. Business expansion, enhance room price, and occupancy rate. 3. Provide accommodation-related services for customers.
Financial and accounting department	<p>Finance division : Responsible for fund adjustment, cashier operations</p> <p>Accounting Department : Various accounting, tax processing, stock processing, preparation and analysis of financial statements, implementation of budget preparation, and analysis of differences.</p>
Head office operations department	<ol style="list-style-type: none"> 1. Creation and implementation of the company's corporate image. 2. Organization and planning of internal and external company documents, and control of the documents. <p>Information technology division: Network system management and maintenance, maintenance and management of the information system, and software and hardware equipment, design, modification and testing of software, and data management and security maintenance of computers.</p> <p>Human resources division : Planning and implementation of human resources and educational training.</p> <p>Procurement and general affairs division : Various procurement, general affairs, project price negotiation, contracting and implementation</p> <p>Construction division : Construction project implementation and regular maintenance of all branches</p> <p>Marketing and sales division :</p> <ol style="list-style-type: none"> 1. Maintain good relationships with customers to increase business orders. 2. Collect market information for business reference. 3. Manage the information of accounts receivable and control the customer's credit limit.

Department	Duties and responsibilities
	<p>4. Development of new markets and new customers.</p> <p>Business strategy division : Responsible for analyzing the company's internal data and the dynamics of the domestic and overseas hotel industry and tourism market. Provide consolidated reports and improvement proposals.</p>
Audit office	<ol style="list-style-type: none"> 1. Create and manage the internal audit system of the company. 2. Correction of internal control shortcomings and abnormal conditions. 3. Ensure the effective implementation of the company's internal control system and management provisions.

II. Information on the directors, supervisors, general manager, deputy general manager, associate managers, and supervisors of all departments and branch offices

(1) Information of directors and supervisors

April 30, 2019

Position title (Note 1)	Nationality or registration place	Name	Gender	Election (appointment) Date	Term of office	Initial election date (Note 2)	Holding shares at the time of election		Current number of shareholding		Spouse, underage children Holding shares as of now		Under the name of others Holding shares		Main experience (education) background	Current positions served in the company and other companies	Position title	Name	Relationship
							Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio					
Chairman	Republic of China	Shenyan Investment Co., Ltd. Legal representative: HSIEHHSIEN-CHIH	Male	2017.06.22	3	2016.06.13	7,930,502	9.84%	7,930,502	7.23%	None	None	None	None	Master's, Graduate Institute of China Studies, Tamkang University Bachelor's of Political Science, National Chengchi University Chairman of Green World Hotels Co., Ltd. Chairman of Saapu Travel Group Chairman of Green World Hotel Zhonghua Co., Ltd. Chairman of Green World Co., Ltd.	Chairman of Green World Co., Ltd. Chairman of Green World Hotel Zhonghua Co., Ltd. Chairman of Saapu Travel Group Chairman of H.I.S. Taiwan Co., Ltd. Chairman of Sinri Travel Co., Ltd. Chairman of Sindong Travel Co., Ltd. Chairman of Singuang Travel Co., Ltd. Chairman of Sakura Travel Co., Ltd. Chairman of Mungyang Frozen Food Co., Ltd. Director of Honyi Transportation Co., Ltd. Director of CIRCLE ISLAND TOURS CO., LTD.	General manager Director	HSIEH-HIANG-CHENG HSIEH-HSIU-MEI	Father and son Brother and sister
Director	Republic of China	Shenyan Investment Co., Ltd. Legal representative: HSIEHHSIEN-CHIH	Female	2017.06.22	3	2016.06.13	7,930,502	9.84%	7,930,502	7.23%	None	None	None	None	National Chung Hsing University Director of Green World Co., Ltd. Director of Green World Hotel Zhonghua Co., Ltd. Director of Saapu Travel Agency Ltd. Director of H.I.S. Taiwan Co., Ltd. Director of Sinri Travel Co., Ltd. Director of Sakura Travel Co., Ltd. Supervisor of Honyi Transportation Co., Ltd. Supervisor of Honyi Transportation Co., Ltd.	Director of Green World Co., Ltd. Director of Green World Hotel Zhonghua Co., Ltd. Director of Saapu Travel Agency Co., Ltd. Director of H.I.S. Taiwan Co., Ltd. Director of Sinri Travel Co., Ltd. Director of Sakura Travel Co., Ltd. Supervisor of Honyi Transportation Co., Ltd.	Chairman	HSIEH-HSIEN-CHIH	Brother and sister
Director	Japan	H.I.S. Hotel Holdings Co., Ltd. Legal representative: Kodaka Kouji	Male	2017.06.22	3	2017.06.22	26,867,000	33.32%	55,961,455	51%	None	None	None	None	After serving as the director of the web business department and the chief director of central operations division at H.I.S., he joined H.I.S. Hotel Holdings in 2017.	Director of Green World Co., Ltd. H.I.S. Director of Hotel Holdings	None	None	None

Table 1: Major shareholders of corporate shareholders

March 31, 2019

Name of corporate shareholders	Major shareholders of corporate shareholders
H.I.S. Hotel Holdings Co., Ltd.	H.I.S. Co., Ltd.
Yiyaun Investment Co., Ltd.	LI,CHIH-CHUNG
Shenyan Investment Co., Ltd.	CHUNG,CHUN-CHIEH

Table 2: Major shareholders of corporate shareholders in Table 1

March 31, 2019

Name of legal person	Major shareholder of legal persons	Shareholding ratio
H.I.S. Co., Ltd.	Hideo Sawada	33.24%
	日本トラスティ・サービス信託銀行株式会社	12.07%
	有限会社秀インター	6.00%
	日本マスタートラスト信託銀行株式会社	3.18%
	ザ バンク オブ ニューヨーク	2.97%
	ステート ストリート バンク アンド トラス ト カンパニー	2.21%
	全国共済農業協同組合連合会	1.87%
	ジェーピー モルガン チェース バンク	1.84%
	Namekata Kazumasa	1.82%
	Sawada Mayumi	1.78%

(II) Information of directors and supervisors

April 30, 2019

Name	Criteria	Have more than five years of work experience and the following professional qualifications	Independence condition (Note 2)										Concurrently serving as an independent director of other public listed companies		
		A professor or higher position, or the relevant department in the public or private colleges or universities, required for the field of business, legal, finance, accounting or sales department of the company	Judge, prosecutor, lawyer, accountant or other specialist required by the company, who passes the national examinations and acquires certificates.	Work experience required in the field of business, legal, finance, accounting or sales of the company	1	2	3	4	5	6	7	8		9	10
HSIEH,HSIEN-CHIH			✓					✓		✓		✓			0
Hirabayashi Akira			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Kodaka Kouji			✓		✓	✓	✓		✓	✓	✓	✓	✓		0
HSIEH.HSIU-MEI			✓	✓	✓			✓		✓		✓			0
LIU SHUI-SHENG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
WU YI-TSAI		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
LIU TANG-KUN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
LIU CHIA-MING	✓		✓	✓				✓	✓	✓	✓	✓	✓	✓	0
KAO YI-HSING			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	0

(III) Information on the general manager, deputy general manager, associate manager, and supervisors from all departments and branches

April 30, 2019

Position	Nationality	Name	Gender	Elevation (appointment) Date	Holding shares		Spouse and minor children's holding shares		Shares held under the name of others		Main experiences (education) background	Positions concurrently served at other companies	Have a manager who is a spouse or has a familial relationship within the second degree of kinship		
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position	Name	Relationship
General manager	Republic of China	HSIEH, HSI EN-CHIH (Note 1)	Male	2018.11.1	5,183,852	4.72%	None	None	1,529,547	1.39%	Master's, Graduate Institute of China Studies, Tamkang University Bachelor's of Political Science, National Chengchi University Chairman of Green World Hotels Co., Ltd. Chairman of Sempu Travel Group Chairman of Green World Hotel Zhonghua Co., Ltd. Chairman of Green World Co., Ltd.	Chairman of Green World Co., Ltd. Chairman of Green World Hotel Zhonghua Co., Ltd. Chairman of Sempu Travel Group Chairman of H.I.S. Taiwan Co., Ltd. Chairman of Sinri Travel Co., Ltd. Chairman of Singdong Travel Co., Ltd. Chairman of Singuang Travel Co., Ltd. Chairman of Sakura Travel Co., Ltd. Chairman of Mingyang Frozen Food Co., Ltd. Ltd. Director of Honyi Transportation Co., Ltd. Director of CIRCLE ISLAND TOURS CO., LTD.	None	None	None
General manager	Republic of China	HSIEH, CHANG-CHENG (Note 1)	Male	2017.06.01	22,000	0.02%	None	None	None	None	State University of New York at Buffalo Bachelor of Arts Economics	Director of Green World Hotel Zhonghua Co., Ltd. Director of Green World Co., Ltd. Director of Green World Hotel Co., Ltd.	None	None	None
Chief operating officer	Japan	Fukui Yohei (Note 2)	Male	2017.08.10	27,000	0.02%	None	None	None	None	Graduated from the University of Tokyo. Started a business in the field of media but sold it afterwards. Worked at the advertising agency Denton. Responsible for creating marketing strategies. Awards: Encouragement Award of Japan Marketing Award/ Excellence Award of Japan PR Award He was responsible for creating business strategies for the following four years. He is mainly dedicated to the regenerative strategies of corporations. Worked at H.I.S. in 2016. He worked in the Business Strategy Office and also served as the specialized staff for the director. He joined the GWHS in April 2017.	None	None	None	None
Chief financial officer	Republic of China	WU, PANG-MING	Male	2015.03.17	None	None	None	None	None	None	Master's of Management Accounting, University of San Diego, California, USA Finance Manager at PROMOS Technologies Co., Ltd. CFO at ITEQ CORPORATION CFO at Mobile Action Technology, Inc.	None	None	None	None

Position	Nationality	Name	Gender	Election (appointment) Date	Holding shares		Spouse and minor children's holding shares		Shares held under the name of others		Main experience (education) background	Positions concurrently served at other companies	Have a manager who is a spouse or has a familial relationship within the second degree of kinship		
					Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio			Position	Name	Relationship
Manager	Republic of China	WU, YU-CHI	Male	2015.08.12	None	None	None	None	None	None	Law Department, Fu Jen Catholic University Songjiang Trademark and Patent Law Office Legal and special assistant of the director Beautiful Hotel Hotel manager at Green World Mai Tamsui high school	None	None	None	
Manager	Republic of China	CHIEN, SHUN-KUEI	Male	2015.08.12	None	None	None	None	None	None	Shunyi Enterprise Group Haopeng Travel Agency Yamaha Motor Taiwan Co., Ltd. Mai Co., Ltd.	None	None	None	
Manager	Republic of China	LIN, HSIU-JUNG	Female	2015.08.12	None	None	None	None	None	None	Shih Chien University Hotel Fortuna Hotel Lai Lai Howard Hotel	None	None	None	
Manager	Republic of China	TSUI, CHIEH-MIN	Male	2015.08.12	None	None	None	None	None	None	Long Island University, USA Sports Association, ROC Evoxin Recreation Co., Ltd. Jin Bylli Biotechnology Yi Shuo Digital Co. Ltd.	None	None	None	
Manager	Republic of China	YANG, KU-N-HUI	Female	2015.08.12	None	None	None	None	None	None	Songshan High School of Commerce Chinehen chain restaurant ONETEL S-sura Hotel	None	None	None	
Manager	Republic of China	CHEN, HUI-CHING	Female	2015.08.12	None	None	None	None	None	None	Tourism Department, Taipei University of Marine Technology Shilin district court High court Secretary of the Board of Directors of Taipei University of Marine Technology	Manager	CHANG, YU-SHAN	Spouse	
Manager	Republic of China	CHANG, YU-SHAN	Male	2015.08.12	None	None	None	None	None	None	Law Department, National Taiwan University Daxin Securities Chunbao company Zaibang Securities Protection association for criminal victims EMBA at the National Taiwan University	None	None	None	
Assistant manager	ROC	Hsu Shuo-Heng (Note 3)	Male	2018.11.14	None	None	None	None	None	None	Manager of the Gloria Maris Full/Wealth Seafood Restaurant in Philippines Chairman's secretary at Artes Myer Imported Bathroom Facility Company in Philippines Deputy director of operating management at the Tainan Hotels Group	None	None	None	

Note 1: HSIEH, CHANG-CHENG, the former general manager, resigned on November 1, 2018 and the chairman HSIEH, HSIEN-CHIH servers as the acting general manager

Note 2: The Chief officer of strategy Fukai Yobei was transferred to be the chief operating officer on November 1, 2018

Note 3: Mr. Hsu Shuo-Heng, the assistant manager, was assigned of the new representative on November 14, 2018.

III. Remuneration for directors, supervisors, general manager, and deputy general managers in the most recent year

Name	Director's remuneration						Related remuneration paid to the part-time employees						The ratio of the sum of A, B, C and D to the net profit after tax		Remuneration received from companies other than the subsidiaries		
	Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business implementation cost (D)		Salary, bonuses, and special expenses (E)		Retirement pension (F)		Employees' compensation (G)			The ratio of the sum of A, B, C, D, E, F and G to the net profit after tax	
	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash amount	Stock			The Company
Chairman Sheenon Investment Co., Ltd. Representative: HSIEH HSIEH-CHIH	None	None	None	None	None	None	50	50	2,250	2,250	None	None	None	None	5.64%	5.64%	None
Director Sheenon Investment Co., Ltd. Representative: HSIEH HSIEH-MEI	None	None	None	None	None	70	70	None	None	None	None	None	None	None	0.17%	0.17%	None
Director Yiyuan Investment Co., Ltd. Representative: Hirabayashi Akira (Note 1)	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None
Director H.I.S. Hotel Holdings Co., Ltd. Representative: Kodaka Kazuji	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None
Director H.I.S. Hotel Holdings Co., Ltd. Representative: Not yet appointed (Note 2)	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None
Independent Director WU, YI-TSAI	240	240	None	None	None	None	None	None	None	None	None	None	None	None	0.59%	0.59%	None
Independent Director LIU, SHUJ-SHENG	240	240	None	None	None	None	None	None	None	None	None	None	None	None	0.59%	0.59%	None

* In addition to the above disclosure, the remuneration paid to the directors of the company for providing services (such as a consultant for non-employees) to any of the company in the financial report in the most recent year.

(I) Remuneration of (including independent directors) directors (disclosure of individual names and remuneration)

Unit: NT\$1,000, shares

Note 1: Mr. Hirabayashi Akira resigned from H.I.S. on 2018.01.24. The new representative for Hotel Holdings Co., Ltd., a legal person representative, has not been appointed. Yiyuan Investment Co., Ltd., reassigned its representative, Ms. CHIANG,MEI-LING was replaced by Mr. Hirabayashi Akira on January 24, 2018.

Note 2: H.I.S. Hotel Holdings Co., Ltd., has not yet appointed a representative.

The range of remuneration paid to the directors of the company	Total remuneration of first four items (A+B+C+D)		Total remuneration of first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Less than 2,000,000 dollars	None	HSIEH,HSIEN-CHIH, HSIEH,HSIU-MEI, Hirabayashi Akira, Kodaka Kouji, WU, YI-TSAI and LIU, SHUI-SHENG	None	HSIEH,HSIEN-CHIH, HSIEH,HSIU-MEI, Hirabayashi Akira, Kodaka Kouji, WU, YI-TSAI and LIU, SHUI-SHENG
2,000,000 dollars (included) ~ 5,000,000 dollars (excluded)	None	None	None	None
5,000,000 dollars (included) ~ 10,000,000 dollars (excluded)	None	None	None	None
10,000,000 dollars (included) ~ 15,000,000 dollars (excluded)	None	None	None	None
15,000,000 dollars (included) ~ 30,000,000 dollars (excluded)	None	None	None	None
30,000,000 dollars (included) ~ 50,000,000 dollars (excluded)	None	None	None	None
50,000,000 dollars (included) ~ 100,000,000 dollars (excluded)	None	None	None	None
More than 100,000,000 dollars	None	None	None	None
Total	A total of 6 people		A total of 6 people	

(II) The remuneration of the supervisors (disclosure of individual names and remuneration)

Unit: NT\$1,000

Position	Name	Supervisor's remuneration						Remuneration received from companies other than the subsidiaries		
		Remuneration (A)		Remuneration (B)		Business implementation cost (C)			The ratio of sum of A, B, and C to the net profit after tax	
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		The Company	All companies in the financial report
Supervisor	LIU, TANG-KUN	None	None	None	None	50	50	0.12%	0.12%	None
Supervisor	LIU, CHIA-MING	None	None	None	None	60	60	0.15%	0.15%	None
Supervisor	KAO, YI-HSING	None	None	None	None	None	None	None	None	None

The range of remuneration paid to the supervisors of the company	Name of supervisor	
	Total remuneration of first three items (A+B+C)	All companies in the financial report
	The Company	LIU, TANG-KUN, LIU, CHIA-MING and KAO, YI-HSING
Less than 2,000,000 dollars	LIU, TANG-KUN, LIU, CHIA-MING and KAO, YI-HSING	LIU, TANG-KUN, LIU, CHIA-MING and KAO, YI-HSING
2,000,000 dollars (included) ~ 5,000,000 dollars (excluded)	None	None
5,000,000 dollars (included) ~ 10,000,000 dollars (excluded)	None	None
10,000,000 dollars (included) ~ 15,000,000 dollars (excluded)	None	None
15,000,000 dollars (included) ~ 30,000,000 dollars (excluded)	None	None
30,000,000 dollars (included) ~ 50,000,000 dollars (excluded)	None	None
50,000,000 dollars (included) ~ 100,000,000 dollars (excluded)	None	None
More than 100,000,000 dollars	None	None
Total	A total of 3 people	A total of 3 people

(III) Remuneration of the general manager and deputy general manager (summary of range disclosure with names)

Unit: NT\$1,000

Position	Name	Salary (A)		Retirement pension (B)		Bonus and special expense, etc. (C)		Employee's compensation (D)			The ratio of the sum of A, B, C, and D to the net profit after tax (%)		Remuneration received from companies other than the subsidiaries
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report		
General manager	HSIEH,HSIEN-CHIH (Note 1)												
General manager	HSIEH,CHANG-CHENG (Note 1)												
Chief operating officer	Fukai Yohei (Note 1)	5,488	5,488	None	None	2,555	2,555	None	None	None	None	19.72%	None
Chief financial officer	WU,PANG-MING												

Note 1: Mr. Hsieh, Chang-Cheng resigned as general manager on 2018.11.01 and Mr. Hsieh, Hsien-Chih took over as general manager. Fukai Yohei was transferred from the strategic director to the chief operating officer on 2018.11.09.

Pay for the general manager and deputy general manager of the company	Name of the general manager and deputy general manager	
	The Company	All companies included in the financial report E
Less than 2,000,000 dollars	HSIEH,HSIEN-CHIH, HSIEH,CHANG-CHENG and WU,PANG-MING	HSIEH,HSIEN-CHIH, HSIEH,CHANG-CHENG and WU,PANG-MING
2,000,000 dollars (included) ~ 5,000,000 dollars (excluded)	Fukai Yohei	Fukai Yohei
5,000,000 dollars (included) ~ 10,000,000 dollars (excluded)	None	None
10,000,000 dollars (included) ~ 15,000,000 dollars (excluded)	None	None
15,000,000 dollars (included) ~ 30,000,000 dollars (excluded)	None	None
30,000,000 dollars (included) ~ 50,000,000 dollars (excluded)	None	None
50,000,000 dollars (included) ~ 100,000,000 dollars (excluded)	None	None
More than 100,000,000 dollars	None	None
Total	A total of 4 people	A total of 4 people

(IV) Names of the managers who distribute employee compensation and the distribution status:
None.

(V) The analysis of the ratio of the total remuneration amount paid to all of the directors, supervisors, general managers, and deputy general managers of the Company and all companies in the consolidated statement in the most recent two years, to the net profit after tax of the consolidated or individual financial reports.

Item Position title	Ratio of total remuneration amount to the net profit after tax			
	Year 2017		Year 2018	
	The Company	The Company	The Company	Financial report All companies
Director	6.28%	6.28%	1.47%	1.47%
Supervisor	0.27%	0.27%	0.27%	0.27%
General manager and deputy general manager	4.75%	4.75%	19.72%	19.72%

(VI) The correlation between the remuneration policy, standard and combination, procedures for stipulating the remuneration, and the business operation performance and future risks.

1. Directors and supervisors

On the basis of the regulations of the company, the transportation allowances and remuneration paid to the directors and supervisors shall be resolved according to the index of risk and responsibility and decided by the Remuneration Committee and submitted to the board of directors for discussion and approval.

2. General Manager and Deputy General Manager

The remuneration of the general manager and the deputy general manager includes salary, bonuses, and employee bonuses shall be based on the position, responsibility, and contribution to the company, and it shall also refer to the peer companies in the industry. It shall be assessed by the Remuneration Committee and reported to the board of directors for discussion and approval.

3. The reward for business operation performance shall be conducted in accordance with the surplus distribution regulations of the Articles of Incorporation of the Company. The Board of Directors had resolved that there will be no distribution to the directors and supervisors in 2017.

IV. The operational status of corporate governance

(I) The operation of the Board of Directors:

The board of directors had 7 meetings (A) in the most recent year, and the attendance records for the supervisors of the board of directors are listed as follows:

Position title	Name (Note 1)	Number of attendance in person	Number of entrusted attendance	Percentage of attendance in person (%)	Remarks
Chairman	Shenyan Investment Co., Ltd. Representative: HSIEH.HSIEN-CHIH	5	3	71.43%	
Director	Yiyaun Investment Co., Ltd. Representative: Hirabayashi Akira	0	3	0%	
Director	Representative of H.I.S Hotel Holdings Co., Ltd: Kodaka Kouji	4	1	57.14%	
Director	Shenyan Investment Co., Ltd. Representative: HSIEH.HSIU-MEI	7	0	100%	
Independent director	LIU,SHUI-SHENG	7	0	100%	
Independent director	WU,YI-TSAI	7	0	100%	

Other items that shall be recorded:

I. For any of the following circumstances, the board of directors meeting's date, period, content of the proposal, the comments of all independent directors and the company's approaches on the comments of independent directors shall be described:

(I) The matters listed in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Content of proposal	Comments of independent directors
2018.5.17	Apply for trading in the OTC market for the private fundraising stock of the company over the years to the securities authorities and apply for public offering case	Agree
2018.12.4	Assessment of competency and independent status for the certified public accountants, and the remuneration for entrustment.	Agree

- (II) Except for the preceding matters, the other resolutions by the directors that have been opposed or remarked with comments by independent directors that retained a record or had a written statement: not available.
- II. The directors shall avoid the process of resolution that involves related interested parties, and the name of the directors, the content of the resolution, the reasons for the avoidance of conflict of interests and the participation status in the voting process shall be stated: not available.
- III. The objectives of enhancing the functionalities of the Board of Directors for the current period and the most recent year (such as founding an Audit Committee and improving information transparency, etc.) and the evaluation of implementation: The company has created 2 independent directors and a Remuneration Committee.

(II) The operations of the Audit Committee or the status of supervisor's participation in the operation of the board of directors:

1. The company does not have an Audit Committee.

2. The status of the supervisor's participation in the operation of the board of directors:

The board of directors had 7 meetings (A) in the most recent year, and the attendance records are listed as follows:

Position	Name	Number of attendance (B)	Percentage of attendance (%) (B/A)	Remarks
Supervisor	LIU, TANG-KUN	5	71.43	
Supervisor	LIU, CHIA-MING	6	85.71	
Supervisor	KAO, YI-HSING	5	71.43	

Other items that shall be recorded:

I. Founding of supervisors and their responsibilities:

(I) Communication between the supervisors and the employees and shareholders of the company:

If necessary, the human resources department shall report the structure of employees and the labor status to the supervisors during the meeting of board of directors.

The supervisors shall report the auditing status to the shareholders during the shareholders meeting and allow the shareholders to ask questions.

(II) Communication between the supervisors, and the internal audit supervisor and accountant:

The audit supervisor reports the auditing status to the supervisors and the independent directors on a monthly basis, and submits an audit report during the meeting of board of directors. During the period of financial auditing, the audit supervisor will discuss with the accountant to audit the financial status of the company, make adjustment to the entries and amendment to the IFRS, and announce the impact on the company. And during the meeting of board of directors, the audit supervisor shall state the amendment to the IFRS and the impact on the company.

II. Supervisor attending a meeting of the board of directors to state opinion: None.

(III) The governance circumstances for TWSE/TPEX listed companies, and the differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons or causes

Evaluation items	Implementation status (Note)		Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons or causes
	Yes	No	
I. Does the company stipulates and release its Corporate Governance Best-Practice Principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V	The stipulated "Corporate Governance Best-Practice Principles" will be discussed in the next meeting of the board of directors and it is expected to be released upon the approval of the board of directors.	The "Corporate Governance Best-Practice Principles" has not yet been stipulated, but it will be discussed in the recent meeting of the board of directors.
II. The company's equity structure and shareholders' rights and interests			
(I) Does the company stipulate internal operating procedures to conduct matters in regard to the shareholders' recommendations, doubts, disputes and litigation, and implement it based on these procedures?	V	The "stock affairs operating procedures" has been stipulated for regular and non-regular operations, and an investor relationship contact is available for answering shareholders' questions in a timely manner according to the content of the procedures and the laws and regulations.	No difference
(II) Has the company a list of major shareholders who actually control the company and a list of shareholders who control these major shareholders?	V	The registration list of shareholders has the information of the actual shareholders and it can be used to communicate with the major shareholders in a timely manner.	No difference
(III) Does the company create, implement, and manage the risk and its firewall mechanism between the related companies?	V	The company has established the "Regulations on Business and Financial Transactions with Subsidiaries of Certain Company Groups", "Management Measures for Subsidiaries" and related matters between related	The company currently has only one subsidiary, but there is no related company.

			companies.		No difference.
(IV)	Has company stipulated internal regulations that prohibit insiders from buying and selling securities with the unpublished information in the market?	V		The Company has established "Management Procedures for the Prevention of Insider Trading" and "Procedures for Processing Important Internal Information".	No difference
III. Founding and duties of the board of directors					
(I)	Does the board of directors stipulate and implement a diverse policy regarding the founding of the board members?	V		The founding of the board members of the company takes consideration of their diverse background, professional competence and experience, as well as their individual ethics and leadership. Including directors who have judgment capability of business operations, business management capability, knowledge in the industry, international market perspective, leadership and decision-making capability: HSIEH,HSIEN-CHIH, HSIEH,HSIU-MEI, Hirabayashi Akira, Kodaka Kouji. Directors who have legal expertise: independent director WU,YI-TSAI. Directors who have accounting and financial analysis capability: KODAKA KOUJI, HIRABAYASHI AKIRA, independent director LIU,SHUI-SHENG, and a female director: HSIEH HSIU-MEI.	No difference
(II)	In addition to founding the Remuneration Committee and Audit Committee according to the laws and regulations, does the company voluntarily create other committees with similar functions?	V		The company is currently planning other functional committees, including the Nomination Committee.	In addition to founding the Remuneration Committee according to the laws and regulations, the Company has also been planning other functional committees.
(III)	Has the company stipulated the assessment measures and method for evaluating the performance of the board of directors, and	V		The company has stipulated the "Performance Evaluation Methods for Directors and Managers" and conducts the performance evaluation according to the two major perspectives: financial and non-financial indicators.	No difference

<p>conduct the performance evaluation on a yearly basis?</p>		<p>The financial indicator includes: revenue, net profit after tax, and shareholder's return on equity.</p> <p>The non-financial indicator includes: director's independent status, professionalism in various fields, meeting participation, participation in educational training and participation in the internal control of the company.</p> <p>The recent evaluation was completed on 2018/03/27 and the results were as follows:</p> <ol style="list-style-type: none"> 1. Other than the attendance at the shareholders' meeting can be improved, the performance evaluation result of the board of directors is good after the comprehensive evaluation. 2. The evaluation scores of directors and supervisors have an average of over 80 points. 	
<p>(IV) Does the company regularly assess the independent status of the certified public accountant?</p>	<p>V</p>	<p>The assessment of the independent status and competency for the certified public accountant will be conducted annually. The board of directors recently assessed the competency, independent status and the entrusted remuneration for accountant CHANG,SHU-YING and CHIH,SHIH-CHIN on 2018/12/4.</p> <p>The assessment content is evaluated based on the account's independent status, ethics, and auditing professionalism.</p>	<p>No difference</p>
<p>IV. Do the TWSE/TPEX listed companies have a corporate governance unit (or part-time) or personnel responsible for the matters in regard to the corporate governance (including but not limited to providing the required information to the directors and supervisors for business usage, the matters related to conduct the meetings of the board of directors</p>	<p>V</p>	<p>The chief financial officer and the stock equity affairs personnel of the company are responsible for the related matters in regard to corporate governance.</p> <p>The 2018 annual business implementation is as follows:</p> <ol style="list-style-type: none"> 1. Assisting independent and general directors to carry out their duties, providing the required information, and arranging training and courses for directors: <p>(1) Regularly inform the board members of the company on the amendment of the latest laws and regulations regarding the company's business operations and corporate governance.</p>	<p>No difference</p>

and shareholders meeting according to the laws, conducting the registration and change of making meeting minutes for the meeting of the board of directors and shareholders meeting, etc.)

- (2) Inspect the confidentiality level of the relevant information and provide directors with the required company information, to maintain good communication between the directors and supervisors of all business units.
 - (3) According to the Corporate Governance Best-Practice Principles, it is necessary to assist the independent directors to arrange relevant meetings to meet with the internal audit supervisor or the certified public accountant to understand the needs of the company's financial condition.
 - (4) Assisting independent and general directors to make the plans for annual refresher courses and arranging courses based on the industrial characteristics of the company and the director's academic background and experience.
2. Assist the procedures for the meeting of the board of directors and shareholders, and the resolutions to be followed:
- (1) Report the corporate governance and operations of the company to the board of directors, independent directors and supervisors, and confirm whether the shareholders meeting and meeting of the board of directors of the company comply with the relevant laws and corporate governance regulations.
 - (2) Assist and remind the directors of the regulations that need to be followed during the business implementation process or make a regulation reference for the resolution of the board of directors, as well as provide suggestions if the board of directors may be involved with an illegal resolution.
 - (3) Responsible for announcing important information of resolutions after the meeting of the board of directors and ensuring the legality and correctness of the

	<p>content of the important announcements, so as to protect the investor's rights of information equivalence.</p> <p>3. Maintain good investor relations: Arrange meetings for the directors to communicate with major shareholders, corporate investors, or general shareholders depending on the needs, so that investors can obtain sufficient information for the evaluation of capital market value for the company and to protect the shareholders' rights and interests.</p> <p>4. The scheduled meeting agenda of the board of directors shall be notified to the directors 7 days in advance, and a meeting shall be convened to provide the meeting materials. If the issues for resolution need to be avoided by a director, a notice shall be given in advance, and the meeting minutes of the board of directors shall be completed within 20 days after the meeting.</p> <p>5. Conduct the registration of the date prior to the shareholders meeting according to the regulations, make a meeting notice, meeting handbook, and meeting records within the statutory time, and apply for change of registration for the re-election of directors.</p>				
	<p>V. Does the company have a communication channel with interested parties (including but not limited to shareholders, employees, customers, and supply vendors) and create a stakeholder area on the company's website, and appropriately react and respond to important corporate social responsibility issues to stakeholders?</p>	<p>V</p>		<p>The company has a dedicated Email for correspondence with interested parties, and the contact information can be found on the stakeholder area on the website of the Market Observation Post System and the company's website, so that interested parties can contact the company if needed and the company can properly respond to the stakeholders' issues.</p>	<p>No difference</p>

<p>VI. Does the company entrust a professional stock agency to conduct the affairs in regard to the shareholders meeting?</p>	<p>V</p>	<p>The Company has entrusted the Mega Securities Co., Ltd., as the agent to assist the Company in conducting the stock affairs.</p>	<p>No difference</p>
<p>VII. Information disclosure</p>			
<p>(I) Has the company created a website to disclose the information of financial business and corporate governance?</p>	<p>V</p>	<p>The company has created a website (the company's website address is http://www.greenworldhotels.com/), and investors can also find the company's financial, business, and corporate governance information on the website of the Market Observation Post System.</p>	<p>No difference</p>
<p>(II) Does the company use other approaches for information disclosure (such as creating an English website, designating a person to be responsible for collecting and disclosing the company's information, implementing the spokesperson system, and uploading videos of the investor conferences on the company's website)?</p>	<p>V</p>	<p>The company has a spokesperson and acting spokesperson, and also has an investor relation contact window for investors.</p>	<p>The English webpages of the investor area have not been created.</p>
<p>VIII. Does the company have other important information that can help investors to understand the operation of corporate governance (including but not limited to employees rights, employees care, investor relations, relationships with suppliers, stakeholders rights, training for directors and supervisors, the implementation status of risk management policy and risk measurement standard, the</p>	<p>V</p>	<p>1. Employees' rights and interests: All are conducted according to the relevant regulations of the Labor Standards Act, and an employee complaint channel is available for protecting the legitimate rights and interests of the employees. 2. Employees care: An employee welfare committee is created and various welfare measures are stipulated. 3. Investor relations: The Company regularly releases its financial reports and important business announcements on the website of the Market Observation Post System and on the company's official websites according to the regulations, so that investors are fully informed about</p>	<p>The company plans to purchase liability insurance for directors and supervisors, and the issue is expected to be discussed during the meeting of the board of directors in the near future.</p>

<p>implementation of customer policy, the liability insurance purchased by the company for the directors and supervisors, etc.)</p>	<p>the company's business development and current status, in order to maximize the interests of shareholders.</p> <p>4. Relationship with the suppliers: The company conducts the relevant supplier management according to the stipulated internal control operating system for procurement and payment, and meets the related rights and obligations based on the contract or purchase order.</p> <p>5. Stakeholders rights: The Company conducts transaction or communication with relevant stakeholders based on the various internal control operating measures, and founded a responsible unit to properly handle the opinions of all related parties to fulfill the corporate social responsibility.</p>	
<p>IX. Please state the improvement of the company's corporate governance and propose the priority matters and measures for reinforcement from among those which have not been improved, according to the evaluation results of the current year issued by the Corporate Governance Center of the Taiwan Stock Exchange Corporation:</p> <ol style="list-style-type: none"> 1. The director and supervisor's liability insurance is proposed and approved by the board of directors on November 9, 2018, and the liability insurance started on December 1, 2018. 2. In the process of planning other functional committees, and it is expected to submit the proposal to the board of directors for approval. 3. The "Corporate Governance Best-Practice Principles" have not yet been stipulated and they are currently in the process of planning. 4. The English version of the website is in the process of planning. <p>Note: Regardless of checking "Yes" or "No" on the check box, it is required to state a description in the summary field.</p>		

(IV) The founding, duties, and operations of the Remuneration Committee:

1. The Company has stipulated the organization rules for the Remuneration Committee of the Company according to Article 14-6 of the Securities and Exchange Act and the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter” on 2011/08/26.

To be line with the provisional shareholders meeting for full re-election of the directors and supervisors on 2016/06/13. The 11th term of the Board of Directors appointed the 4th term of the Remuneration Committee members on 2016/08/12 for a term from 2016/08/12 to 2018/06/12. Three remuneration committee meetings were held in 2016. The meeting were held on 2016/03/23, 2016/10/21, and 2016/11/14.

To be line with the general shareholders meeting for full re-election of the directors and supervisors on 2017/06/22, the 12th term of the Board of Directors appointed the 5th term of the Remuneration Committee members on 2017/08/10 for a term from 2017/08/10 to 2020/06/21. Two remuneration committee meetings were held in 2017 and three remuneration committee meetings were held in 2018. The meetings were held on 2018/03/27, 2018/5/15, and 2018/11/9 respectively.

2. The members of the Remuneration Committee are listed as follows:

Identity (Note 1)	Criteria	Have more than five years of work experience and the following professional qualifications			The independent status								Also serving on the Remuneration Committee of other public offering companies	Remarks
		A professor or higher position, of the relevant departments in the public or private colleges or universities, required for the field of business, legal, finance, accounting or sales department of the company	Judge, prosecutor, lawyer, accountant or other specialist required by the company, who passes the national examinations and acquires certificates.	Work experience required in the field of business, legal, finance, accounting or sales of the company	1	2	3	4	5	6	7	8		
Independent director	WU, YI-TSAI		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	LIU, SHUI-SHENG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	CHANG, SHIH-FENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

3. The operation status of the Remuneration Committee is as follows:

(1) The company's Remuneration Committee has three members.

(2) The current term of office: From August 10, 2017 to June 21, 2020, the Remuneration Committee has three meeting during the recent year (A). The qualification and attendance of the members are as follows:

Position	Name	Actual number of attendance (B)	Number of entrusted attendance	Attendance rate (%) (B/A)	Remarks
Independent director (convener)	LIU, SHUI-SHENG	3	0	100	
Independent director	WU, YI-TSAI	3	0	100	
Member	CHANG, SHIH-FENG	3	0	100	

Other items that shall be recorded:

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date and time of the board of directors, the content of the proposal, the results of the resolutions of the board of directors, and the company's handling of the opinions of the Remuneration Committee (e.g., the compensation received by the board of directors is superior to the recommendations of the Remuneration Committee and explain the difference and its causes): No such situation.
- II. If members have objections or reserved opinions and have retained a record or written statement for the Remuneration Committee's resolutions, the meeting date of Remuneration Committee, term of office, content of the proposal, the opinions of all members and the handling of the members' opinions: not available.

(V) Implementation status of social responsibility :

Evaluation items	Operational status (Note 1)		Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes
	Yes	No	
I. Implementation of corporate governance			
(I) Does the company stipulate the corporate social responsibility policy or system and review its implementation effectiveness?	V		The company has stipulated the Corporate Social Responsibility Best Practice Principles on March 25, 2015.
(II) Does the company regularly conduct educational training for social responsibility?	V		The company promoted the concepts for the implementation of social responsibility to employees during the internal convocation, and the energy conservation subject is also included in the concerned issues.
(III) Does the company have a special unit (or part-time) for promoting the corporate social responsibility, which is authorized by the board of directors to the high management and the implementation status is reported to the board of directors?		V	The general manager is now responsible for promoting the corporate social responsibility.
(IV) Does the company stipulate a reasonable salary remuneration policy, and combine the employee's performance evaluation system with the corporate social responsibility policy, as well as create a clear and effective reward and punishment system?	V		The company has stipulated a salary and remuneration policy and combined the corporate social responsibility with the reward and punishment regulations as part of the performance review and evaluation. The resources such as water, electricity, and propane gas can be properly and efficiently utilized, and the energy efficiency assessment is carried out for all hotels.
II. The development of a sustainable environment			
(1) Is the company committed to enhancing the efficiency of using various resources and using recyclable materials that have a low impact on the	V		The company is able to properly plan the efficient usage of water, electricity, and propane gas, in order to reduce the operating costs and the impact on the environment.

Evaluation items	Operational status (Note 1)		Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes
	Yes	No	
environment?			
(II) Does the company create a suitable environmental management system according to its characteristics in the industry?	V		No difference
(III) Is the company aware of the impact of climate change on its business operations, implement the inspection of greenhouse gas, and stipulate the policy for corporate energy conservation and carbon greenhouse gas reduction?	V		No difference

Evaluation items	Operational status (Note 1)		Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes
	Yes	No	
III. Safeguard of social welfare			
(I) Does the company stipulate relevant management policies and procedures according to the relevant regulations and conventions of international human rights?	V		The company has stipulated various regulations according to the Labor Standards Act to protect the rights and interests of employees. As for the communication in regard to the issues between labor and management, the two-way communication approach is adopted to protect employees' rights. We also pay attention to employees' work environment and personal safety.
(II) Does the company create an employee complaint mechanism and channel, and are the complaint matters being handled appropriately?	V		The company has employee Emails for communication and complaints, and it will conduct regular labor and management meetings.
(III) Does the company provide a safe and healthy working environment for employees and regularly conduct safety and health educational training for employees?	V		The company is in the hotel industry and it provides a safe and healthy working environment for employees. It also regularly conducts safety and health educational training for employees, arranges relevant labor and environmental safety courses for employees, conducts monthly fire inspections, and conducts fire/disaster prevention rehearsals at least once every six months. Hot water boiler, water, and electricity technicians were trained according to the regulations, and all of them have obtained the relevant certificates.
(IV) Does the company have a mechanism for routine communication with employees and properly notify the employees with its operation changes that may have a significant impact?	V		The company regularly holds meetings between the labor and management, and the important corporate affairs will be announced during regular internal meetings.

Evaluation items	Operational status (Note 1)		Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes
	Yes	No	
(V) Does the company propose an effective career development training plan for employees?	V	The company provides promotion measures and training programs for a certificate, and the promotion standards for reserved supervisors are prepared based on the employee assessment.	No difference
(VI) Does the company stipulate relevant policies for the protection of consumers rights and complaint procedures for the process in regard to the research and development, procurement, production, operation and service?	V	The company maintains close communication with customers, and the sales regularly visit customers to understand their needs. In addition, a stakeholder area is available for communication.	No difference
(VII) Does the company follow the relevant regulations and international standards on the marketing and labeling of products and services?	V	The company complies with the relevant regulations of the tourism industry.	No difference
(VIII) Before engaging in business with the suppliers, did the company verify whether the supplier had any previous record of affecting the environment and society?	V	A supplier evaluation mechanism is stipulated and available.	No difference
(IX) Does the contract between the company and its main suppliers includes clauses that any violation of suppliers to its corporate social responsibility policy and significant impact on the environment and society, will cause the contract to be terminated at any time?	V	A supplier evaluation mechanism is stipulated and available.	No difference
IV. Reinforcement of information disclosure			

Evaluation items	Operational status (Note 1)		Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and reasons or causes
	Yes	No	
(I) Does the company reveal relevant information regarding corporate social responsibility on its website and the website of the Market Observation Post System?	V	The company has disclosed the relevant information of its corporate social responsibility in the company's annual report and announced it on the website of the Market Observation Post System and the company's website.	No difference
<p>V. If the company stipulates its own corporate social responsibility principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe the difference between its implementation and the stipulated principles: Internal implementation is currently conducted by the <u>management department</u> according to the stipulated principles.</p> <p>VI. Other important information that can help others to understand the operations of the corporate social responsibility: Please refer to the company's official website.</p> <p>VII. Please describe if the <u>corporate social responsibility</u> report of the company has passed the verification of a relevant verification agency: None.</p>			

(VI) The company's implementation of ethical corporate management and the adopted measures

1. The Company has requested that all directors, supervisors, managers or employees of the Company shall not directly or indirectly accept any inappropriate benefit or make improper promises during the business process. Furthermore, the promotion of the importance of ethical corporate management is thoroughly carried out during the training of new employees.
2. The company has created an effective accounting system and internal control system during the stage of designing the company's system, in order to prevent any possible corruptive practice during business activities.
3. As for avoidance of conflict of interest, the director, supervisor, or manager shall not participate in the decision-making or voting if the person is related to any conflict of interest during the decision-making or trading process.
4. The company has implemented the ethical corporate management as follows:

Evaluation items	Operational status (Note 1)		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes
	Yes	No	
I. Stipulate the ethical corporate management policy and plan			
(I) Does the company clearly express its commitment to the ethical corporate management policy and practices in its regulations and external documents, and reinforce the commitment to the board of directors and management for the implementation of the policy?	V		The Company has stipulated and implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct" and "Codes of Ethical Conduct for Employees".
(II) Has the company proposed a plan to prevent any unethical conduct and specify the operating procedures, guidelines of conduct, punishment for violations, and appeals system in the plan, and implement the plan?	V		The company has stipulated and implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct" and "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct".
(III) Has the company adopted preventive measures for business activities with a higher risk of unethical conduct according to Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The company has an internal control system and an audit department for the prevention of unethical conduct, and it also has a dedicated Email for reporting illegal and immoral or unethical conduct.

Evaluation items	Operational status (Note 1)		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes
	Yes	No	
II. The implementation of ethical corporate management			
(I) Has the company evaluated the ethical record of the transaction counterpart and clearly specified the terms of ethical conduct in the contract with the transaction counterpart?	V		The company has a credit check mechanism, but does not specify the terms of ethical conduct in the contract.
(II) Does the company have a special unit (or part-time unit) under the board of directors, for promoting ethical corporate management, and regularly report the implementation status to the board of directors?	V		The company does not have a special unit (or part-time unit) under the board of directors for the promotion of ethical corporate management.
(III) Does the company stipulate a policy to prevent conflicts of interest, provide a proper channel for communication, and practically implement the policy?	V		In the case of conflict of interest, the company will request all of the relevant personnel to properly state the situation and have them avoid the resolution process.
(IV) Has the company created an effective accounting system and internal control system for the practical implementation of ethical corporate management, and has the system been regularly audited by the internal auditing unit or entrusted accountant?	V		The company has stipulated and practically implemented the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Codes of Ethical Conduct for Employees", and "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct". The internal audit unit will carry out the audit and the accountant will audit the accounting system.
(V) Does the company regularly conduct internal and external educational training regarding ethical corporate management?	V		The company promotes ethical corporate management during the internal convocation.
III. The implementation of the company's whistleblowing system			

Evaluation items	Operational status (Note 1)		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes
	Yes	No	
(I) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel, and appropriate and dedicated personnel to deal with the respondent?	V	The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct.	No difference
(II) Does the company stipulate the standard operating procedures of investigation and relevant confidentiality mechanism for conducting the reported matters?	V	The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct.	No difference
(III) Does the company take preventive measures to protect the whistleblower from improper treatment due to the report?	V	The company has stipulated the "Methods for Reporting Cases of Illegal and Immoral or Unethical Conduct", and it also has a dedicated Email for reporting illegal and immoral or unethical conduct.	No difference

Evaluation items	Operational status (Note 1)		Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the reasons or causes
	Yes	No	
IV. Reinforcement of information disclosure			
(1) Does the company reveal the content of Ethical Corporate Management Best Practice Principles and the effectiveness of implementation on its website and on the website of the Market Observation Post System?	V		No difference
V. If the company has stipulated its Ethical Corporate Management Best Practice Principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between the principles and implementation operations: The company has stipulated the "Ethical Corporate Management Best Practice Principles", and no significant abnormality has occurred as of now.			
VI. Other important information that can help others to understand the company's operations of ethical corporate management:			None.

(VII) Search for the corporate governance regulations and other relevant regulations: Annual report, the website of the Market Observation Post System and the company's website.

(VIII) Other important information that can help others to understand the operations of corporate governance of the company:

1. Codes of Ethical Conduct

**Green World Hotels Co., Ltd.
Codes of Ethical Conduct**

Passed by the board of directors on March 25, 2015

I. Purpose and foundation

In recognition of the necessity to assist the company in the establishment of codes of ethical conduct, these Codes are adopted for the purpose of guiding the directors, supervisors, and managerial officers of the company (including general managers or their equivalents, assistant general managers or their equivalents, deputy assistant general managers or their equivalents, chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the company) to act in line with the ethical standards, and to help interested parties better understand the ethical standards of the company.

II. Content of the code

The company shall adopt a code of ethical conduct that addresses at least the following eight matters:

(I) Prevention of conflicts of interest:

The conflicts of interest may occur when personal interest intervenes or is likely to intervene in the overall interest of the company, such as when a director, supervisor, or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. The company shall pay extra attention to the loans of funds, guarantees, and major asset transactions or the purchase (or sale) of products involving the preceding personnel of the affiliated enterprise. The company shall stipulate a policy for preventing conflicts of interest, and shall offer an appropriate channel for directors, supervisors, and managerial officers to proactively explain whether there is any potential conflict between them and the company.

(II) Prevention of incentives to pursue personal interest:

The company shall prevent the directors, supervisors, or managerial officers from engaging in any of the following: (1) Seeking an opportunity to pursue personal interest by using company property or information or taking advantage of their positions. (2) Obtaining personal interest by using company property or information or taking advantage of their positions. (3) Competing with the company. When the company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to acquire the reasonable and proper benefits that can be obtained by the company.

(III) Confidentiality:

The directors, supervisors, and managerial officers of the company shall be obligated to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, other than when authorized or required to disclose such information by laws and regulations. The confidential information includes any undisclosed information that could result in damage to the company or customers, if it is exploited by a competitor or disclosed to a competitor.

(IV) Fair trading:

Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and they may not obtain improper interests through manipulation, nondisclosure, or misuse of the information through their positions, misrepresentation of important matters, or other unfair trading practices.

(V) Protect and properly use the company's assets:

All directors, supervisors, and managerial officers have the responsibility to protect the company's assets and to ensure that they can be effectively and legally used for official business purposes. Any theft, negligence, or waste of the assets will directly impact the company's profitability.

(VI) Compliance of laws and regulations:

The company shall reinforce its compliance with the Securities and Exchange Act and other applicable laws and regulations.

(VII) Encouraging reporting on illegal actions or violations to the Codes of Ethical Conduct:

The company shall reinforce the awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate personnel upon suspicion or discovery of any activity in violation of the laws or regulations or the Codes of Ethical Conduct. To encourage employees to report illegal matters, the company shall create a specific whistleblowing system and make employees aware that the company will use its best efforts to ensure the safety of informants and protect them from reprisals.

(VIII) Punishment measures:

When a director, supervisor, or managerial officer violates the Codes of Ethical Conduct, the company shall conduct the matter according to the punishment measures stipulated in the Codes of Ethical Conduct, and shall reveal it on the website of the Market Observation Post System without delay, including the date of the violation by the violator, reasons for the violation, the violated provisions of the Codes of Ethical Conduct, and the actions taken. The company shall create a

relevant complaint system to provide the person who violates the Codes of Ethical Conduct with remedies.

III. Procedures for exemption

The Codes of Ethical Conduct stipulated by the company must request that any exemption for directors, supervisors, or managerial officers from compliance with the Codes of Ethical Conduct be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reserved comments of independent directors, and the period of exemption, reasons for exemption, and principles behind the application of the exemption be disclosed without delay on the website of the Market Observation Post System, so that the shareholders can evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to protect the interests of the company by ensuring appropriate mechanisms for controlling any circumstance during the occurrence of an exemption.

IV. Method of disclosure

The company shall disclose its Codes of Ethical Conduct, and any amendments to it, on its company website, in its annual reports and prospectuses and on the website of the Market Observation Post System.

V. Enforcement

The company's Codes of Ethical Conduct, and any amendments to it, shall be implemented after it has been adopted by the board of directors, and submitted to supervisors and a shareholders meeting.

2. Codes of Ethical Conduct for Employees

Green World Hotels Co., Ltd. Codes of Ethical Conduct for Employees

Passed by the board of directors on March 25, 2015

Article 1. Purpose

The Codes of Ethical Conduct for Employees are stipulated for the employees of the company to follow, and allow the stakeholders of the company to understand the ethical standards and codes of conduct that should be followed by the employees during the process of business operations.

Article 2. Application scope

The Codes of Ethical Conduct for Employees are applicable to all employees of the company. It is the responsibility of all employees of the company to read, understand and comply with the Codes of Ethical Conduct for Employees.

Article 3. Principle of integrity

When performing their duties, the employees of the company should focus on a teamwork spirit and abandon self-centered principles, and should follow the principle of integrity with a proactive and responsible attitude.

Article 4. The principle of fairness

Employees of the company are prohibited to discriminate against each other in any form based on factors such as gender, race, religion, political party, sexual orientation, job position, nationality and age.

Article 5. Working environment

It is the responsibility of all employees of the company to maintain a healthy and safe working environment, and matters in regard to sexual harassment, violence, threats or intimidation are prohibited.

Article 6. Prevention of conflicts of interest, and incentives to pursue personal gain:

The employees of the company are responsible for maintaining and enhancing the appropriate and legitimate benefits of the company and should avoid the following:

1. Seeking an opportunity to pursue personal interest by using company property or information or taking advantage of their positions.
2. Competing with the company.

Article 7. Confidentiality

The employees of the Company shall carefully manage matters or confidential information regarding their job duties. They shall not disclose the information to others or use it for matters not related to work, including the information of the company's personnel and customers, inventions, etc., business confidentiality, technical information, unless they are disclosed by the Company or necessary for the implementation of their job duties. The same is true after they leave their job position. The abovementioned 2 confidential information, including the product design, professional manufacturing knowledge, financial and accounting information and intellectual property rights, and any undisclosed information that could result in damage to the company or customers, if it is exploited by a competitor or disclosed to a competitor.

Article 8. Fair trading

1. The employees of the company shall treat the business counterparts fairly. When dealing with related

parties, there shall be no special favorable treatment or matters.

2. When conducting job duties, the employees of the Company shall not request, contract, deliver, or accept any form of gift, special treatment, commission, bribery or any other matters involving improper interests. However, this is not applicable to gifts or special treatment that is acceptable by social custom or the company regulations.

Article 9. Protection and proper use of company assets

1. The usage of the company name is limited to only the business operation of the company;

2. When conducting job duties, the employees of the company should avoid the data, information system and network equipment being involved to matters in regard to theft, interference, destruction or intrusion, to protect the confidentiality, integrity and availability of the company's various assets;

Article 10. Compliance of laws and regulations

1. The employees of the company shall follow the relevant laws, rules, and orders that are applicable to the company, including the laws regarding insider trading and the protection of intellectual property;

2. The employees of the company shall follow the rules and regulations stipulated by the company, and pay attention to the various announcements on the company's internal website and bulletin board;

Article 11. Proper documentation and reporting

The employees of the company shall ensure the documents handled in various forms are correct and complete, and the documents shall be properly retained.

Article 12. Encourage the reporting of any illegal matters or violations of these Codes

When employees of the company discover any violations of laws, regulations, or the Codes of Ethical Conduct for Employees, they can report to the supervisor with their names. The company will do its utmost to keep confidential and protect the identity of the presenter from threats. The company will use its best efforts to ensure the safety of informers and protect them from reprisals.

Article 13. Punishment measures

If the employees of the company violate the Codes of Ethical Conduct for Employees and the instance is verified by the company, a warning letter will be issued, or depending on the circumstances of the case, the following punishment may be applied.

1. Withholding the performance bonus and year-end bonus;
2. Position demotion and job demotion;
3. Dismissal;
4. Take legal action.

Article 14. Procedures for exemption

The Procedures for exemption are not applicable to the employees of the Company for the provisions of these codes.

Article 15. Implementation and disclosure methods

1. The company's Codes of Ethical Conduct for Employees, and any amendments to it, shall be implemented after it has been adopted by the board of directors, and submitted to the shareholders meeting.

2. The company shall disclose the Codes of Ethical Conduct for Employees, and any amendments to it, in its annual reports and prospectuses and on the website of the Market Observation Post System.

(IX) Implementation status of internal control system:

1. Internal control declaration

**Green World Hotels Co., Ltd.
Internal control system declaration**

Date: March 19, 2019

On the basis of the results of self-assessment, the declaration of the company's internal control system in 2018 is as follows:

- I. The Company understands that the creation, implementation, and maintenance of the internal control system is the responsibility of the board of directors and managerial officers of the Company. The Company has already created the system. The purpose is to provide reasonable assurance for achieving the operational effectiveness and efficiency (including profitability, business performance and protection of assets, etc.), reliability of financial reports, and compliance with the relevant laws and regulations.
- II. The internal control system has its limitations, regardless of how the structure is designed, an effective internal control system can only provide reasonable assurance for achieving the abovementioned three objectives, and the effectiveness of the internal control system may also vary due to changes in the environment and circumstances. However, the company's internal control system has a self-monitoring mechanism. Once the shortcoming is identified, the company will take corrective measures right away.
- III. The Company determines the items for the effectiveness of the internal control system according to the "Regulations for the Establishment of Internal Control Systems for Listed Companies" (hereinafter referred to as the "Regulations"), to determine whether the design and implementation of the internal control system is effective. The judgment items of the internal control system used in the "Regulations" are based on the five components of the internal control system in the process of management control: 1. Control environment 2. Risk assessment 3. Control operations 4. Information and communication 5. Supervision. Each component includes several sub-items. Please refer to the "Regulations" for the preceding item.
- IV. The Company has already adopted the abovementioned judgment items of the internal control system to determine and evaluate the effectiveness of the design and implementation of the internal control system.
- V. On the basis of the results of the abovementioned assessment, it believes that the internal control system of the Company on December 31, 2018 (including the supervision and management of subsidiaries), including the level of achieving the operational effectiveness and objective of efficiency, the reliability of financial reports, and the design and implementation of the relevant internal control system regarding relevant compliance with the laws and regulations which are valid and can be reasonably ensured the achievement of the abovementioned objectives.

VI. This declaration will be included in the main content of the company's annual report and will be announced to the public. If the abovementioned content is false or not disclosed, it will be involved with legal liabilities such as Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This declaration was approved by the board of directors of the company on March 19, 2019. Among the five attending directors, there were 0 objections, and the rest of the attending directors agreed to the content of this declaration.

Green World Hotels Co., Ltd.

Chairman: HSIEH,HSIEN-CHIH

Signature

General Manager: HSIEH,HSIEN-CHIH

Signature

2. It is requested to entrust a certified public accountant to review the internal control system by the Securities and Futures Institute, and the accountant's review report should be disclosed:
None

(X) In the most recent year and as of the published date of the annual report, the company and its internal personnel were punished according to law, and the company's penalties for violation of the internal control system by its internal personnel were mainly missing and improved:
none.

(XI) Important resolutions of the meeting of shareholders and the board of directors in the most recent year and as of the published date of the annual report:

1. Important resolutions of the board of directors

Meeting date	Meeting type	Content of meeting
2018.02.26	Board of Directors	Passed the case of purchasing the Green World Triplebeds hotel from Mai Co., Ltd. Passed the case of renting the Green World Triplebeds Hotel from Mai Co., Ltd. Passed the case of purchasing business equipment and lease improvement construction project Passed the case of amendments to the "Rules of procedure for meetings of its board of directors" of the Company
2018.03.27	Board of Directors	Passed the case of auditing the effectiveness of the internal control system Passed the case of the "Internal control system declaration" Passed the case of recommendations from the Remuneration Committee Passed the case of discussing the compensation of employees and directors Passed the case of the final accounts in 2017 Passed the assessment case of competency and independent status for the certified public accountant Passed the case of relevant resolutions of the 2018 general shareholders meeting
2018.05.15	Board of Directors	Passed the case of appointing the new audit supervisor Passed the case of amending the company's articles of incorporation Passed the case of submitting the report of the implementation of the 2014 annual capital reduction for covering loss to the shareholders meeting Passed the case of conducting the private preferred stock from 2006 to 2007 and the implementation of the private common stock from 2009 to 2014 Passed the case of adding the shareholders meeting in 2018 Passed the case of applying for trading in the OTC market for the private fundraising stock of the company over the years to the securities authorities and applying for public offering cases Passed the case of signing a financial advisory entrustment contract with Mega Securities Passed the case of recommendations from the Remuneration Committee
2018.06.26	Board of Directors	Passed the case of authorizing the chairman to conduct the lease of new construction building
2018.08.08	Board of Directors	The company's financial statement for the first half of 2018
2018.11.09	Board of	Passed the case of appointing the general manager of the company

Meeting date	Meeting type	Content of meeting
	Directors	<p>Passed the case of changing the position of the chief strategic officer</p> <p>Passed the case of changing the branch office manager of Green World Zhongxiao</p> <p>Passed the case of the company's 2019 annual audit plan</p> <p>Passed the case of the company's 2019 budget and operating plan</p> <p>Passed the case of insuring liability insurance for directors and supervisors and managers</p> <p>Passed the case of changing the company's organization chart</p> <p>Passed the case of assigning the directors and supervisors for subsidiaries</p> <p>Passed the case of the internal audit system and amendment to the internal control system of the company</p> <p>Passed the case of waiving the prohibition on the directors' non-competition restriction</p> <p>Passed the case of waiving the prohibition on the directors' non-competition restriction</p> <p>Passed the case of providing assessment opinion by the securities firm that conducts the private common stock in 2012</p> <p>Passed the case of the relevant matters discussed in the first shareholders meeting in 2018</p> <p>Passed the case of the recommendations by the Remuneration Committee</p>
2018.12.04	Board of Directors	<p>Discussion on the cancellation of the shareholders' temporary meeting</p> <p>Discussion on the Appointment of the Company's Hotel Operations Division</p> <p>Discussed the case of assessment of the competency and independent status for the certified public accountant, and the remuneration for entrustment</p>
2019.03.19	Board of Directors	<p>Passed the case of the assessment of the effectiveness of the internal control system and the issuance of the "Internal control system declaration"</p> <p>Passed the case of recommendations from the Remuneration Committee</p> <p>Passed the case of the 2018 annual accounts</p> <p>Passed the case of amendment to the "procedures for acquisition or disposition of assets"</p> <p>Passed the case of amendment to the "Articles of Incorporation"</p> <p>Passed the case of "Green World Mai – ZhongShan" rental contract renewal</p> <p>Passed the case of the resolutions and related matters of the 2019 shareholders meeting</p> <p>Passed the case of establishing subsidiary by investing NT\$5 million</p> <p>Passed the case of "standard operating procedures for conducting directors' requirements"</p>

2. Important resolutions of the shareholders meeting

Meeting date	Meeting type	Important resolutions	Implementation status
2018.06.26	2018 shareholders meeting	<p>3. Ratified the 2017 Annual Statement</p> <p>4. Ratified the distribution of the 2017 annual earnings</p> <p>5. Passed the case of amending the company's articles of incorporation</p>	Implementation finished

Meeting date	Meeting type	Important resolutions	Implementation status
		6. Passed the case of conducting the private preferred stock from 2006 to 2007 and the private common stock from 2010 to 2014	

(XII) In the most recent year and as of the published date of the annual report, the directors or supervisors have different opinions on the important resolutions passed by the board of directors and have retained a record or written statement. The main content is: None.

(XIII) Summary of the resignation of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor In the most recent year and as of the published date of the annual report:

April 30, 2019

Position	Name	On board date	Date of dismissal	Reason for resignation or dismissal
Internal audit supervisor	HUANG, YU-FANG	2017.08.02	2018.04.12	Personal career planning
General manager	HSIEH, CHANG-CHENG	2017.6.1	2018.11.1	Personal career planning

V. Information of the certified public accountant's professional fees

The company's use of the range of fees to reveal the accountant's professional fees information:

a. Accountant information

Name of the accounting firm	Name of the accountant		Auditing period	Remarks
KPMG Taiwan	CHANG, SHU-YING	CHIH, SHIH-CHIN	Year 2018	-

b. Accountant's professional fees range

Professional fees item		Audit professional fees	Non-audit professional fees	Total
Amount range				
1	Less than 2,000,000 NTD		✓	
2	2,000,000 NTD (included) ~ 4,000,000 NTD	✓		✓
3	4,000,000 NTD (included) ~ 6,000,000 NTD			
4	6,000,000 NTD (included) ~ 8,000,000 NTD			
5	8,000,000 NTD (included) ~ 10,000,000 NTD			
6	10,000,000 NTD or more			

Amount unit: NT\$1,000

Name of accounting firm	Name of accountant	Audit professional fees	Non-audit professional fees					Accountant Auditing period	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
KPMG Taiwan	CHANG, SHU-YING	2,880	0	0	0	325	325	Year 2018	Report of transfer pricing
	CHIH, SHIH-CHIN								

- (I) If the ratio of non-audit professional fees, paid to the certified public accountant and the certified public accountant's affiliated office, accounts for more than one quarter of the audit professional fees, the non-audit professional fees, the audit professional fees and the content of the non-audit service it shall be disclosed: none.
- (II) When changing the accounting firm and the accounting professional fees paid are less than the previous year, the reduced amount of the accounting professional fees, proportion, and reason for reduction shall be disclosed: None.
- (III) If the audit professional fees are reduced by 15% or more compared to the previous year, the reduced amount of the accounting professional fees, proportion, and reason for reduction shall be disclosed: None.

VI. Information of changing the accountant: None.

VII. The company's chairman, general manager and the managerial officer responsible for financial or accounting affairs, who has worked in the office of the certified public accountant or the affiliated

enterprise in the most recent year, his or her name, position title and employment period in the office of the certified public accountant or the affiliated enterprise shall be disclosed: None.

VIII. In the most recent year and as of the published date of the annual report, the shareholding transfer and change of equity pledge status for the directors, supervisors, managerial officers, and shareholders holding more than 10% of the total issued shares:

(I) Changes of shareholding status for the directors, supervisors, managerial officers and major shareholders

Unit: stock share

Position	Name	Year 2018		as of April 30, 2019	
		Number of shareholding Increase (decrease) number	Pledged number of shares Increase (decrease) number	Number of shareholding Increase (decrease) number	Pledged number of shares Increase (decrease) number
Chairman	Shenyang Investment Co., Ltd.	7,930,502 0	0 0	7,930,502 0	0 0
	Shenyang Investment Co., Ltd. Representative: HSIEH HSIEN-CHIH	3,983,852 2,030,000	0 0	5,183,852 1,200,000	0 0
Director	Shenyang Investment Co., Ltd. Representative: HSIEH HSIU-MEI	13,000 0	0 0	13,000 0	0 0
Director	H.I.S Hotel Holdings Co., Ltd.	55,961,455 0	0 0	55,961,455 0	0 0
	H.I.S Hotel Holdings Co., Ltd. Representative: Kodaka Kouji	0 0	0 0	0 0	0 0
Director	Yiyaun Investment Co., Ltd.	1,811,798 0	0 0	1,811,798 0	0 0
	Yiyaun Investment Co., Ltd. Representative: Hirabayashi Akira	0 0	0 0	0 0	0 0
Independent director	LIU, SHUI-SHENG	0 0	0 0	0 0	0 0
Independent director	WU, YI-TSAI	0 0	0 0	0 0	0 0
Supervisor	LIU, TANG-KUN	0 0	0 0	0 0	0 0
Supervisor	LIU, CHIA-MING	2,855,667 0	0 0	2,855,667 0	0 0
Supervisor	KAO, YI-HSING	0 0	0 0	0 0	0 0
General manager (Note 1)	HSIEH, CHANG-CHENG	22,000 22,000	0 0	22,000 0	0 0

Position	Name	Year 2018		as of April 30, 2019	
		Number of shareholding Increase (decrease) number	Pledged number of shares Increase (decrease) number	Number of shareholding Increase (decrease) number	Pledged number of shares Increase (decrease) number
General manager (Note 1)	HSIEH,HSIEN-CHIH	3,983,852 2,030,000	0 0	5,183,852 1,200,000	0 0
Manager	WU,YU-CHI	0 0	0 0	0 0	0 0
Manager	CHIEN,SHUN-KUEI	0 0	0 0	0 0	0 0
Manager	LIN,HSIU-JUNG	0 0	0 0	0 0	0 0
Manager	TSUI,CHIEH-MIN	0 0	0 0	0 0	0 0
Manager	YANG,KUN-HUI	0 0	0 0	0 0	0 0
Manager	CHEN,HUI-CHING	0 0	0 0	0 0	0 0
Manager	CHANG,YU-SHAN	0 0	0 0	0 0	0 0
Chief operating officer (Note 2)	Fukai Yohei	10,000 27,000	0 0	27,000 0	0 0
Chief financial officer	WU,PANG-MING	0 0	0 0	0 0	0 0
Major shareholder	Shenyan Investment Co., Ltd.	7,930,502 0	0 0	0 0	0 0
Major shareholder	H.I.S. Hotel Holdings Co., Ltd.	55,961,455 0	0 0	55,961,455 0	0 0

Note 1: The general manager HSIEH,CHANG-CHENG resigned on November 1, 2018, and the chairman HSIEH,HSIEN-CHIH is serving as the acting general manager

(II) Information of directors, supervisors, managers and major shareholders' equity transferring to their related parties: None.

(III) Information of directors, supervisors, managers and major shareholders' equity pledge to their related parties: None.

IX. Information on the relationships between the top ten Shareholders of the company.

April 30, 2019

Name	Personal Holding shares		Spouse, underage children Holding shares		Under the name of others Holding shares in total		The name and relationship of the top ten shareholders who are a spouse or a relative within the second degree of kinship to another top ten shareholder.		Remarks
	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Number of shares	Holding shares Ratio	Name (or full name)	Relationship	
H.I.S. Hotel Holdings Co., Ltd.	55,961,455	51%	0	0%	0	0%	None	None	None
Shenyan Investment Co., Ltd.	7,930,502	7.23%	0	0%	0	0%	None	None	None
WU ZIYANG	3,967,591	3.62%	0	0%	0	0%	None	None	None
LIU, CHIA-MING	2,855,667	2.60%	0	0%	0	0%	None	None	None
BAO MA ASSET DEVELOPMENT & MANAGEMENT CO., LTD	2,830,000	2.58%	0	0%	0	0%	None	None	None
CHENG, YA-YING	2,773,616	2.53%	0	0%	0	0%	None	None	None
HSIEH, HSIEN-CHIH	5,183,852	4.72%	0	0%	1,520,547	1.39%	None	None	None
Yiyaun Investment Co., Ltd.	1,811,798	1.65%	0	0%	0	0%	None	None	None
LAI, CHING-KUNG	1,800,000	1.64%	0	0%	0	0%	None	None	None
AnnJi Pharmaceutical Co., Ltd.	1,600,000	1.46%	0	0%	0	0%	None	None	None

X. The number of shares on the same reinvested business, held by the company, the company's directors, supervisors, managers and the business directly or indirectly controlled by the company, and the calculation is based on the sum of the comprehensive shareholding ratio: None.

Four. Fundraising status

I. Capital and stock shares:

(I) Source of stock shares

Unit: NT\$1,000, 1,000 shares/as of April 30, 2019

Year Month	Price of issuance (Dollars)	Authorized capital		Paid-up capital		Remark Source of capital stock	Amount of stock shares is pledged by the property other than cash	Others
		Number of shares	Amount	Number of shares	Amount			
1998.09	15	47,000	470,000	32,000	320,000	Cash increase of 50,000,000 NTD	-	None
1999.05	10	47,000	470,000	16,000	160,000	Capital reduction of 160,000,000 NTD (Note 1)	-	None
1999.07	10	47,000	470,000	32,000	320,000	Cash increase of 160,000,000 NTD	-	None
2000.09	10	47,000	470,000	47,000	470,000	Cash increase of 150,000,000 NTD (Note 2)	-	None
2001.03	20	99,000	990,000	60,000	600,000	Cash increase of 130,000,000 NTD (Note 3)	-	None
2002.01	12	99,000	990,000	70,000	700,000	Cash increase of 100,000,000 NTD (Note 4)	-	None
2002.07	15	99,000	990,000	90,000	900,000	Cash increase of 200,000,000 NTD (Note 5)	-	None
2003.09	10	99,000	990,000	99,000	990,000	Cash increase of 90,000,000 NTD (Note 6)	-	None
2004.02	12	130,000	1,300,000	119,000	1,190,000	Cash increase of 240,000,000 NTD (Note 7)	-	None
2004.08	11	150,000	1,500,000	133,250	1,332,500	Cash increase of 142,500,000 NTD (Note 8)	-	None
2005.12	7.83	200,000	2,000,000	134,757	1,347,570	The convertible corporate bonds transferred to common shares (Note 9)	-	None
2006.03	6.26	200,000	2,000,000	141,786	1,417,860	The convertible corporate bonds transferred to common shares	-	None
2006.08	10	200,000	2,000,000	51,386	513,860	Capital reduction of 904,000,000 NTD (Note 10)	-	None
2006.09	3.5	200,000	2,000,000	111,386	1,113,860	Private cash fundraising increase of type A preferred shares of 600,000,000 NTD (Note 11)	-	None
2006.12	3.5	250,000	2,500,000	178,758	1,787,583	The first issuance of private cash fundraising increase of type B preferred shares of 673,723,000 NTD (Note 12)	-	None
2007.01	3.5	250,000	2,500,000	211,386	2,113,860	The second issuance of private cash fundraising increase of type B preferred shares of 326,277,000 NTD (Note 13)	-	None
2007.10	10	250,000	2,500,000	212,101	2,121,010	The convertible corporate bonds transferred to common shares (Note 14)	-	None
2007.12	10	250,000	2,500,000	213,284	2,132,836	The convertible corporate bonds transferred to common shares (Note 15)	-	None
2008.01	10	250,000	2,500,000	75,711	757,108	Capital reduction of 1,375,728,000 NTD (Note 16)	-	None
2008.01	12.14	250,000	2,500,000	89,125	891,252	The first issuance of private cash fundraising increase of type C preferred shares of 134,144,000 NTD (Note 16)	-	None
2008.03	10	250,000	2,500,000	89,136	891,361	The convertible corporate bonds transferred to common shares (Note 17)	-	None
2009.10	16.4	250,000	2,500,000	89,219	892,190	The first employee stock option subscription conducted in 2006 was 828,000 NTD (Note 18)	-	None
2010.04	-	250,000	2,500,000	89,923	899,235	The first employee stock option subscription conducted in 2006 was 2,196,000 NTD (Note 19) The second employee stock option subscription conducted in 2006 was 654,000 NTD (Note 19) The first employee stock option subscription conducted in 2007 was 4,195,000 NTD (Note 19)	-	None
2010.07	7.63	250,000	2,500,000	109,603	1,096,035	Private cash fundraising increase of common stock of 196,800,000 NTD (Note 20)	-	None
2013.03	5	250,000	2,500,000	118,803	1,188,035	Private cash fundraising increase of common stock of 46,000,000 NTD (Note 21)	-	None
2014.08	-	250,000	2,500,000	30,295	302,949	Capital reduction for covering the losses of 885,085,940 dollars (Note 22)	-	None
2014.09	19.02	250,000	2,500,000	40,295	402,949	Private cash fundraising increase of common stock of 100,000,000 NTD (Note 23)	-	None
2014.11	35	250,000	2,500,000	50,295	502,949	Private cash fundraising increase of common stock of 100,000,000 NTD (Note 24)	-	None
2016.08	36	250,000	2,500,000	53,767	537,669	Private cash fundraising increase of common stock of 34,720,000 NTD (Note 25)	-	None
2017.02	20.06	250,000	2,500,000	80,634	806,339	Private cash fundraising increase of common stock of 268,670,000 NTD (Note 26)	-	None
2017.06	20.04	250,000	2,500,000	109,728	1,097,283	Private cash fundraising increase of common stock of 290,944,000 NTD (Note 27)	-	None

Note 1: Approved by the Science and Industrial Park Administration on June 9, 1999, with No. 12455.

Note 2: Approved by the Securities and Futures Commission of the Ministry of Finance on July 5, 2000, with (89) Tai-Cai-Zheng-(I) No. 57780.

Note 3: Approved by the Securities and Futures Commission of the Ministry of Finance on January 5, 2001, with (90) Tai-Cai-Zheng-(I) No. 104483.

Note 4: Approved by the Securities and Futures Commission of the Ministry of Finance on November 14, 2001, with (90) Tai-Cai-Zheng-(I) No. 169191.

Note 5: Approved by the Securities and Futures Commission of the Ministry of Finance on May 31, 2002, with (91) Tai-Cai-Zheng-(I) No. 129614.

Note 6: Approved by the Securities and Futures Commission of the Ministry of Finance on July 11, 2003, with Tai-Cai-Zheng-(1) No. 0920131173.

Note 7: Approved by the Securities and Futures Commission of the Ministry of Finance on November 18, 2003, with Tai-Cai-Zheng-(1) No. 0920154648.

Note 8: Approved by the Securities and Futures Commission of the Ministry of Finance on August 18, 2004, with Jin-Guan-Zheng-Yi-Zi No. 0930136859, and the amendment was approved by the Securities and Futures Commission of the Ministry of Finance on October 26, 2004, with Jin-Guan-Zheng-Yi-Zi No. 0930147512 .

Note 9: Approved by the Securities and Futures Commission of the Ministry of Finance on July 27, 2005, with Jin-Guan-Zheng-Yi-Zi No. 0940125495.

Note 10: Approved by the Financial Supervisory Commission of the Executive Yuan on August 14, 2006, with Jin-Guan-Zheng-Yi-Zi No. 9550129898.

Note 11: Approved by the Science and Industrial Park Administration on November 1, 2006, with Yuan-Tou-Zi No. 0950029233.

Note 12: Approved by the Science and Industrial Park Administration on February 6, 2007, with Yuan-Tou-Zi No. 0960003829

Note 13: Approved by the Science and Industrial Park Administration on April 9, 2007, with Yuan-Tou-Zi No. 0960008954.

Note 14: Approved by the Science and Industrial Park Administration on October 4, 2007, with Yuan-Tou-Zi No. 0960027010.

Note 15: Approved by the Science and Industrial Park Administration on December 19, 2007, with Yuan-Tou-Zi No. 0960034680.

Note 16: Approved by the Science and Industrial Park Administration on January 29, 2008, with Yuan-Tou-Zi No. 0970002590.

Note 17: Approved by the Science and Industrial Park Administration on April 25, 2008, with Yuan-Tou-Zi No. 9770011434.

Note 18: Approved by the Ministry of Economic Affairs on October 20, 2009, with the letter of Shou-Shang-Zi No. 09801241400.

Note 19: The first employee stock option subscription conducted in 2006 was 2,196,000 NTD. The second employee stock option subscription conducted in 2006 was 654,000 NTD. The first employee stock option subscription conducted in 2007 was 4,195,000 NTD. It was approved by the Ministry of Economic Affairs on May 6, 2010, with the letter of Shou-Shang-Zi No. 09901089310.

Note 20: Approved by the Ministry of Economic Affairs on September 28, 2010, with the letter of Shou-Shang-Zi No. 09901218600.

Note 21: Approved by the Ministry of Economic Affairs on May 7, 2013, with the letter of Shou-Shang-Zi No. 10201083890.

Note 22: It was approved by the Financial Supervisory Commission on August 12, 2014, with Jin-Guan-Zheng-Fa-Zi No. 1030029549.

Note 23: Approved by the Ministry of Economic Affairs on September 23, 2014, with Shou-Zhong-Zi No. 10333705610.

Note 24: Approved by the Ministry of Economic Affairs on November 26, 2014, with Shou-Zhong-Zi No. 10301244780.

Note 25: Approved by the Ministry of Economic Affairs on September 8, 2016, with the letter of Shou-Shang-Zi No. 10501221690.

Note 26: Approved by the Ministry of Economic Affairs on February 14, 2017, with the letter of Shou-Shang-Zi No. 10601015920.

Note 27: Approved by the Ministry of Economic Affairs on June 07, 2017, with the letter of Shou-Shang-Zi No. 10601071030.

Type of stock shares	Approved stock capital			Remarks
	Outstanding shares	Unissued shares	Total	
Named common shares	109,728,343	140,271,657	250,000,000	50,294,888 shares of OTC company The private common stock of 104,701,589 shares (including listed private common stock of 45,268,134 shares and unlisted private common stock of 59,433,455 shares)

Related information on the general declaration system: Not applicable.

(II) Structure of shareholders

April 30, 2019

Unit: stock share

Structure of shareholders Amount	Government agency	Financial institution	Other corporate persons	Individual	Foreign institutions and foreigners	Total
Number of people	-	1	23	1,295	12	1,331
Number of shareholding	-	342,012	19,523,367	33,726,377	56,136,587	109,728,343
Shareholding ratio	-	0.31%	17.79%	30.74%	51.16%	100%

(III) Dispersion of equity

April 30, 2019

Range of shareholding	Number of shareholders	Number of shareholding	Shareholding ratio
1 to 999	944	220,477	0.20%
1,000 - 5,000	218	435,420	0.40%
5,001 - 10,000	40	300,100	0.27%
10,001 - 15,000	20	238,460	0.22%
15,001 - 20,000	8	138,650	0.13%
20,001 - 30,000	16	399,128	0.36%
30,001 - 40,000	8	288,495	0.26%
40,001 - 50,000	7	323,230	0.29%
50,001 - 100,000	16	1,139,974	1.04%
100,001 - 200,000	14	2,281,813	2.08%
200,001 - 400,000	14	4,332,762	3.95%
400,001 - 600,000	8	3,822,623	3.48%
600,001 - 800,000	1	696,000	0.63%
800,001 - 1,000,000	2	1,821,361	1.66%
1,000,001 - 9,999,999,999	15	93,289,850	85.03%
Total	1,331	109,728,343	100%

(IV) List of major shareholders

April 30, 2019

Name of major shareholders	Shares	Number of shareholding	Shareholding ratio
H.I.S. Hotel Holdings Co., Ltd.		55,961,455	51.00%
生洋投資有限公司		7,930,502	7.23%
謝憲治		5,183,852	4.72%
伍誌陽		3,967,591	3.62%
劉家銘		2,855,667	2.60%
鄭雅英		2,773,616	2.53%
保瑪開發資產管理股份有限公司		2,650,000	2.42%
一源投資有限公司		1,811,798	1.65%
賴清宮		1,800,000	1.64%
安基生醫股份有限公司		1,600,000	1.46%

(V) Information on stock price per share, net value, surplus, and dividends in the most recent two years
Unit: NT\$/1000 shares

Items	Year				
	2017	2018	As of March 31, 2019		
per share market price	Highest	29.75	23.8	20.4	
	Lowest	20.60	17	17	
	Average	23.62	20.71	18.01	
Net value per share	Before distribution	15.95	16.32	Note 2	
	After distribution	15.95	16.32	Note 2	
Earnings per share	Weighted average shares	95,366,736	109,728,343	109,728,343	
	Earnings per share	0.51	0.37	Note 2	
per share Dividends	Cash dividends	-	Note 1	Note 2	
	Non-compensated distribution	Earnings distribution	-	Note 1	Note 2
		Capital surplus distribution	-	Note 1	Note 2
	Accumulated unpaid dividends	-	Note 1	Note 2	
Analysis of return on investment	Price-earnings ratio	46.31	55.97	Note 2	
	Price-dividend ratio	-	Note 1	Note 2	
	Cash dividend yield	-	Note 1	Note 2	

Note 1: The surplus distribution will be resolved and determined in the shareholders meeting of the current year (2019).

Note 2: The financial statement of the first quarter of 2019 has not been audited by the account or obtained as of the published date of the annual report.

(VI) The dividend policy and implementation status:

1. Article 22-1 of the Articles of Incorporation of the Company:

If the company's annual final accounts have a surplus, it should first be reserved to pay taxes and cover the losses in the past, and then 10% should be reserved for the statutory surplus reserve. However, it is not limited to the statutory surplus reserve that has reached the company's paid-in capital. Moreover, it depends on the operational needs and statutory requirements whether to reserve or reverse the special surplus reserves. The remaining surplus and the undistributed surplus at the beginning of the period will be distributed upon the resolution of the shareholders meeting proposed by the board of directors.

Article 23 of the Articles of Incorporation of the Company:

When distributing dividends, the cash dividends will be given priority as the Company considers the future operation and the cash flow demands of the company, and the ratio of surplus distribution in cash shall not be less than 20% of the shareholders' dividends in the current year.

2. Implementation status: The 2018 surplus distribution will be proposed for approval in the meeting of the board of directors and shareholders.

(VII) The impact of the proposed non-compensated shares distribution on the company's business performance, earnings per share and return on shareholders' investment: Not applicable.

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

1. The percentage and scope of remuneration for employees, directors, and supervisors stipulated in the company's articles of incorporation:

Article 22 of the Articles of Incorporation:

If the company has profit in the current year, it shall reserve 0.7% to 10% for the employee's remuneration and the directors and supervisors' remuneration shall not be more than 1%. However, if the company still has accumulated losses, the amount shall be reserved in advance.

The employees compensated with stock or cash in the preceding paragraph, including the employees from the subsidiary companies that meet certain criteria.

Article 22-1 of the Articles of Incorporation:

If the company's annual final accounts have a surplus, it should first be reserved to pay taxes and cover the losses in the past, and then 10% should be reserved for the statutory surplus reserve. However, it is not limited to the statutory surplus reserve that has reached the company's paid-in capital. Moreover, it depends on the operational needs and statutory requirements whether to reserve or reverse the special surplus reserves. The remaining surplus and the undistributed surplus at the beginning of the period will be distributed upon the resolution of the shareholders meeting proposed by the board of directors.

2. In the current period, if there is a difference between the estimated number of shares and the estimated amount of the remuneration for the employees, directors, and supervisors, the calculated cash amount based on the number of shares and the actual distribution amount, the handling of accounting is: Not applicable.

3. The distribution of compensation approved by the board of directors: not yet resolved by the board of directors.

4. The actual remuneration distribution status of the employees, directors and supervisors in the previous year (2017) (including the distributed number of shares, amount and share price and stock price). And if there is a difference between the recognized remuneration of employees, directors, and supervisors, the amount of the difference, reason, and handling status shall be stated:

Unit: NTD

Items	Recognized expense amount	Actual distributed amount	Amount of difference
Employee remuneration	339,085	339,085	-
Remuneration of directors and supervisors	0	0	-

(IX) The company bought back the company's share capital: None.

II. The status of corporate bonds: None.

III. The status of preferred shares: None.

IV. The status of overseas depositary receipt: None.

V. The status of employee stock option subscription and restriction on employee's entitlement to new shares: None.

VI. The status of acquiring or transferring new shares of other company: not available.

VII. The Implementation status of the fund utilization plan: None.

Five. Overview of Business Operation

I. Content of Business Operations

(I) Business scope

1. The company's resisted businesses are as follows:

- (1) F401010 International trade industry.
- (2) JE01010 Rental industry.
- (3) F601010 Intellectual property rights industry.
- (4) I199990 Other consultancy services industry.
- (5) I301010 IT software services industry.
- (6) IZ99990 Other commercial services industry.
- (7) J202010 Industrial cultivation industry.
- (8) J901020 General hotel industry .
- (9) J701020 Amusement park industry .
- (10) J701040 Recreational activity industry .
- (11) JA03010 Laundry industry .
- (12) I103060 Management consultancy industry .
- (13) JZ99080 Beauty salon services industry .
- (14) F102050 Tea wholesales industry .
- (15) F102170 Food and wholesale industry .
- (16) F201010 Agricultural product retail industry .
- (17) F203010 Food and beverage retail industry .
- (18) F206020 Daily commodities retail business industry.
- (19) F501030 Beverage shop industry .
- (20) F501060 Restaurant industry.
- (21) G202010 Parking lot management industry .
- (22) H703090 Real estate business .
- (23) H703100 Real estate leasing industry .
- (24) F203020 Tobacco and liquor retail industry .
- (25) F399040 No storefront retail industry.
- (26) J901011 Tourism hotel industry
- (27) ZZ99999 In addition to the licensed business, it can operate businesses that are not prohibited or restricted by the laws.

2. Operating percentage

Unit: NT\$1,000; %

Items	Year	Year 2018	
		Amount	Percentage of revenue (%)
Hotel room revenue		1,027,763	88.46
Hotel catering services revenue		105,928	9.12
Hotel management consultant revenue		1,930	0.17
Lease revenue		25,721	2.21
Retail product service		444	0.04
Total		1,161,786	100.00

3. Current products (services)

In 2018, the operating revenue was mainly from the revenue of providing hotel rooms in the hotels. The company currently has the following hotels:

District in Taipei City	Hotel name	Related information
Ximending Shopping District Wanhua Shopping District	New World Hotel	Address: No.141, Kunming St., Wanhua Dist., Taipei City 108, Taiwan (R.O.C.) Tel: 02-23118863
Ximending Shopping District Taipei Main Station Shopping District	Green World Station	Address: No. 21, Section 1, Chongqing South Road, Zhongzheng District, Taipei City Tel: 02-23819199
Ximending Shopping District Taipei Main Station Shopping District	Green World Hotel ZhongHua	Address: 13F., No. 41, Section 1, Zhonghua Road, Zhongzheng District, Taipei City Tel: 02-23705158
Ximending Shopping District Taipei Main Station Shopping District	Green World Flora Main Green World Flora Division	Address: No.30, Huaining St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) Address: No. 36, Section 1, Hankou Street, Zhongzheng District, Taipei City, Taiwan (R.O.C.) Tel: 02-23123811
Nangang Financial Area Shopping District	Green World Grand Nanjing	Address: No.8, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Tel: 02-25098882
Nangang Financial Area Shopping District	Green World Jianpei	Address: No.140, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Tel: 02-25095151
Nangang Financial Area Shopping District	Green World Mai - Nanjing	Address: No. 163, Section 2, Nanjing East Rd., Zhongshan District, Taipei City Tel: 02-25035511
Linsen North Road Shopping District Xingtian Temple	Green World Songjiang	Address: No.485, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Tel: 02-25098222
Linsen North Road Shopping District	Green-World-Linsen Branch Office	Address: No.617, Linsen N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Tel: 02-25955225
Zhongshan N. Rd Shopping District Linsen North Road Shopping District	Green World Sansui Green World Qingtian Green World Xiemei	Address: No.181, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Tel: 02-25971281

District in Taipei City	Hotel name	Related information
Linsen North Road Shopping District	Green World Hotel Green World Mai – ZhongShan	Address: No.15, Ln. 105, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) Phone: 02-25429511
District in Taipei City	Hotel name	Related information
Eastern District of Taipei	Green World Zhongxiao	Address: 1F., No.180, Sec. 4, Zhongxiao E. Rd., Daan Dist., Taipei City 106, Taiwan (R.O.C.) Tel: 02-27116869
Raohe Street Shopping District	Green World Songshan Branch Office	Address: 1F., No.149, Yucheng St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.) Tel: 02-27837088
Nankang Railway Station Nankang Economic and Trade Park	Green World NanGang	Address: 8F., No.528, Sec. 7, Zhongxiao E. Rd., Nangang Dist., Taipei City 115, Taiwan (R.O.C.) Tel: 02-27893009
Taipei Arena Songshan Cultural and Creative Park	Green World Triplebeds Branch Office	Address : No.16, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.) Tel: 02-27630555

4. New products (services) planned to be developed

Green World Triplebeds, the first hotel that combines with robots for luggage carrying, instant translating, sensory alarm clocks, automatic payment machine and Taipei VR tourism, was officially in business in April of 2018. The company is expected to open more intelligent hotels that combine cutting-edge technologies, depending on the market acceptance in the future.

(II) Overview of the industry

1. The current situation and development of the industry

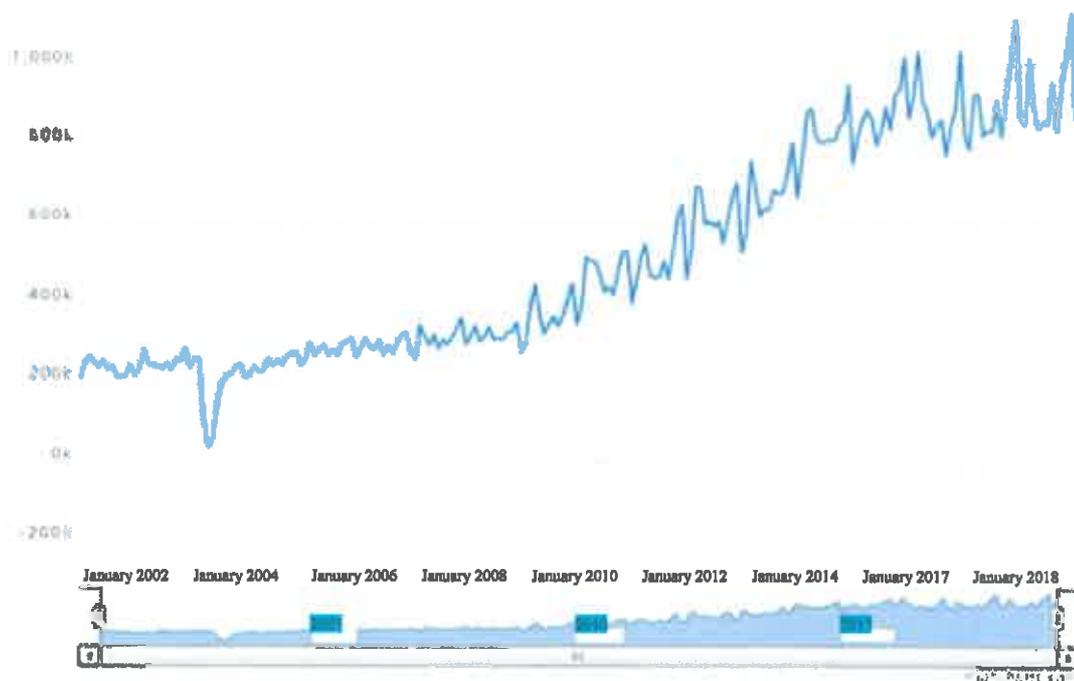
Taiwan is a typical island country that is surrounded by the sea, and it has great potential for developing the tourism industry with its unique tourism resources and warm and friendly people on the island. The government has been actively promoting the tourism industry and the “2017 Competitiveness Report for the Tourism Industry” published by the Swiss World Economic Forum, indicating that Taiwan’s competitiveness in the tourism industry is ranked 30th in 136 countries around the world, and the rank is up by 2 compared with 2015. The country has advantages in the aspect of "mobile network coverage" and "improvement in public health and sanitation". However, its feedback on “environmental sustainability” is relatively poor due to the lack of awareness of environmental protection and conservation.

In recent years, although the number of mainland Chinese tourists visiting Taiwan has drastically reduced due to changes in the tourism policy of mainland China, the total number of tourists visiting Taiwan in 2018 and 2017 did not significantly decrease and remained at

the same level as in 2016, with the government's policy of promoting Taiwanese tourism in Southeast Asian countries. However, the number of mainland Chinese tourists still has a certain impact on the development of the tourism industry. In addition, the number of local tourists traveling abroad increased by 1,065,656 in 2017, which has a growth of 7.3% compared with 2016. The ratio of the number of tourists visiting Taiwan to the number of tourists traveling abroad is 1:1.45, which is even higher than the ratio of 1:1.36 in 2016, indicating that the local tourists traveling abroad is becoming a popular trend which is also one of the indirect factors affecting tourists traveling to Taiwan.

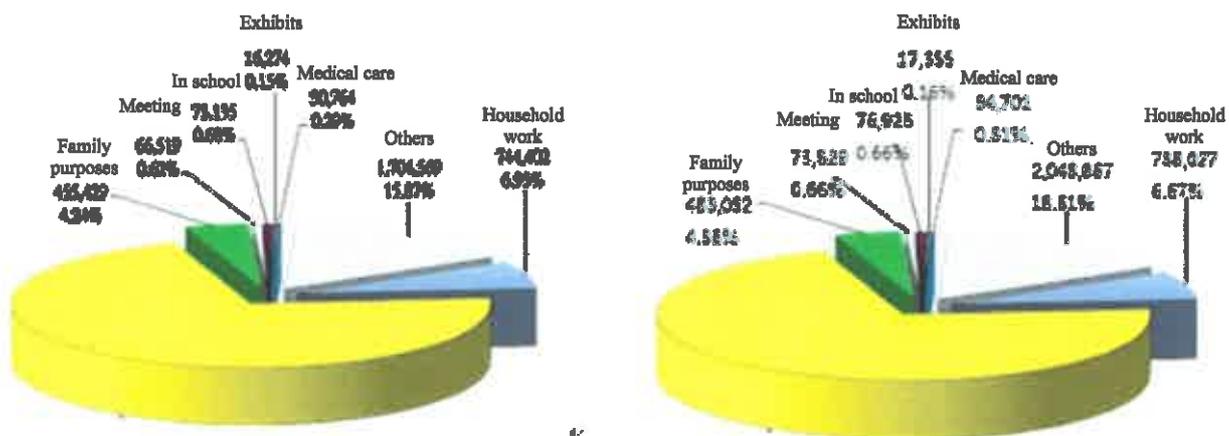
The total counts of tourists traveling to Taiwan was 11.06 million in 2018, which is a record high, and the number of tourists increased by 330,000 (3.05%) compared with the number of tourists traveling to Taiwan (10.74 million) in 2017. The number of tourists traveling to Taiwan (10.74 million) was slightly higher than the number in 2016, with an increase of 0.5%, and 71.2% of the tourists traveling to Taiwan for tourism purposes. The structure of tourists shows that 2.73 million tourists from mainland China (25.4%), 1.9 million tourists from Japan (17.7%), 1.69 million tourists from Hong Kong and Macao (15.8%), 1.05 million tourists from South Korea (9.8%), 1.03 million tourists from Europe and America (9.6%), and 2.28 million tourists from 18 Southeast Asian countries (21.3%). This also indicates that the tourists from various countries are evenly distributed. Generally speaking, except for the negative growth (-22.2%) of the mainland Chinese market due to the policy of restricting tourists traveling to Taiwan, all other major markets have positive growth, especially the significant growth in the Southeast Asian countries (+27.6%) and South Korea (+ 19.3%). Among the Southeast Asian countries, the growth of Thailand and Vietnam is more significant.

As for the increased number of hotels in 2018, the total increased number of general and legal hotels in Taipei City and New Taipei City is 32, with the total increased rooms of 2,101. The number of tourism hotels increased by one, with the total increased rooms of 150. The total increased number of rooms in general hotels and tourism hotels is 2,257. In summary, looking forward to 2019, the hotel industry is still expecting challenges to some extent, due to these factors: the number of tourists visiting Taiwan is not expected to have significant growth, the growth number of illegal accommodation business operators, and the falling number of tourists from mainland China continues.



Data source: Statistics Information Network of ROC

The total tourist number of 11.06 million in 2018 was slightly higher from the number of 10.74 million in 2017. In terms of the purpose of traveling to Taiwan, the number of visitors traveling for tourism purposes declined slightly, and the number of visitors traveling for business and family purposes slightly increased.

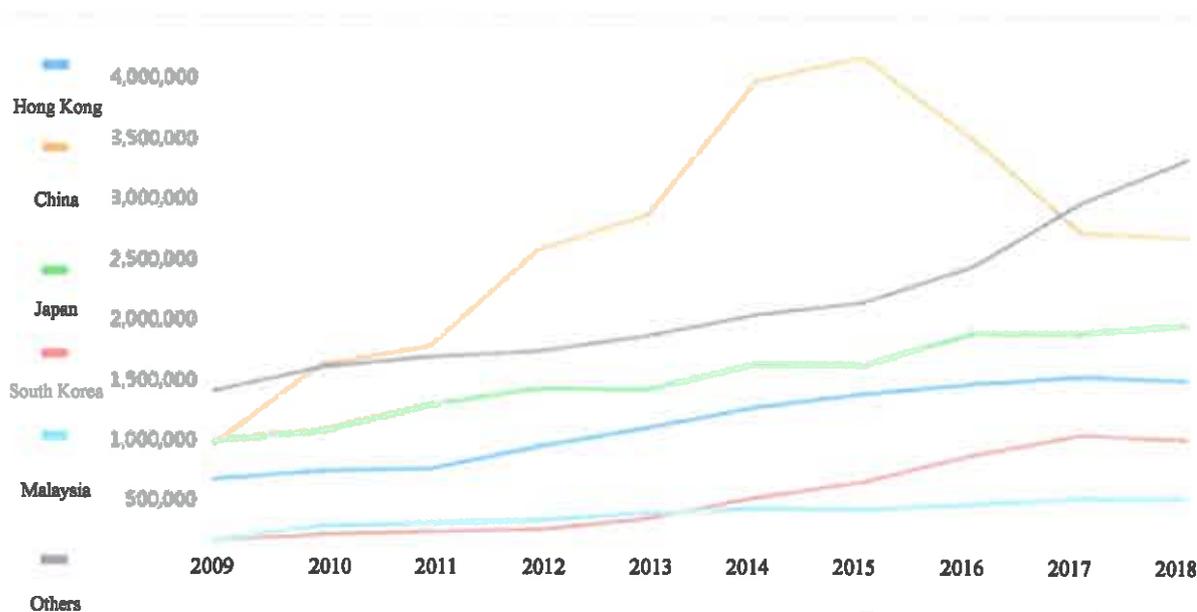


In 2017, there were 7,648,509 tourists, which accounted for 71.22% of the total number of visitors.

In 2018, there were 7,594,251 tourists, which accounted for 68.62% of the total number of visitors.

Data source: Tourism Bureau

Nearly ten years (2009~2018) Total numbers of Japan/ South Korea/ Malaysia/ China/ Hong Kong visits to Taiwan



Data source: Tourism Bureau

In addition, the total number of tourists traveling to Taiwan in 2017, other than the reducing number of Chinese tourists, the tourists from all other regions have increased. In 2018, the number of tourists from Southeast Asian countries has the highest growth rate, followed by the tourists from Japan, while the number of tourists from mainland China, Hong Kong, Macao and South Korea all decreased during the year.

2. The current growth status of room supply in the metropolitan Taipei City

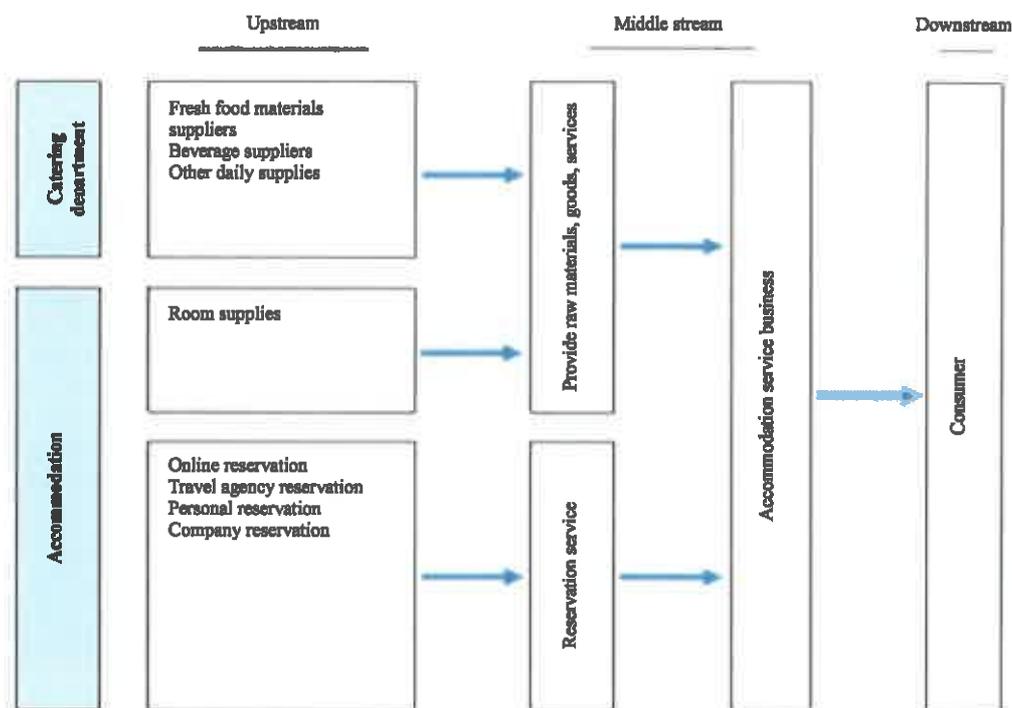
On the basis of the statistics of the Tourism Bureau, the number of hotels and the number of rooms in tourism hotels and general hotels in Taipei City and New Taipei City had increased by 1 hotel and 150 rooms in 2018, compared with the number in 2017.

Region/ Number Of Hotel Rooms	Tourism hotels and general hotels of 2018 statistics					Tourism hotels and general hotels of 2017 statistics				
	Numbers	Single	Double	Suits	Subtotal	Numbers	Single	Double	Suits	Subtotal
New Taipei City	8	295	736	110	1,141	8	295	736	110	1,141
Taipei City	46	3,825	6,410	1,331	11,566	45	3,666	6,432	1,318	11,416
Total	54	4,120	7,146	1,441	12,707	53	3,961	7,168	1,428	12,557

Data source: Tourism Bureau

3. Relevance of industry, middle and lower reaches

The hotel industry aims to provide safe and comfortable accommodations and catering services for travelers, and the following are related to the industry.



4. Different trends of development and the competition situation of the products provided

(1) Room reservation on the internet and intelligent reservation

With the popularity of smart phones nowadays, daily human activities rely on the Internet more and more. With the rapid development of AI, the traditional sales and reservation of hotel rooms has gradually been replaced by the virtual internet. Moreover, customers can easily find hotel accommodation information and compare hotel room prices on the internet, thus the online reservation business operators have already become close partners of the hotels. Therefore, obtaining a good online rating over other competitive companies in the hotel industry has become one of the key factors to succeed in the industry.

(2) Competition in the industry is getting more intense

The number of hotel rooms in Taipei City and New Taipei City increased by 150 in 2018. As the number of tourists from mainland China rapidly declines, this made the competition of the industry in 2018 even more intensive than in 2017. In addition, new hotels are expected to be in business in 2018, and the number of hotel rooms is estimated to increase by more than 1,000 from 2020 to 2022. Therefore, it is expected that the competition in the industry in 2019 will be as intensive as in 2018, as the growth of tourists in Taiwan has already slowed down.

(3) In the face of competitive market conditions, but also full of opportunities, the company will strive to enhance brand awareness, strengthen the Group's marketing capabilities, reduce operating costs and make full use of the Group's resources to create higher returns.

(III) Overview of technology and R&D:

In the most recent year and as of the published date of the annual report, no investment in

the research and development, technology and products.

(IV) Long-term and short-term business development plan

1. Short-term business development plan:

(1) Integrated marketing strategy

A. Marketing for corporate persons:

Utilization of H.I.S. Group resources and integration of its hotel products for the overall marketing.

B. Marketing of the Online Travel Agency:

From the aspect of the group, the company will create more favorable conditions and relations with OTA.

C. Marketing of travel agencies:

The company aims for the growing market in the Southeast Asian countries, and we already have dedicated personnel working on the overseas market.

D. Official website:

Utilization of the membership system: the implementation of the CRM system has thoroughly carried out the relevant membership operations.

E. Original development:

Implementation of the cross-industry cooperation, diverse utilization of H.I.S. customers, and continual promotion of exclusive accommodation programs with cooperative business operators.

(2) Cost control strategy

Utilization of technology to improve automation, enhance efficiency, and establish energy-saving hotels. Large quantity procurement is adopted for reducing the overall operational costs.

2. Long-term business development plan:

(1) Investment strategy.

A. Investment in increasing the value of the existing hotels.

B. Investment in the expansion of the new hotels.

(2) Brand image strategy.

Improve the quality of service, explore and meet the needs of customers, make the company's hotel brand deeply rooted in the hearts of customers, and become the first hotel with customer satisfaction.

II. Market and sales overview

(I) Market analysis

1. Target countries of sales

Unit: %

Target \ Year	Year 2017	Year 2018
Japan	44.95	46.93
China	11.15	13.90
Taiwan	11.59	12.24
Hong Kong	9.67	8.06
Korea	6.43	2.90
Others	16.21	15.97
Total	100.00	100.00

The company is in the hotel industry in Taipei City. The company currently does not have any overseas business location, hence the service areas are only limited to the domestic market.

2. Market share:

On the basis of the statistics of the Tourism Bureau, the number of hotel rooms in the Group accounts for 3.72% of the total number of hotel rooms in Taipei. And it accounts for 2.74% if the total number of hotel rooms in New Taipei City is included.

3. The supply and demand condition, and growth of the future market

The current condition of hotels under construction in Taipei City

Hotel name	Estimated number of rooms	Expected date of completion
Caesar Park Hotel - Nangang	661	2020
Taipei Chingcheng Howard Hotel	199	2022
The Grand Hi Lai Hotel	420	2022

The analysis of tourists traveling to Taiwan

Region	Number of tourists visiting Taiwan in 2017	Number of tourists visiting Taiwan in 2018	Increase or decrease %	Increase or decrease number
Southeast Asia	2,137,138	2,430,119	13.71	292,981
Japan	1,898,854	1,969,151	3.70	70,297
Hong Kong and Macau	1,692,063	1,653,654	(2.27)	(38,409)
Mainland China	2,732,549	2,695,615	(1.35)	(36,934)
Korea	1,054,708	1,019,441	(3.34)	(35,267)

From the abovementioned data and the current market conditions, we can see the trend of significant growth in the Southeast Asian countries and Japan. However, we also pay attention to the growth in Korean travelers having already slowed down.

Market growth in the future

With the continuous decreasing number of mainland Chinese tourists and the continuous increasing number of hotels, despite the fact that the government has been actively promoting Taiwanese tourism in Southeast Asian countries, domestic tourism and cruise ship tourism, the market supply and demand is getting unbalanced according to the growth number of tourists traveling to Taiwan in 2018, hence the competition in the hotel industry will be even more intensive in 2019.

4. The advantages, disadvantages, and countermeasures of competitiveness and development prospects

(1) Competitiveness

Since 2017, the Japanese H.I.S. Group had joined the business operations and the operating performance and financial structure have been significantly improved. With the utilization of H.I.S. Group resources and integration of its hotel products, it is expected to have a more competitive edge in the market.

(2) Favorable factors in the development prospect

The company provides quality hotel rooms with affordable prices, increases investment in enhancing the value of existing hotels, adopts good marketing strategies, cultivates outstanding talents, and integrates pricing strategies. In addition, the company's hotels are located in Taipei City, which is the top location of tourists traveling to Taiwan, hence the impact on the company of the decreasing number in tourists traveling to Taiwan is relatively lower.

(3) Unfavorable factors in the development prospect

The main unfavorable factors are the uneven supply and demand in the market, as well as the confusion of market price caused by illegal hotels and daily-rental suites business operators. In addition, the declining birthrate is also an issue that will affect the supply of talents in the hotel industry in the future.

(4) Countermeasures

As for the sales aspect, in addition to increasing the investment in enhancing the value of the existing hotels, the utilization of H.I.S. Group resources and integration of its hotel products, implementation of the overall marketing strategy, diverse utilization of H.I.S. customers, and continual promotion of exclusive accommodation programs with cooperative business operators, and the implementation of the membership system to carry out the relevant membership operations.

As for the hotel talents, in addition to the continual cooperative training and training channels, the company also uses outsourcing manpower. In addition, after the first smart hotel - Green World Triplebeds - started its business operations, the hotel has effectively reduced the manpower demand of the hotel.

In terms of the cost control, the company utilizes technology to enhance the automation operations, increase efficiency and establish energy-saving hotels, and large quantity procurement is adopted for reducing the overall operational costs.

(II) Important use of main products and the production process

1. Important use of main products

The main products of the company are hotels and hotel services. Please refer to the following

for details: The business scope - current products (services).

2. Production process

Provide accommodations and catering services to generate revenue.

(III) The supply status of main supply materials

The company is in the hotel industry, and the main supply materials are hotel room products, fresh food materials, etc., and the company has a good relationship with suppliers, thus supply status is very stable.

(IV) List of the main invoicing customers in the most recent two years

1. The vendor that accounts for more than 10% of the total purchase amount in the most recent two years: None.
2. The customer that accounts for more than 10% of the total sales amount in the most recent two years: None.

Unit: NT\$1,000

Items	Year 2017				Year 2018			
	Name	Amount	Ratio of net annual sales amount [%]	Relationship with the issuer	Name	Amount	Ratio of net annual sales amount [%]	Relationship with the issuer
1	Traveler B customer	309,957	28.29	The chairman is the same person	Travelers B customer	298,889	25.73	The chairman is the same person
2	Others	785,774	71.71		Others	862,897	74.27	
	Net sales amount	1,095,731	100		Net sales amount	1,161,786	100	

(V) The production quantity and sales quantity in the previous two years

1. Production quantity in the previous two years:

The Company is engaged in the business of hotel room rental and catering services. As it is not in a general manufacturing industry, thus there is no production and sales quantity.

2. Sales quantity in the previous two years:

Unit: NT\$1,000

Main items (or department)	Year 2017		Year 2018	
	Amount	Value	Amount	Value
Hotel rooms and catering services	Not applicable	1,090,331	Not applicable	1,159,856
Hotel advisory services	Not applicable	5,400	Not applicable	1,930
Total	Not applicable	1,095,731	Not applicable	1,161,786

III. Information on the employees

Year		Year 2017	Year 2018	As of March 31, 2019
Number of employees	Direct employees	344	310	367
	Indirect employees	55	83	88
	Total	399	393	455
Average age		39	40	40
Average Service year		1.85 years	2.05 years	1.97 years
Distribution ratio of education background	PhD	0%	0%	0%
	Master's degree	1%	0.51%	1.10%
	University and college	49.37%	52.42%	53%
	Senior high school	26.06%	30.28%	30%
	Below senior high school	23.57%	17.05%	15.82%

IV. Information on environmental protection expenditures

- (I) Total losses and disposition amount due to environmental pollution in the most recent year: None.
- (II) The countermeasures and possible expenses in the future: The sewage produced by the customers of the Company during the accommodation period is handled in accordance with the regulations. Currently, there is no pollution in violation of the regulations, thus major capital expenditures for environmental protection are not required.

V. Labor-management relations

(I) Important labor-management agreement and implementation status

1. Employee welfare

The Company's welfare for employees includes the welfare provided by the company and the welfare provided by the Employee Welfare Committee:

- (1) Welfare provided by the company: In addition to the labor insurance and national health insurance for employees according to the laws, the company also provides a year-end bonus, one free accommodation for employees every year and 10 discount employee accommodations, coupon for employee discount accommodation in the hotels of the parent Japanese company, regular health checkups for current employees, and special checkup items for particular employees to their benefits.
- (2) Welfare provided by the Employee Welfare Committee: In addition to the basic care for laborers according to the laws, the company has established the Employee Welfare Committee to take care of the employees and provide them with welfare benefits. The committee will coordinate the development of various employee welfare plans and is responsible for the planning and implementation of various employee welfare plans. The welfare offered includes festival and event subsidies, birthday gifts, wedding and funeral subsidies, educational subsidies, maternity subsidies, and hospitalization subsidies.
- (3) Conduct annual employee meetings to promote the corporate philosophy, motivate employees, and reward outstanding employees.

(4) Other descriptions: All are conducted in compliance with the relevant provisions of the Labor Standards Act, and the employee complaint channel is created to protect the legitimate rights of the employees. Automated External Defibrillators (AED) are also available and employees are instructed of their usage. The fire-fighting set is available at each hotel and regular drills are conducted to prevent any accident due to incidents.

2. Additional studies, trainings, and the implementation status:

In addition to the required education and training for the job position, the appropriate education, training, technology, and experience for our employees at all levels will be provided to cultivate the company's employees and meet the needs of the company's development, so that the employee development plan will be able to progress with the company's growth. Therefore, it will not only enhance the competitiveness of the company but also motivate the employees' self-development.

3. Retirement system and implementation status:

The company's pension system is conducted according to the Labor Pension Act. Every month, 6% of the employee's salary will be deposited into their personal account at the Labor Insurance Bureau. At present, all employees adopt the new retirement pension system. There was no employee who retired in 2018.

4. The status of the labor-management agreement:

The company adopts an open and two-way communication on policy promotion and employee opinions. Each hotel will conduct a monthly meeting to maintain a good relationship between employers and employees, and a labor-management meeting will be convened every three months for two-way communication.

(II) Losses due to labor disputes in the previous three years, and reveal the estimated amount for now and the future, and the measures in response:

1. The company's labor-management relations are harmonious and there is no loss due to labor disputes. The possibility of losses due to labor disputes in the future is extremely low.

2. Measures in response: Not applicable.

VI. Important contracts

Nature of contract	The party	Start date of the contract	Main content	Restriction
Lease contract	(Green-World-Sansui) Lee O O et al.	2010/01/01~~2019/12/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Songjiang) Youyu Development Co., Ltd., etc.	2012/03/10~~2027/03/09	Lease for hotel and hotel operations	None
Lease contract	(Green World Station) Baisi Asset Management Co., Ltd.	2013/06/15~~2028/06/14	Lease for hotel and hotel operations	None
Lease contract	(Hotel ZhongHua) Wanhua Enterprise Co., Ltd.	2013/07/20~~2027/07/19	Lease for hotel and hotel operations	None

Nature of contract	The party	Start date of the contract	Main content	Restriction
Lease contract	(Hotel Jianpei) Tokyo Marine Insurance Co., Ltd.	2013/10/16~~2028/10/15	Lease for hotel and hotel operations	None
Lease contract	(Hotel Linsen) Green World Co., Ltd.	2014/01/01~~2023/12/31	Lease for hotel and hotel operations	None
Lease contract	(Hotel Nanjing) Taiwan Sugar Association and Green World Co., Ltd.	2014/03/01~~2034/02/28	Lease for hotel and hotel operations	None
Lease contract	(New World Hotel) Chen O O et al.	2014/07/01~~2027/12/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Songshan) Fentai Investment Co., Ltd., Liu OO et al	2014/08/01~~2034/07/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Zhongxiao) Jifu ZhongHua Investment Co., Ltd.	2014/11/15~~2029/11/14	Lease for hotel and hotel operations	None
Lease contract	(Green World Mai – Nanjing Branch Office) Guangxing Asset Management Co., Ltd.	2015/01/01~~2023/07/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Flora Division) Green World Co., Ltd.	2016/10/01~~2026/12/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Mai – ZhongShan)	2017/01/01~~2019/08/31	Lease for hotel and hotel operations	None

Nature of contract	The party	Start date of the contract	Main content	Restriction
	Longmei Industrial Co., Ltd.			
Lease contract	(Green World Flora Main) Green World Co., Ltd.	2017/01/01~~2026/12/31	Lease for hotel and hotel operations	None
Lease contract	(Green World NanGang) Minkai Construction Co., Ltd. and Quanguo gas station Co., Ltd.	2017/03/01~~2031/05/31	Lease for hotel and hotel operations	None
Lease contract	(Head Office) Green World Co., Ltd.	2017/11/01~~2023/12/31	Lease for hotel and hotel operations	None
Lease contract	(Green World Triplebeds) Green World Co., Ltd.	2018/03/01~~2038/12/31	Lease for hotel and hotel operations	None
Loan contract	Sumitomo Mitsui Banking Corporation	2018/06/01~~2019/05/31	The short-term loan contract of one year	None

Six. Overview of Financial Status

I. The condensed balance sheet and comprehensive income statement in the most recent five years (I) Condensed balance sheet - International Financial Reporting Standards - Consolidated financial statement

Unit: NT\$1,000

Items	Year	Financial information in the most recent five years				
		2014	2015	2016	2017	2018
Current assets			118,901	185,841	514,486	577,900
Real property, factories, and equipment			1,037,269	1,124,440	1,290,266	1,256,031
Intangible assets			539,419	470,266	451,671	426,903
Other assets			205,709	205,504	213,202	216,939
Total assets			1,901,298	1,986,051	2,469,625	2,477,773
Current liabilities	Before distribution		824,288	915,679	584,608	550,682
	After distribution		824,288	915,679	584,608	Not yet distribution
Non-current liabilities			515,825	490,701	134,900	136,184
Total liabilities	Before distribution		1,340,113	1,406,380	719,508	686,866
	After distribution		1,340,113	1,406,380	719,508	Not yet distribution
Rights and interests to the owners of the parent company			561,185	579,671	1,750,117	1,790,907
Share capital			502,949	537,669	1,097,283	1,097,283
Capital reserves			69,871	148,508	604,393	604,393
Retained earnings	Before distribution		(11,635)	(106,506)	48,441	89,231
	After distribution		(11,635)	(106,506)	48,441	Not yet distribution
Other rights			-	-	-	-
Treasury stock			-	-	-	-
Non-controlling interest			-	-	-	-
Rights and interests Total amount	Before distribution		561,185	579,671	1,750,117	1,790,907
	After distribution		561,185	579,671	1,750,117	Not yet distribution

Note 1: As of the published date, the 2018 annual earnings distribution has not been approved by the shareholders meeting.

(II) Condensed balance sheet - International Financial Reporting Standards - Individual financial statement

Unit: NT\$1,000

Items	Year	Financial information in the most recent five years				
		2014	2015	2016	2017	2018
Current assets		549,194	107,414	163,352	478,443	553,462
Real property, factories, and equipment		401	919,113	972,754	1,147,058	1,126,744
Intangible assets		-	532,248	463,045	444,470	419,720
Other assets		33,672	236,447	231,128	363,411	362,098
Total assets		583,267	1,795,222	1,830,279	2,433,382	2,442,024
Current liabilities	Before distribution	4,439	769,038	794,036	574,394	541,742
	After distribution	4,439	769,038	794,036	574,394	Not yet distribution
Non-current liabilities		6,008	464,999	456,572	108,871	109,375
Total liabilities	Before distribution	10,447	1,234,037	1,250,608	683,265	651,117
	After distribution	10,447	1,234,037	1,250,608	683,265	Not yet distribution
Rights and interests to the owners of the parent company		572,820	561,185	579,671	1,750,117	1,790,907
Share capital		502,949	502,949	537,669	1,097,283	1,097,283
Capital reserves		354,140	69,871	148,508	604,393	604,393
Retained earnings	Before distribution	(284,269)	(11,635)	(106,506)	48,441	89,231
	After distribution	(284,269)	(11,635)	(106,506)	48,441	Not yet distribution
Other rights		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Rights and interests	Before distribution	572,820	561,185	579,671	1,750,117	1,790,907
Total amount	After distribution	572,820	561,185	579,671	1,750,117	Not yet distribution

(III) Condensed comprehensive income statement - International Financial Reporting Standards
- Consolidated financial statement

Unit: NT\$1,000

Items	Year	Financial information in the most recent five years				
		2014	2015	2016	2017	2018
Operating revenue			320,063	763,708	1,095,731	1,161,786
Operating gross profit			84,837	114,841	204,959	221,250
Operating gain or loss			(6,927)	(22,663)	61,320	41,408
Non-operating gains and expenses			(4,530)	(80,959)	(10,739)	(4,373)
Net profit before tax			(11,457)	(103,622)	50,581	37,035
Net profit of the continual business unit in the current period			(11,635)	(106,506)	48,441	40,790
Loss of not in-business unit			-	-	-	-
Net profit (loss) of the current period			(11,635)	(106,506)	48,441	40,790
Other comprehensive profit and loss in the period (net value after tax)			-	-	-	-
Total comprehensive income in the current period			(11,635)	(106,506)	48,441	40,790
Net profit belonging to the business owner of the parent company			(11,635)	(106,506)	48,441	40,790
Net profit belonging to non-controlling interest			-	-	-	-
Total comprehensive income belonging to the business owner of the parent company			(11,635)	(106,506)	48,441	40,790
Total comprehensive income belonging to the non-controlling interest			-	-	-	-
Earnings per share			(0.23)	(2.07)	0.51	0.37

(IV) Condensed comprehensive income statement - International Financial Reporting Standards - Individual financial statement

Unit: NT\$1,000

Items	Year	Financial information in the most recent five years				
		2014	2015	2016	2017	2018
Operating revenue		44,742	183,143	648,681	973,770	1,043,301
Operating gross profit		22,941	59,385	91,439	181,840	201,969
Operating gain or loss		3,482	(17,935)	(41,777)	48,128	38,511
Non-operating gains and expenses		9,797	4,438	(64,729)	313	(1,464)
Net profit before tax		13,279	(13,497)	(106,506)	48,441	37,047
Net profit of the continual business unit in the current period		13,279	(13,497)	(106,506)	48,441	40,790
Loss of not in-business unit		-	-	-	-	-
Net profit (loss) of the current period		13,279	(11,635)	(106,506)	48,441	40,790
Other comprehensive profit and loss in the period (net value after tax)		-	-	-	-	-
Total comprehensive income in the current period		13,279	(11,635)	(106,506)	48,441	40,790
Net profit belonging to the business owner of the parent company		13,279	(11,635)	(106,506)	48,441	40,790
Net profit belonging to non-controlling interest		-	-	-	-	-
Total comprehensive income belonging to the business owner of the parent company		13,279	(11,635)	(106,506)	48,441	40,790
Total comprehensive income belonging to the non-controlling interest		-	-	-	-	-
Earnings per share		0.59	(0.23)	(2.07)	0.51	0.37

(III) Names and comments of the certified public accountant from the most recent five years

Year	Name of the accounting firm	Name of certified public accountant	Comment
2014	KPMG Taiwan	CHANG,SHU-YING and CHIH,SHIH-CHIN	No reserved comment
2015	KPMG Taiwan	CHANG,SHU-YING and CHIH,SHIH-CHIN	No reserved comment
2016	KPMG Taiwan	CHANG,SHU-YING and CHIH,SHIH-CHIN	No reserved comment
2017	KPMG Taiwan	CHANG,SHU-YING and CHIH,SHIH-CHIN	No reserved comment
2018	KPMG Taiwan	CHANG,SHU-YING and CHIH,SHIH-CHIN	No reserved comment

II. Financial analysis of the most recent five years

(I) Financial analysis of the most recent five years - International Financial Reporting Standards - Consolidated financial statement

Unit: NT\$1,000

Analysis item	Year	Financial analysis of the most recent five years				
		2014	2015	2016	2017	2018
Financial structure%	Ratio of debts to assets		70.48	70.81	29.13	27.72
	Percentage of long-term funds to real property, factories and equipment		103.83	95.19	146.10	153.43
Solvency %	Current ratio		14.42	20.30	88.01	104.94
	Quick ratio		10.71	17.38	84.91	100.74
	Times interest earned ratio		(1.80)	(273.70)	543.54	924.10
Management capacity	Receivables turnover (number of times)		10.60	12.61	13.82	13.35
	Average number of cash received days		34.43	28.94	26.41	27.34
	Inventory turnover rate (times)		NA	NA	NA	NA
	Payable turnover rate (times)		32.61	29.59	21.34	17.80
	Average sales days		NA	NA	NA	NA
	Real property, factories, and equipment turnover rate (times)		0.61	0.70	0.90	0.91
	Total asset turnover rate (times)		0.26	0.39	0.49	0.47
Profitability	Return on assets (%)		(0.18)	(4.30)	2.60	1.79
	Return on equity (%)		(2.05)	(18.67)	4.16	2.30
	Ratio of net profit before tax to the paid-in capital (%) (Note 7)		(2.28)	(19.27)	4.61	3.38
	Net profit rate (%)		(3.64)	(13.95)	4.42	3.51
	Earnings per share (dollars)		(0.23)	(2.07)	0.51	0.37
Cash flow	Ratio of cash flow (%)		0.22	4.41	34.90	38.31
	Cash Flow Adequacy Ratio (%)		(8.20)	(5.40)	11.89	32.50
	Cash reinvestment ratio (%)		0.15	3.23	9.35	8.96
Leverage	Operating leverage		(67.28)	(40.66)	21.94	34.74
	Financial leverage		0.38	0.45	1.23	1.12

Please state the reason for the change in the financial percentage in the most recent two years. (If the rate of increased or decreased change is less than 20%, it can be exempted from analysis)

1. Times earned ratio: the main cause is the decrease in annual interest cost in 2018.
2. Return rate, return on equity, net profit ratio and earnings per share: the main cause is the decrease in net profit after tax in 2018.
3. Ratio of net profit to the paid-in capital: the main cause is the decrease in net profit before tax in 2018.
4. Flow Adequacy Ratio: the main cause is the business expansion in 2017, and it is getting better in 2018.
5. Leverage: the main cause is the business expansion in 2017, and it is getting better in 2018.

(II) Financial analysis of the most recent five years - International Financial Reporting Standards - Individual financial statement

Unit: NT\$1,000

Analysis item		Financial analysis of the most recent five years				
		2014	2015	2016	2017	2018
Financial structure%	Ratio of debts to assets	1.79	68.74	68.33	28.08	26.66
	Percentage of long-term funds to real property, factories and equipment	142,847.88	111.65	106.53	162.07	168.65
Solvency %	Current ratio	5,256.95	13.97	20.57	83.30	98.47
	Quick ratio	5,243.95	10.08	17.44	80.40	94.34
	Times interest earned ratio	NA	(143.72)	(327.68)	599.44	924.37
Management capacity	Receivables turnover (number of times)	5.67	6.45	11.56	13.21	12.73
	Average number of cash received days	64.37	56.58	31.57	27.63	28.67
	Inventory turnover rate (times)	1.15	NA		NA	NA
	Payable turnover rate (times)	34.22	20.65	30.46	21.78	17.68
	Average sales days	317.39	NA		NA	NA
	Real property, factories, and equipment turnover rate (times)	223.15	0.39	0.68	0.91	0.91
	Total asset turnover rate (times)	0.13	0.15	0.36	0.46	0.43
Profitability	Return on assets (%)	3.93	(0.59)	(4.74)	2.65	1.83
	Return on equity (%)	4.42	(2.05)	(18.67)	4.16	2.30
	Ratio of net profit before tax to the paid-in capital (%) (Note 7)	2.64	(2.68)	(19.81)	4.41	3.38
	Net profit rate (%)	29.68	(6.35)	(16.42)	4.97	3.91
	Earnings per share (dollars)	0.59	(0.23)	(2.07)	0.51	0.37
Cash flow	Ratio of cash flow (%)	(122.00)	1.20	3.17	32.85	36.75
	Cash Flow Adequacy Ratio (%)	(215.19)	(7.33)	(6.56)	10.51	31.21
	Cash reinvestment ratio (%)	(2.22)	0.84	2.12	8.94	8.78
Leverage	Operating leverage	22.68	(15.44)	(18.73)	24.8	33.49
	Financial leverage	1.00	0.76	0.63	1.25	1.13

Please state the reason for the change in the financial percentage in the most recent two years. (If the rate of increased or decreased change is less than 20%, it can be exempted from analysis)

1. Times earned ratio: the main cause is the decrease in annual interest cost in 2018.
 2. Return rate, return on equity, net profit ratio and earnings per share: the main cause is the decrease in net profit after tax in 2018.
 3. Ratio of net profit to the paid-in capital: the main cause is the decrease in net profit before tax in 2018.
 4. Flow Adequacy Ratio: the main cause is the business expansion in 2017, and it is getting better in 2018.
- Operating leverage: the main cause is the business expansion in 2017, and it is getting better in 2018.

(III) Financial analysis of the most recent five years - ROC Financial Reporting Standards -
Individual financial statement

Unit: NT\$1,000

Year		Financial analysis of the most recent five years				
		2014	2015	2016	2017	2018
Analysis item	Ratio of debts to assets					
	Ratio of long-term capital to fixed assets					
Solvency (%)	Current ratio					
	Quick ratio					
	Times interest earned ratio					
Management capacity	Receivable turnover rate (times)					
	Average number of cash received days					
	Inventory turnover rate (times)					
	Payable turnover rate (times)					
	Average sales days					
	Fixed asset turnover rate (times)					
	Total asset turnover rate (times)					
Profitability	Return on assets (%)					
	Return on shareholders' equity (%)					
	Ratio of occupied paid-in capital (%)					
	Operating revenue					
	Net benefit before tax					
Net profit rate (%)						
Earnings per share (dollars)						
Cash flow	Cash flow ratio (%)					
	Cash Flow Adequacy Ratio (%)					
	Cash reinvestment ratio (%)					
Leverage	Operating leverage					
	Financial leverage					

III. The supervisor's auditing report of the annual financial report in the most recent year

Green World Hotels Co., Ltd.

The supervisor's auditing report

The company's board of directors has prepared and submitted the 2018 annual report, the disposition of net earnings, and the individual financial statements and consolidated financial statement audited by accountant CHANG,SHU-YING and CHIH,SHIH-CHIN of the KPMG Taiwan. I, as a supervisor of the company, hereby declare that I have reviewed and verified the abovementioned documents and that they are in compliance with the provisions of Article 219 of the Company Act and relevant laws and regulations. For your honor's verification.

Sincerely yours,

Green World Hotels Co., Ltd.; The 2018 general meeting of shareholders

Supervisor: LIU,TANG-KUN



Supervisor: LIU,CHIA-MING



Supervisor: KAO,YI-HSING



March 19, 2019

- IV. The consolidated annual financial report in the most recent year: It includes the auditor's auditing report, comparison balance sheet of two years, comprehensive income statement, statement of changes in equity, statement of cash flows and the notes or annexes: please refer to Appendix 1 for details.
- V. The individual financial report in the most recent year that is audited by the accountant: please refer to Appendix 2 for details.
- VI. If the company and its affiliated companies have encountered financial turnover difficulty in the most recent year and as of the published date of the annual report, the impact on the financial status of the company should be stated: Not available.

Seven. Financial status and financial performance

I. Financial status

Unit: NT\$1,000

Item \ Year	Year 2017	Year 2018	Increase (or decrease) amount	Change ratio
Total assets P.	2,469,625	2,477,773	8,148	0.33%
Total liabilities	719,508	686,866	(32,642)	(4.54%)
Total shareholders' equity	1,750,117	1,790,907	40,790	2.33%

In the previous and late period, the change was more than 20%, and the change amount was more than 10,000 dollars. The main reason is: No

II. Financial performance

Unit: NT\$1,000

Item \ Year	Year 2017	Year 2018	Increase (or decrease) amount	Change ratio
Net operating revenue	1,095,731	1,161,786	66,055	6.03%
Operating profit (loss)	61,320	41,408	(19,912)	32.47%
Net profit (loss) before tax	50,581	37,035	(13,546)	26.78%

(I) Analysis and description of the rate of increased or decreased change: (the rate of increased or decreased change is 20% or more, or the amount of change reaches 10 million dollars)

1. Operating profit (loss): the main reason is the enhancement of operating profit generated by the new business operation.
2. Net profit (loss) before tax: the main reason is due to the increasing business profit and the decreasing financial cost.

(II) The expected sales quantity and its reference, and the possible impact on the company's future financial operations and its plan in response

The number of hotels owned by the company has reached to a certain scale. Depending on the operational circumstances and the condition of market supply and demand, the company will determine whether to expand to the areas outside of Taipei or Taiwan. The company will continue to enhance the sales and marketing on the official website, increase the added value of the hotels, and enhance the operating efficiency in Nangang/Green World Triplebeds, increase the overall operating revenue.

III. Cash flow

(I) Analysis of change in cash flows in the current year

Unit: NT\$1,000

Cash balance at the initial stage	Net cash flow of business operations throughout the year	Annual total of cash inflow (outflow)	Remaining (insufficient) amount of cash	Remedial measures for insufficient cash
399,588	210,975	(92,798)	306,790	None

The net cash inflows of the Company's business operations in 2018 was 210,975,000 NTD, which was mainly from the increasing number of operating revenue and occupancy rate of hotel rooms, thus the company does not have a shortage of funding.

(II) Current analysis and improvement plan for insufficient current: The improvement plan for cash shortage is not applicable.

(III) Analysis of cash flow for the coming year

As of the first quarter of 2019, the Company's cash equivalents were approximately 485,082,000 NTD which is expected to be used for the daily operational costs. There is no major equipment investment or business expansion planned for the coming year. On the basis of current operating conditions, insufficient cash flow is not applicable to the company.

IV. The impact of major capital expenditures on financial operations in the most recent year:

In 2017, the company paid approximately NT\$190 million with the private fundraising of shares to acquire the funds for the building renovation and equipment of Green World NanGang. The business operations of Green World NanGang Hotel have been on track with the increasing amount of operating revenue. The company had invested NT\$79.5 million in the first quarter of 2018 for the building renovation and equipment of Green World Triplebeds, as part of the company's business expansion. The Green World Triplebeds Hotel is the first hotel in Taipei to offer the promotion of "providing a tour of the whole building for three guests". The hotel also integrated the innovative technology and intelligent services into the hotel services, and it is expected to bring more business revenue and enhance the brand image for the company .

V. The policy for the reinvested business in the most recent year, and the main reason for the profits or losses of the reinvestment, its improvement plan, and the investment plan for the coming year:

There is no reinvestment plan in the most recent year.

VI. Risk assessment

(I) The impact of interest rate, exchange rate, and inflation on the company's profit and loss and the adopted response measures in the future

1. The impact of changes in interest rate on the company's profit and loss and the adopted response measures in the future

(1) The impact of changes in interest rate on the company's profit and loss

At present, the bank interest rate for loans is low and the domestic interest rate is stable. In addition, the debt ratio of the company has decreased from 29% in 2017 to 28% in the current year, thus the interest rate has a relatively low impact on the current profit and loss of the company.

(2) The response measures for changes of interest rate in the future:

Careful assessment of investment strategies and enhancement of operating efficiency to prevent investment with excessive debt and effective reduction of debt.

2. The impact of exchange rate changes on the company's operations and revenue, and the response measures in the future

(1) The impact of exchange rate changes on the company's operations and revenue

The company offers foreign currency exchange service to hotel guests according to the exchange rate provided by the Bank of Taiwan. However, the exchange amount is not large, hence it does not have a significant impact on the company's operations and revenue.

(2) The specific measures adopted by the company to respond to the changes in exchange rate:

The foreign currency purchased by the company will be exchanged to Taiwanese currency in a short period of time. Therefore, the amount of foreign currency remaining on the account is not very high and the changes in exchange rate do not have a

significant impact on the company.

3. The impact of inflation on the company's profit and loss and future response measures

The government in Taiwan has a good control over the inflation condition, thus there is no inflation-related issue at present. If inflation occurs, the company will stipulate response measures depending on the circumstances in the future.

(II) The main reasons and future response measures for engaging the high-risk investment, high-leverage investment, loans to others, endorsement guarantees, and trading of derivative commodities.

The Company does not engage in any high-risk investments, high-leverage investments, loans to others, endorsement guarantees, and trading of derivative commodities.

(III) The future R&D plan and the estimated expenditures for R&D

The company has transformed to the hotel industry. In addition to investing in intelligent hotels, the company currently does not have any plan for research and development.

(IV) The impact of domestic or international amendment of the important policies and laws, on the company's financial operations and its measures in response

The company always pays close attention to the domestic and international amendment of important policies and laws that may affect the company's operations, and the company will consult relevant legal experts in necessary. As of the published date of the annual report, the changes in the relevant laws and regulations have no significant impact on the Company.

(V) The impact of changes in the technology and industry on the company's financial operations and the measures in response

1. The impact of changes in the technology and industry on the company's financial operations

The cross-strait relations will affect the number of Chinese tourists traveling to Taiwan. Although the company has adopted a diverse business strategy for the sources of hotel guests, the impact is still inevitable.

2. The measures in response to the changes in the technology and industry

In addition to actively developing the Southeast Asia market and the Muslim market to increase revenue for shareholders, we also invest in intelligent hotels to reduce the manpower costs and actively enhance the operational efficiency of the official website.

(VI) The impact of corporate image changes on the corporate crisis management and the measures in response

The corporate image shall be ethical and illegal interests shall be avoided. The culture of the company has always been focusing on this principle. Therefore, the integrity of corporate governance has become the essence of the company.

(VII) The expected benefit and possible risk of mergers or acquisitions, and the measures in response

1. The expected benefits and possible risks of mergers or acquisitions

The company had merged the Green World Flora Main/Division, Green World Mai – ZhongShan and Green World Triplebeds from 2016 to the first quarter of 2019. On the basis of the result of business operations in 2018 and the first quarter of 2019, it had generated benefits for the company. However, the possible risk is that the business operations of the newly incorporated hotels are not as expected.

2. The expected benefit and possible risk of mergers or acquisitions, and the measures in response

Carry out careful assessment of the target acquisition, determine whether it meets the requirements of the market, and then conduct the investment and acquisition according to the financial/business operations indicators such as the financial structure, operating

forecast, and cash flows.

(VIII) The expected benefits and possible risk of the expansion of the factory and the measures in response

The Company currently does not have a plan for factory expansion, thus it is not applicable.

(IX) The risk encountered for the high quantity of incoming or outgoing products, and the measures in response

1. The risk encountered for the high quantity of incoming or outgoing products

The main revenue source of the company is from the sales of hotel rooms. The sales channels include the travel agency, OTA channel, and the official website. However, the only risk of sales is that the majority of the company's customers come from Japan.

The company's main purchased products include the hotel room supplies and fresh foods. The supply status is very stable and there are many hotel room supply vendors, thus there is no risk for the purchase of hotel room supplies.

2. The risk encountered for the high quantity of outgoing products and the countermeasures

Develop customer groups other than in the Japanese market and use various sales channels to reduce the risk of customers coming from the same region.

(X) The impact of a large transfer or replaced amount of shares on the company, by the directors, supervisors, or major shareholders holding more than 10% of the total issued shares of the company, and the risk and countermeasures

Through the private cash fundraising increase of common stock held at the end of 2016 and in the first half of 2017, the company introduced its strategic partner: The H.I.S. under the Japanese H.I.S. Group. On the basis of the operating results in 2017 and 2018, it can be seen that the Hotel Holdings Co., Ltd., has brought a positive impact to the company's business operations and financial structure.

(XI) The impact of changes in management on the company, and risk and measures in response

After the Japanese H.I.S. Group joined the company's business operations, the company had become its subsidiary and H.I.S. Hotel Holdings Co., Ltd., had elected two directors. With the utilization of resources of HIS Group, the company had turned to make a profit in 2017 and the net profit after tax in 2018 was 40,790,000 NTD. This shows that it had brought a positive impact on the company's business operations and financial structure.

(XII) Litigation or non-litigation incident

1. The company's major litigation, non-litigation, or administrative disputes in the process: None.

2. The major litigation, non-litigation, or administrative disputes with determined judgment for the directors, supervisors, general manager of the Company, or major shareholders holding more than 10% of the total issued shares of the company in the current year: None.

(XIII) Other important risks and countermeasures: None.

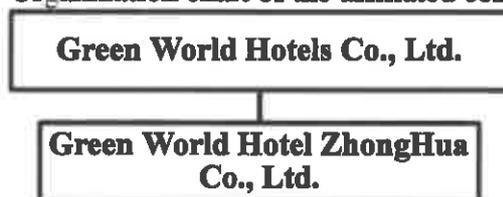
VII. Other important matters: None.

Eight. Special notes or remarks

I. Related information of the affiliated companies:

1. Organization status of the affiliated companies:

(1) Organization chart of the affiliated companies:



(2) Basic information of all affiliated companies:

Date of the information: April 30, 2019

Company Name		Date of establishment	Address
Green World Hotel ZhongHuaCo., Ltd.		2012.11.16	10F., No. 41, Section 1, Zhonghua Road, Zhongzheng District, Taipei City
Paid-up capital		Main business operations or production items	
NTD	170,000,000	Hotel-related business	

(3) The shareholders who are assumed to have the controlling and affiliation relations: not available.

(4) The overall business operated by the affiliated companies: the business operations operated by the company and the company's affiliated companies include: the hotel industry.

(5) Information of directors, supervisors, and general manager of all affiliated companies:

April 30, 2019 Unit: shares /%

Company Name	Position	Name or representative	Holding shares	
			Number of shares (Note 1)	Shareholding ratio
Green World Hotel ZhongHuaCo., Ltd.	Chairman	Green World Hotels Co., Ltd. Representative: HsIEH HSIEN-CHIH	17,000,000	100%
Green World Hotel ZhongHuaCo., Ltd.	Director	Green World Hotels Co., Ltd. Representative: Kodaka Kouji		
Green World Hotel ZhongHuaCo., Ltd.	Director	Green World Hotels Co., Ltd. Representative: HsIEH CHANG-CHENG		
Green World Hotel ZhongHuaCo., Ltd.	Supervisor	Green World Hotels Co., Ltd. Representative: LIU CHIA-MING		
Green World Hotel ZhongHuaCo., Ltd.	General manager	-		

Note 1: If the invested company is a limited company, the shareholding information refers to the number of shares and the shareholding ratio. For all the others, the information refers to the capital contribution and the capital contribution ratio.

2. Business operations overview of the affiliated companies

(1) The financial status and operating results of all affiliated companies:

December 31, 2018 Unit: NT (dollars)

Company Name	Capital amount	Total assets	Total liabilities	Net value
Green World Hotel ZhongHuaCo., Ltd.	170,000,000	214,509,517	36,065,774	178,443,743
Operating revenue	Operating revenue	After tax in the current period (loss) profit	per share after tax (loss) profit (dollars)	
122,084,557	3,389,058	3,853,937	0.2	

(2) The consolidated financial statements, relationship report of the affiliated companies:

Please refer to Appendix 1 for details.

II. The status of the privately placed securities in the most recent year and as of the published date of the annual report: None

III. The status of the company holding or disposing of the company's shares in the most recent year and as of the published date of the annual report: None

IV. Other matters and supplementary explanations: None

Nine. The occurrence of matters that have a significant impact on shareholders' rights and interests or the price of securities, as stipulated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act.

Appendix

**GREEN WORLD HOTELS CO., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

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

Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104,
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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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



安侯建業聯合會計師事務所
KPMG

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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.



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		
	Amount	%	Amount	%	
Assets					
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	<u>23,145</u>	<u>1</u>	<u>18,069</u>	<u>1</u>
		<u>577,900</u>	<u>24</u>	<u>514,486</u>	<u>21</u>
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	<u>798</u>	<u>-</u>	<u>6,828</u>	<u>-</u>
		<u>1,899,873</u>	<u>76</u>	<u>1,955,139</u>	<u>79</u>
Total assets		<u>\$ 2,477,773</u>	<u>100</u>	<u>2,469,625</u>	<u>100</u>

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	
		Amount	%	Amount	%
Liabilities and Equity					
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	-
		<u>550,682</u>	<u>22</u>	<u>584,608</u>	<u>24</u>
Non-Current liabilities:					
2612	Long-term accounts payable (note 6(g))	135,356	6	134,072	5
2645	Guarantee deposits	828	-	828	-
		<u>136,184</u>	<u>6</u>	<u>134,900</u>	<u>5</u>
	Total liabilities	<u>686,866</u>	<u>28</u>	<u>719,508</u>	<u>29</u>
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	<u>1,790,907</u>	<u>72</u>	<u>1,750,117</u>	<u>71</u>
	Total liabilities and equity	<u>\$ 2,477,773</u>	<u>100</u>	<u>2,469,625</u>	<u>100</u>

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

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					Total equity attributable to owners of parent	Total equity
	Capital stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total equity attributable to owners of parent		
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	552,614	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)

	<u>2018</u>	<u>2017</u>
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	<u>165,036</u>	<u>158,499</u>
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	<u>13,328</u>	<u>17,916</u>
Total adjustments	<u>178,364</u>	<u>176,415</u>
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	<u>210,975</u>	<u>211,972</u>

(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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(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.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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.

(Continued)

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:

Impacted line items on the consolidated balance sheet	December 31, 2018			January 1, 2018		
	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		-			-	

Impacted line items on the consolidated statement of cash flows	2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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- 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
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.

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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.

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

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

Name of investor	Name of subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2018	December 31, 2017	
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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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

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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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

(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 comparing 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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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(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

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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(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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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(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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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.

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

(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
	<u>\$ 306,790</u>	<u>399,588</u>

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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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)
	<u>\$ 86,114</u>	<u>87,915</u>

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
	<u>\$ 86,124</u>		<u>10</u>

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
	<u>\$ 831</u>

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

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

	2018	2017	
		Individually assessed impairment	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

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Leasehold improvement and Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:						
Balance on December 31, 2018	\$ <u>105,621</u>	<u>9,844</u>	<u>-</u>	<u>1,140,224</u>	<u>342</u>	<u>1,255,031</u>
Balance on January 1, 2017	\$ <u>105,621</u>	<u>10,962</u>	<u>518</u>	<u>958,802</u>	<u>48,437</u>	<u>1,124,440</u>
Balance on December 31, 2017	\$ <u>105,621</u>	<u>10,403</u>	<u>-</u>	<u>1,161,030</u>	<u>13,312</u>	<u>1,290,266</u>

- (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:

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

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Customer relationships</u>	<u>Computer software</u>	<u>Total</u>
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	<u>\$ 45,485</u>	<u>13,783</u>	<u>37,189</u>	<u>4,006</u>	<u>100,463</u>
Carrying value:					
Balance on December 31, 2018	<u>\$ 298,008</u>	<u>34,046</u>	<u>91,858</u>	<u>2,991</u>	<u>426,903</u>
Balance on January 1, 2018	<u>\$ 301,398</u>	<u>44,388</u>	<u>119,764</u>	<u>4,716</u>	<u>470,266</u>
Balance on December 31, 2017	<u>\$ 301,398</u>	<u>39,217</u>	<u>105,811</u>	<u>5,245</u>	<u>451,671</u>

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

	<u>2018</u>	<u>2017</u>
Operating costs	\$ 222	206
Operating expenses	<u>21,256</u>	<u>20,928</u>
	<u>\$ 21,478</u>	<u>21,134</u>

(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:

	<u>Carrying amount</u>	<u>Amount after deducting impairment losses</u>	
		<u>December 31, 2018</u>	<u>December 31, 2017</u>
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	<u>20,079</u>	<u>20,079</u>	<u>20,079</u>
	<u>\$ 346,883</u>	<u>298,008</u>	<u>301,398</u>

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

(e) Other financial assets

The other financial assets were as follows:

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

(f) Short-term borrowings

The short term borrowings were summarized as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured bank loans	\$ <u>430,000</u>	<u>470,000</u>
Interest rates	<u>1%</u>	<u>1%</u>

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:

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

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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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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
	<u>\$ 60,608</u>	<u>74,859</u>

(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	\$ <u>2,764</u>	<u>1,587</u>

(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.

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

(i) **Income tax**

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

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

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

	<u>2018</u>	<u>2017</u>
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	<u>(2,846)</u>	<u>(2,417)</u>
	<u>\$ (3,755)</u>	<u>2,140</u>

(ii) **Deferred tax assets and liabilities**1) **Unrecognized deferred tax assets**

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

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

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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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

	<u>Unused tax losses</u>	<u>Rental expenses</u>	<u>Total</u>
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	<u>\$ 33,898</u>	<u>25,480</u>	<u>59,378</u>
Balance on January 1, 2017	\$ 28,813	21,393	50,206
Recognized in profit or loss	-	133	133
Balance on December 31, 2017	<u>\$ 28,813</u>	<u>21,526</u>	<u>50,339</u>

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

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
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
	<u>\$ 1,119,277</u>	

(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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
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(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 raised 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)

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

(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.

(Continued)

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

(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:

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

(l) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets:	
Taiwan	\$ <u>1,161,786</u>
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	<u>444</u>
	\$ <u>1,161,786</u>

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

(ii) Contract balances

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

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	<u>26,286</u>
	<u>\$ 1,095,731</u>

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

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

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:

	<u>2018</u>	<u>2017</u>
Interest income	\$ <u>1,661</u>	<u>1,304</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

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

(iii) Finance costs

The details of finance costs were as follows:

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

(Continued)

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

(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	<u>430,000</u>	<u>432,560</u>	<u>432,560</u>	-	-
	<u>\$ 670,939</u>	<u>673,499</u>	<u>538,143</u>	<u>43,791</u>	<u>91,565</u>
December 31, 2017					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	\$ 241,138	241,138	107,066	31,191	102,881
Fixed rate instruments	<u>470,000</u>	<u>471,973</u>	<u>471,973</u>	-	-
	<u>\$ 711,138</u>	<u>713,111</u>	<u>579,039</u>	<u>31,191</u>	<u>102,881</u>

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

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

(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:

	Book Value	December 31, 2018			Total
		Fair Value			
		Level 1	Level 2	Level 3	
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)	<u>156,763</u>				
Subtotal	<u>\$ 711,325</u>				
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	<u>135,356</u>				
Subtotal	<u>\$ 671,767</u>				

(Continued)

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

	December 31, 2017				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
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)	<u>156,035</u>				
Subtotal	\$ <u>652,452</u>				
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	<u>134,072</u>				
Subtotal	\$ <u>711,966</u>				

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.

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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
Notes to the 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).

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

(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	<u>(306,790)</u>	<u>(399,588)</u>
Net debt	<u>\$ 380,076</u>	<u>319,920</u>
Total equity	<u>\$ 1,790,907</u>	<u>1,750,117</u>
Adjusted equity	<u>\$ 2,170,983</u>	<u>2,070,037</u>
Debt-to-equity ratio at December 31	<u>17.51%</u>	<u>15.45%</u>

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

(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.L.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.L.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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
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.L.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.L.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:

	<u>2018</u>	<u>2017</u>
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
	<u>\$ 315,916</u>	<u>336,308</u>

(Continued)

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

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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	<u>1,659</u>	<u>1,563</u>
		<u>\$ 56,106</u>	<u>61,448</u>

(iii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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	<u>254</u>	<u>-</u>
		<u>\$ 511</u>	<u>3,952</u>

(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:

	<u>December 31, 2017</u>	
	<u>Contract amount</u>	<u>Amount paid</u>
Contract commitment	<u>\$ 1,288</u>	<u>1,288</u>

(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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
H.I.S Hotel Holdings Co., Ltd.	<u>\$ 430,000</u>	<u>470,000</u>

(Continued)

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

(vii) **Management consultant fee**

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

	<u>2018</u>	<u>2017</u>
H.I.S Hotel Holdings Co., Ltd.	\$ <u>254</u>	<u>-</u>

(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:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 6,828	5,745
Post-employment benefits	116	147
	<u>\$ 6,944</u>	<u>5,892</u>

(8) **Pledged assets:**

The carrying values of pledged assets were as follows:

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

(9) **Commitments and contingencies:**

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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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GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

By Item	By function	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

(Continued)

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

- (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	Sungu Travel Service Co., Ltd.	other related party	Sale	296,693	28%	O/A 45 days	-		52,769	69%	

- (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 (loss) of investee	Share of profit/loss of investee	Note
				December 31, 2018	December 31, 2017	Share	Percentage of ownership	Carrying value				
The Company	Green World Hotel ZhongHua Co., Ltd.	Taiwan	Hotels and Motels	170,000	170,000	17,009,000	100.00 %	177,078	100.00 %	3,854	3,160	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

(Continued)

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

(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.

GREEN WORLD HOTEL CO., LTD.**Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104,
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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(d) "Property, plant, and equipment" and 6(e) "Intangible assets" to the financial statements for the accounting policies and the details of the information.

Description of key audit matters:

As of December 31, 2018, the carrying amount of intangible assets, property, plant, and equipment constitute 63% of the total assets of the Company. 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 uncertainties of 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 of 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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.

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

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

KPMG

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

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		
	Amount	%	Amount	%	
Assets					
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 267,325	11	370,789	15
1150	Notes receivable, net (notes 6(b) and 7)	27,844	1	34,226	2
1170	Accounts receivable, net (notes 6(b) and 7)	53,955	2	47,870	2
1476	Other current financial assets (notes 6(a), (f) and 7)	161,975	7	8,901	-
1479	Other current assets	<u>22,363</u>	<u>1</u>	<u>16,657</u>	<u>1</u>
		<u>533,462</u>	<u>22</u>	<u>478,443</u>	<u>20</u>
Non-current assets:					
1550	Investments accounted for using equity method, net (note 6(c))	177,078	8	182,924	8
1600	Property plant, and equipment (note 6(d))	1,126,744	46	1,147,058	47
1780	Intangible assets (note 6(e))	419,720	17	444,470	18
1840	Deferred tax assets (note 6(j))	54,016	2	45,913	2
1980	Other non-current financial assets (notes 6(f), 7 and 8)	130,208	5	129,481	5
1990	Other non-current assets	<u>796</u>	<u>-</u>	<u>5,093</u>	<u>-</u>
		<u>1,908,562</u>	<u>78</u>	<u>1,954,939</u>	<u>80</u>
Total assets		\$ <u>2,442,024</u>	<u>100</u>	<u>2,433,382</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Balance Sheets (CONT'D)

December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (note 6(g))	\$ 430,000	18	470,000	19
2130	Current contract liabilities (note 6(m))	8,590	-	-	-
2150	Notes payable	3,627	-	10,692	-
2170	Accounts payable (note 7)	43,523	2	37,298	2
2200	Other payables (notes 6(d), (l) and 7)	50,063	2	50,445	2
2230	Current tax liabilities (note 6(j))	4,360	-	-	-
2399	Other current liabilities	1,579	-	5,959	-
		<u>541,742</u>	<u>22</u>	<u>574,394</u>	<u>23</u>
Non-Current liabilities:					
2612	Long-term accounts payable (note 6(h))	108,547	4	108,043	4
2645	Guarantee deposits	828	-	828	-
		<u>109,375</u>	<u>4</u>	<u>108,871</u>	<u>4</u>
	Total liabilities	<u>651,117</u>	<u>26</u>	<u>683,265</u>	<u>27</u>
Equity attributable to owners of parent (note 6(k)):					
3100	Capital stock	1,097,283	45	1,097,283	46
3200	Capital surplus	604,393	25	604,393	25
3310	Legal reserve	4,844	-	-	-
3350	Unappropriated retained earnings	84,387	4	48,441	2
	Total equity	<u>1,790,907</u>	<u>74</u>	<u>1,750,117</u>	<u>73</u>
	Total liabilities and equity	<u>\$ 2,442,024</u>	<u>100</u>	<u>2,433,382</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(m), (n) and 7)	\$ 1,043,301	100	973,770	100
5000	Operating costs (notes 6(d), (e), (h), (l) and 7)	<u>841,332</u>	<u>81</u>	<u>791,930</u>	<u>81</u>
	Gross profit from operations	<u>201,969</u>	<u>19</u>	<u>181,840</u>	<u>19</u>
	Operating expenses (notes 6(d), (e), (h), (l) and 7):				
6100	Selling expenses	100,273	10	77,439	8
6200	Administrative expenses	<u>63,185</u>	<u>6</u>	<u>56,273</u>	<u>6</u>
	Operating expenses	<u>163,458</u>	<u>16</u>	<u>133,712</u>	<u>14</u>
	Operating income	<u>38,511</u>	<u>3</u>	<u>48,128</u>	<u>5</u>
	Non-operating income and expenses (notes 6(d), (e), (p) and 7):				
7010	Other income	1,359	-	1,015	-
7020	Other gains and losses, net	(1,689)	-	(730)	-
7050	Finance costs	(4,494)	-	(9,699)	(1)
7070	Share of profit of subsidiaries accounted for using equity method, net	<u>3,360</u>	<u>-</u>	<u>9,727</u>	<u>1</u>
		<u>(1,464)</u>	<u>-</u>	<u>313</u>	<u>-</u>
7900	Profit before income tax	37,047	3	48,441	5
7950	Less: income tax gains (note 6 (j))	<u>(3,743)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Profit	<u>40,790</u>	<u>3</u>	<u>48,441</u>	<u>5</u>
8300	Other comprehensive income, net	-	-	-	-
	Comprehensive income	<u>\$ 40,790</u>	<u>3</u>	<u>48,441</u>	<u>5</u>
	Earnings per share (note 6(l))				
9750	Basic earnings per share (NT dollars)	<u>\$ 0.37</u>		<u>0.51</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 0.37</u>		<u>0.51</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan Dollars)

	Capital stock	Capital surplus	Legal reserve	Retained earnings		Total retained earnings	Total equity
				Unappropriated retained earnings	Total retained earnings		
Balance on January 1, 2017	\$ 537,669	148,508	-	(106,506)	(106,506)	579,671	48,441
Profit for the year ended December 31, 2017	-	-	-	48,441	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	48,441
Capital surplus used to offset accumulated deficits	-	(106,506)	-	106,506	106,506	106,506	-
Capital increase by cash	559,614	562,391	-	-	-	-	1,122,005
Balance on December 31, 2017	1,097,283	604,393	-	48,441	48,441	48,441	1,750,117
Profit for the year ended December 31, 2018	-	-	-	40,790	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	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	89,231	89,231	1,790,907

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 37,047	48,441
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	113,491	101,474
Amortization expense	25,757	26,915
Provision for bad debt expense	-	10
Interest expense	4,494	9,699
Interest income	(1,359)	(1,015)
Share of profit of subsidiaries accounted for using equity method	(3,360)	(9,727)
Impairment loss on non-financial assets	4,382	2,735
Gain on reversal of long-term accounts payable	-	(540)
Lease expense	504	422
Total adjustments to reconcile profit (loss)	143,909	129,973
Changes in operating assets and liabilities:		
Notes receivable	6,382	(6,393)
Accounts receivable	(6,085)	(10,405)
Other current assets	(5,663)	5,678
Other financial assets	(574)	(290)
Contract liabilities	3,676	-
Notes payable	(7,065)	5,778
Accounts payable	6,225	17,482
Other payable to related parties	14,704	5,163
Other current liabilities	534	1,583
Total changes in operating assets and liabilities	12,134	18,596
Cash inflow generated from operations	193,090	197,010
Interest received	1,359	1,015
Dividends received	9,206	7,160
Interest paid	(4,499)	(10,716)
Income taxes paid	(43)	-
Net cash flows from operating activities	199,113	194,469

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

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 investments accounted for using equity method	-	(120,000)
Acquisition of property plant, and equipment	(109,250)	(358,788)
Proceeds from disposal of property plant, and equipment	-	676
Acquisition of intangible assets	(100)	(1,434)
Proceeds from disposal of intangible assets	-	44
Increase in other financial assets	(153,227)	(23,155)
Decrease in other non-current assets	-	1,544
Net cash flows used in investing activities	<u>(262,577)</u>	<u>(501,113)</u>
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	-	(510,365)
Decrease in other payables to related parties	-	(340,000)
Capital increase by cash	-	1,122,005
Net cash flows from (used in) financing activities	<u>(40,000)</u>	<u>605,390</u>
Net (decrease) increase in cash and cash equivalents	(103,464)	298,746
Cash and cash equivalents at beginning of period	<u>370,789</u>	<u>72,043</u>
Cash and cash equivalents at end of period	<u>\$ 267,325</u>	<u>370,789</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

GREEN WORLD HOTEL 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 Company is Hotels and Restaurants Operation.

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

The 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 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

(i) **IFRS 15 “Revenue from Contracts with Customers”**

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

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

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

1) **Rending of services**

The Company 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 Company sells the services in separate transactions. The Company 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 Company believes that the point of revenue recognition of such services would not have significant impact on the Company’s financial statements.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

2) Impacts on financial statements

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

Impacted line items on the balance sheet	December 31, 2018			January 1, 2018		
	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	\$ -	8,590	8,590	-	4,914	4,914
Other current liabilities	10,169	(8,590)	1,579	5,959	(4,914)	1,045
Impact on liabilities		-			-	
Impact on equity		-			-	

Impacted line items on the statement of cash flows	2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Cash flows from (used in) operating activities:			
Adjustments:			
Contract liabilities	\$ -	3,676	3,676
Other contract liabilities	4,210	(3,676)	534
Impact on net cash flows from operating activities		-	

(ii) IFRS 9 "Financial Instruments"

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

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

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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

1) **Classification of financial assets and financial liabilities**

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

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

2) **Impairment of financial assets**

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

3) **Transition**

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

· 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.

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GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company 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 Company's financial assets as of January 1, 2018. (Measurement categories and carrying amount of financial liabilities are not changed).

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables (note)	370,789	Amortized cost	370,789
Trade and other receivables	Loans and receivables (note)	82,096	Amortized cost	82,096
Other financial assets	Loans and receivables (note)	138,382	Amortized cost	138,382

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

(i) **IFRS 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.

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GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

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 Company 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 Company 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 Company 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 Company 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 Company 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)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

- 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 Company will have to recognize the new assets and liabilities for the operating leases of its buildings for hoteling business. The Company estimated that the right-of-use assets, deferred tax assets and the lease liabilities to increase by \$3,223,593 thousand, \$33,080 thousand, and \$3,489,588 thousand, respectively, as well as the retained earnings, long-term accounts payables and investments accounted for using equity method to decrease by \$140,094 thousand, 108,547 thousand, and \$15,726 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
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 Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

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GREEN WORLD HOTEL CO., LTD.
Notes to 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 Company 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 Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) 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.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(d) 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.

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.

(e) 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.

(f) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

- 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.

2) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- 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 Company is exposed to credit risk.

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

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GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

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

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

The Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial 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 Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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

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GREEN WORLD HOTEL CO., LTD.**Notes to Financial Statements****3) Derecognition of financial assets**

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

(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 Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or 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.

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GREEN WORLD HOTEL CO., LTD.**Notes to Financial Statements**

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.

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 gains and losses.

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 Company 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 Company 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 other gains and losses.

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 finance costs.

3) **Derecognition of financial liabilities**

The Company 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 other gains and losses.

(Continued)

GREEN WORLD HOTEL CO., LTD.**Notes to Financial Statements****4) Offsetting of financial assets and liabilities**

The Company presents financial assets and liabilities on a net basis when the Company 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.

(g) Investment in subsidiary

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the financial statements. Under equity method, the net income, other comprehensive income and equity in the financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(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 Company. 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.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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 3~10 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 Company 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 Company'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.

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GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(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 Company 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.

• Trademarks	10 years
• Customer relationship	10 years
• Computer software	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 Company'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).

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GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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 is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. 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.

(I) Recognition of revenue

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

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

(Continued)

GREEN WORLD HOTEL CO., LTD.**Notes to Financial Statements****(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 Company 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**

(Continued)

GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

(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 Company 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.

(p) Operating segments

The Company has disclosed operating segments in the consolidated financial statements. Please refer to the consolidated financial statements.

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

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and 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.

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GREEN WORLD HOTEL CO., LTD.
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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(d) and (e) 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	\$ 3,203	4,857
Demand deposits	263,320	340,525
Check deposit	802	25,407
	<u>\$ 267,325</u>	<u>370,789</u>

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

As of December 31, 2018 and 2017, the 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 (including related parties)	\$ 27,844	34,226
Trade receivables (including related parties)-measured as amortized cost	53,965	47,880
Less: Loss allowance	<u>(10)</u>	<u>(10)</u>
	<u>\$ 81,799</u>	<u>82,096</u>

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

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 81,755	-%	-
1 to 60 days past due	44	-%	-
More than 181 days past due	<u>10</u>	100%	<u>10</u>
	<u>\$ 81,809</u>		<u>10</u>

As of December 31, 2017, the Company 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	\$ 518
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	<u>119</u>
	<u>\$ 743</u>

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

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

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

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GREEN WORLD HOTEL CO., LTD.
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(c) Investments accounted for using equity method

Subsidiary	December 31, 2018	December 31, 2017
	<u>\$ 177,078</u>	<u>182,924</u>

(i) Subsidiary

Please refer to the consolidated financial statements for the years ended December 31, 2018 and 2017.

(d) Property, plant, and equipment

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

	Land	Buildings	Transportation equipment	Leasehold improvement and Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance on January 1, 2018	\$ 105,621	12,223	-	1,268,548	13,212	1,399,604
Additions	-	-	-	17,256	76,913	94,169
Reclassifications	-	-	-	89,783	(89,783)	-
Balance on December 31, 2018	<u>\$ 105,621</u>	<u>12,223</u>	<u>-</u>	<u>1,375,587</u>	<u>342</u>	<u>1,493,773</u>
Balance on January 1, 2017	\$ 105,621	12,223	1,201	996,864	5,974	1,121,883
Additions	-	-	-	36,136	243,053	279,189
Reclassifications	-	-	-	235,815	(235,815)	-
Disposal	-	-	(1,201)	(267)	-	(1,468)
Balance on December 31, 2017	<u>\$ 105,621</u>	<u>12,223</u>	<u>-</u>	<u>1,268,548</u>	<u>13,212</u>	<u>1,399,604</u>
Depreciation and impairments loss:						
Balance on January 1, 2018	\$ -	1,820	-	250,726	-	252,546
Depreciation	-	539	-	112,932	-	113,491
Impairment loss	-	-	-	992	-	992
Balance on December 31, 2018	<u>\$ -</u>	<u>2,359</u>	<u>-</u>	<u>364,650</u>	<u>-</u>	<u>367,029</u>
Balance on January 1, 2017	\$ -	1,261	683	147,185	-	149,129
Depreciation	-	539	98	100,817	-	101,474
Disposal	-	-	(781)	(11)	-	(792)
Impairment loss	-	-	-	2,735	-	2,735
Balance on December 31, 2017	<u>\$ -</u>	<u>1,820</u>	<u>-</u>	<u>250,726</u>	<u>-</u>	<u>252,546</u>
Carrying amounts:						
Balance on December 31, 2018	<u>\$ 105,621</u>	<u>9,844</u>	<u>-</u>	<u>1,010,937</u>	<u>342</u>	<u>1,126,744</u>
Balance on January 1, 2017	<u>\$ 105,621</u>	<u>10,962</u>	<u>518</u>	<u>849,879</u>	<u>5,974</u>	<u>972,754</u>
Balance on December 31, 2017	<u>\$ 105,621</u>	<u>10,403</u>	<u>-</u>	<u>1,017,822</u>	<u>13,212</u>	<u>1,147,058</u>

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GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

- (i) As of December 31, 2018 and 2017, due to payments to maintenance of lease building, the Company recognized other payables amounting to \$2,518 thousand and \$17,599 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 statements of comprehensive income.
- (iii) As of December 31, 2018 and 2017, the Company did not provide any property, plant, and equipment as collateral for its loans.

(e) Intangible assets

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Customer relationships</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance on January 1, 2018	\$ 339,712	53,000	143,000	9,194	544,906
Additions	-	-	-	100	100
Balance on December 31, 2018	\$ <u>339,712</u>	<u>53,000</u>	<u>143,000</u>	<u>9,294</u>	<u>545,006</u>
Balance on January 1, 2017	\$ 339,712	53,000	143,000	6,668	542,380
Additions	-	-	-	1,434	1,434
Reclassifications	-	-	-	1,149	1,149
Disposals	-	-	-	(57)	(57)
Balance on December 31, 2017	\$ <u>339,712</u>	<u>53,000</u>	<u>143,000</u>	<u>9,194</u>	<u>544,906</u>
Accumulated amortization and impairment losses					
Balance on January 1, 2018	\$ 45,485	13,783	37,189	3,979	100,436
Amortization for the year	-	5,171	13,953	2,336	21,460
Impairment loss	3,390	-	-	-	3,390
Balance on December 31, 2018	\$ <u>48,875</u>	<u>18,954</u>	<u>51,142</u>	<u>6,315</u>	<u>125,286</u>
Balance on January 1, 2017	\$ 45,485	8,612	23,236	2,002	79,335
Amortization for the year	-	5,171	13,953	1,990	21,114
Disposals	-	-	-	(13)	(13)
Balance on December 31, 2017	\$ <u>45,485</u>	<u>13,783</u>	<u>37,189</u>	<u>3,979</u>	<u>100,436</u>
Carrying value:					
Balance on December 31, 2018	\$ <u>290,837</u>	<u>34,046</u>	<u>91,858</u>	<u>2,979</u>	<u>419,720</u>
Balance on December 31, 2017	\$ <u>294,227</u>	<u>39,217</u>	<u>105,811</u>	<u>5,215</u>	<u>444,470</u>
Balance on January 1, 2017	\$ <u>294,227</u>	<u>44,388</u>	<u>119,764</u>	<u>4,666</u>	<u>463,045</u>

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GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

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

	2018	2017
Operating costs	\$ 204	201
Operating expenses	21,256	20,913
	<u>\$ 21,460</u>	<u>21,114</u>

- (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	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	49,307	49,307	49,307
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
	<u>\$ 339,712</u>	<u>290,837</u>	<u>294,227</u>

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 Company 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 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%

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GREEN WORLD HOTEL CO., LTD.

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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.

(f) Other financial assets

The other financial assets were as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Current		
Other receivables	\$ 1,975	1,401
Time deposits	<u>160,000</u>	<u>7,500</u>
Subtotal	<u>161,975</u>	<u>8,901</u>
Non-current		
Lease deposits	128,187	127,606
Other deposits	<u>2,021</u>	<u>1,875</u>
Subtotal	<u>130,208</u>	<u>129,481</u>
	<u>\$ 292,183</u>	<u>138,382</u>

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GREEN WORLD HOTEL CO., LTD.
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(g) Short-term borrowings

The short term borrowings were summarized as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ <u>430,000</u>	<u>470,000</u>
Interest rates	<u>1%</u>	<u>1%</u>

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

(h) 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	\$ 395,085	376,789
Between one and five years	1,841,213	1,776,706
Over five years	<u>1,734,671</u>	<u>1,843,062</u>
	<u>\$ 3,970,969</u>	<u>3,996,557</u>

The Company 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 Company.

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 \$395,634 thousand and \$374,108 thousand were reported in the statements of comprehensive income, respectively. Lease payables were \$108,547 thousand and \$108,043 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	<u>13,714</u>	<u>17,143</u>
	<u>\$ 60,608</u>	<u>74,859</u>

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GREEN WORLD HOTEL CO., LTD.
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(i) Employee benefits

(i) Defined contribution plans

The Company 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 Company 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 \$9,541 thousand and \$8,003 thousand, for the years ended December 31, 2018 and 2017, respectively.

(ii) Short-term employee benefits

	December 31, 2018	December 31, 2017
Vacation liability	\$ 2,506	1,440

(j) 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.

(i) Income tax

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

	2018	2017
Current tax expense		
Current period	\$ 4,360	-
Deferred tax expense		
Adjustment in tax rate	(8,103)	-
Income tax gain	\$ (3,743)	-

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GREEN WORLD HOTEL CO., LTD.
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Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	\$ <u>37,047</u>	<u>48,441</u>
Income tax using the Company's domestic tax rate	7,409	8,235
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)
Share of profits of subsidiaries accounted for using equity method	(672)	(1,654)
Change in unrecognized temporary differences	101	(20)
Adjustment in tax rate	(8,103)	-
Undistributed earnings additional tax	4,360	-
Others	<u>(2,944)</u>	<u>(2,502)</u>
	<u>\$ (3,743)</u>	<u>-</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

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

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 Company can utilize the benefits therefrom.

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GREEN WORLD HOTEL CO., LTD.
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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

	<u>Unused tax losses</u>	<u>Rental expenses</u>	<u>Total</u>
Balance on January 1, 2018	\$ 28,813	17,100	45,913
Recognized in profit or loss	5,085	3,018	8,103
Balance on December 31, 2018	<u>\$ 33,898</u>	<u>20,118</u>	<u>54,016</u>
Balance on January 1, 2017	\$ 28,813	17,100	45,913
Recognized in profit or loss	-	-	-
Balance on December 31, 2017	<u>\$ 28,813</u>	<u>17,100</u>	<u>45,913</u>

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

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
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	<u>52,299</u>	2026
	<u>\$ 1,119,277</u>	

(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.

(k) **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.

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GREEN WORLD HOTEL CO., LTD.
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(i) Ordinary and preferred shares

On December 15, 2016, the interim meeting of shareholders passed a resolution which authorizes 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 raised 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 21 March 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 should 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.

(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	\$ <u>604,393</u>	<u>604,393</u>

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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 held on June 22, 2017 passed a resolution that the capital surplus of \$106,506 thousand was used to offset the deficit.

(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.

(l) **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:

	<u>2018</u>	<u>2017</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company \$	<u>40,790</u>	<u>48,441</u>
Weighted average number of ordinary shares at December 31	<u>109,728</u>	<u>95,367</u>
Earnings per share (dollars)	<u>\$ 0.37</u>	<u>0.51</u>

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

	<u>2018</u>	<u>2017</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company \$ (diluted)	<u>40,790</u>	<u>48,441</u>
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	<u>19</u>	<u>16</u>
Weighted average number of ordinary shares (diluted) at December 31	<u>\$ 109,747</u>	<u>\$ 95,383</u>
	<u>\$ 0.37</u>	<u>\$ 0.51</u>
 (m) Revenue from contracts with customers		
(i) Disaggregation of revenue		
		<u>2018</u>
Primary geographical markets:		
Taiwan	\$	<u>1,043,301</u>
Major products/services lines:		
Hotel room service	\$	918,120
Hotel catering service		93,486
Management consultancy services		5,530
Leasing services		25,721
Sale of products service		<u>444</u>
	\$	<u>1,043,301</u>

(ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and Accounts receivable (including related parties)	\$ 81,809	82,106
Less: allowance for impairment	<u>(10)</u>	<u>(10)</u>
Total	<u>\$ 81,799</u>	<u>82,096</u>
Contract liabilities - hotel room service/unearned revenue	<u>\$ 8,590</u>	<u>4,914</u>

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 \$4,914 thousand.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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.

(n) Revenue

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

	<u>2017</u>
Hotel room service revenue	\$ 856,500
Hotel catering service revenue	81,984
Management consultancy services revenue	9,000
Lease revenue	<u>26,286</u>
	<u>\$ 973,770</u>

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

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

In accordance with the Articles of Incorporation, the Company 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 Company 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 above-mentioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, the Company 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 financial statements, are identical to those of the actual distributions for 2018 and 2017.

(p) Non-operating income and expenses

(l) Other income

The details of other income were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	<u>\$ 1,359</u>	<u>1,015</u>

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains	\$ 1,678	1,303
Impairment loss		
Impairment loss on property, plant, and equipment	(992)	(2,735)
Impairment loss on intangible assets	(3,390)	-
Others	<u>1,015</u>	<u>702</u>
	<u>\$ (1,689)</u>	<u>(730)</u>

(iii) Finance costs

The details of finance costs were as follows:

	<u>2018</u>	<u>2017</u>
Interest expense of Bank loans	\$ 4,494	7,640
Interest expense of borrowings from related parties	-	1,941
Other interest expense	<u>-</u>	<u>118</u>
	<u>\$ 4,494</u>	<u>9,699</u>

(q) 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

Implicit credit risk of the Company is inherent in its cash and bank deposit. The cash and bank deposit is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash and bank deposit do not have a significant credit risk concentration.

The Company's major business are management consultancy services and hotel business services. The major customers are general customers and travel agencies. Since some travel agencies are related parties of the Company, which causes the credit risk concentration of the Company's account receivables. To minimize credit risk, the Company periodically evaluates the possibility of collecting account receivables. The management expects there would be no significant losses in the future.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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 2018.

(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	\$ 205,760	205,760	97,213	30,685	77,862
Fixed rate instruments	<u>430,000</u>	<u>432,560</u>	<u>432,560</u>	-	-
	<u>\$ 635,760</u>	<u>638,320</u>	<u>529,773</u>	<u>30,685</u>	<u>77,862</u>
December 31, 2017					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	\$ 206,478	206,478	98,435	21,745	86,298
Fixed rate instruments	<u>470,000</u>	<u>471,973</u>	<u>471,973</u>	-	-
	<u>\$ 676,478</u>	<u>678,451</u>	<u>570,408</u>	<u>21,745</u>	<u>86,298</u>

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

(iii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company'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 Entity 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 \$2,107 thousand and \$2,826 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.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Entity'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 :

		<u>December 31, 2018</u>				
		<u>Fair Value</u>				
	<u>Book Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 267,325					
Notes and trade receivable	81,799					
Other financial assets (Current)	161,975					
Other financial assets (Non-current)	<u>130,208</u>					
Subtotal	<u>\$ 641,307</u>					
Financial assets measured at amortized cost						
Bank loans	\$ 430,000					
Notes and accounts payable	47,150					
Other payables	50,063					
Guarantee deposits received	828					
Long-term accounts payable	<u>108,547</u>					
Subtotal	<u>\$ 636,588</u>					
		<u>December 31, 2017</u>				
		<u>Fair Value</u>				
	<u>Book Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 370,789					
Notes and trade receivable	82,096					
Other financial assets (Current)	8,901					
Other financial assets (Non-current)	<u>129,481</u>					
Subtotal	<u>\$ 591,267</u>					
Financial assets measured at amortized cost						
Bank loans	\$ 470,000					
Notes and accounts payable	47,990					
Other payables	50,445					
Guarantee deposits received	828					
Long-term accounts payable	<u>108,043</u>					
Subtotal	<u>\$ 677,306</u>					

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

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

The Company'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.

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company'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 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 Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through 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 Company's supervisors oversee how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company'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.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(iii) **Credit risk**

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

1) **Trade and other receivable**

The Company'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 Company 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 Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company 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 Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2018, no other guarantees were outstanding (2017: none).

(iv) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation. As of December 31, 2018 and 2017, the Company'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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(s) **Capital management**

The Company'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.

(Continued)

GREEN WORLD HOTEL CO., LTD.

Notes to Financial Statements

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

The Company 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 Company'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 Company'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	\$ 651,117	683,265
Less: cash and cash equivalents	<u>(267,325)</u>	<u>(370,789)</u>
Net debt	383,792	312,476
Total equity	<u>1,790,907</u>	<u>1,750,117</u>
Adjusted equity	\$ <u>2,174,699</u>	<u>2,062,593</u>
Debt-to-equity ratio at December 31	<u>17.65 %</u>	<u>15.15 %</u>

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.

(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 Company, with holding 51% of the outstanding ordinary shares; hence, the ultimate controller of the Company 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 Company
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

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

Name of related party	Relationship with the Company
Hsien-Chih Hsieh	The Company's chairman
Hsiu-Mei Hsieh	The Company's director
H.L.S Hotel Holdings Co., Ltd.	The Company's parent company
Green World Hotel ZhongHua Co., Ltd.	Subsidiary

(c) Significant transactions with related parties

(i) Sales

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

	2018	2017
Hotel rooms and catering service revenue		
Other related parties—Sanpu Travel	\$ 288,893	298,337
Other related parties	13,984	22,502
Lease revenue		
Other related parties—Sanpu Travel	7,800	7,800
Other related parties	3,000	3,000
Management consultancy service revenue		
Subsidiaries	3,600	3,600
	<u>\$ 317,277</u>	<u>335,239</u>

For the hotel room and catering services that the Company provide to related parties, the credit policy is 45 days for related parties, while 30 to 60 days for non-related parties. The Company settle the prices with each tour agency according to the market, and additionally settle price discount for leasing fixed quota of hotel rooms. The trade terms between the Company and related parties is according to the aforementioned principles and approximate those terms with non-related parties.

(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	\$ 26,226	32,229
Notes receivable	Other related parties	1,463	1,738
Accounts receivable	Other related parties—Sanpu Travel	26,543	25,380
Accounts receivable	Other related parties	1,659	1,552
Other receivables	Subsidiaries	317	-
		<u>\$ 56,208</u>	<u>60,899</u>

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(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 Company's main management	13	-
Other payables	Other related parties	244	3,857
Other payables	Parent company	254	-
		<u>\$ 511</u>	<u>3,952</u>

(iv) The Company 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) Guarantee

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

	December 31, 2018	December 31, 2017
HLS Hotel Holdings Co., Ltd.	<u>\$ 430,000</u>	<u>470,000</u>

(vi) Management consultant fee

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

	2018	2017
HLS Hotel Holdings Co., Ltd.	<u>\$ 254</u>	<u>-</u>

(vii) Other

In 2017, the Company paid \$1,941 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
	<u>\$ 6,944</u>	<u>5,892</u>

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(8) Plledged 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	\$ <u>35,500</u>	<u>35,500</u>

(9) Commitments and contingencies:

(a) The Company'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 Company as of December 31, 2018 and 2017. Besides, the notes payable due to leasing payments were \$442,111 thousand and \$471,405 thousand, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By Item	By function	2018			2017		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		135,591	41,620	177,211	127,984	34,576	162,560
Labor and health insurance		14,025	4,088	18,113	12,365	2,974	15,339
Pension		7,476	2,065	9,541	6,452	1,551	8,003
Remuneration of directors		-	600	600	-	710	710
Others		8,990	2,869	11,859	8,435	2,311	10,746
Depreciation		112,173	1,318	113,491	100,524	950	101,474
Amortization		4,501	21,256	25,757	6,002	20,913	26,915

In 2018 and 2017, the Company had 445 and 398 employees, of which 3 directors were not in concurrent employment, respectively.

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(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 Company:

- (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 estates 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
- (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	Sansu Travel Service Co., Ltd.	other related party	Sale	296,693	28%	O/A 45 days	-		32,769	63%	

- (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

(Continued)

GREEN WORLD HOTEL CO., LTD.
Notes to Financial Statements

(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 business and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Share	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	2,854	1,360	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:**

Please refer to the consolidated financial statements for the years ended December 31, 2018 and 2017 for disclosure of segment information.

Green World Hotel Co., Ltd.
Statement of cash and cash equivalents
December 31, 2018
(expressed in thousands of New Taiwan Dollars)

Please refer to note 6(a).

Statement of changes in other current financial assets

Please refer to note 6(f).

Statement of changes in property, plant and equipment

Please refer to note 6(d).

Statement of changes in intangible assets

Please refer to note 6(e).

Green World Hotel Co., Ltd.

Statement of changes in investments accounted for using the equity method

December 31, 2018

(expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition (Note 1)		Decrease (Note 2)		Ending Balance		Market Value or Net Assets Value	
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Percentage of ownership	Unit price	Total amount
Green World Hotel	17,000	\$ 182,924	-	3,360	-	(9,206)	17,000	100.00 %	10.50	178,444
Zhonghua Co., Ltd.										

Note 1: profit of subsidiaries accounted for using equity method

Note 2: dividend revenue for the year

Green World Hotel Co., Ltd.

Statement of short-term borrowings

December 31, 2018

(expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Nature</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest rates</u>	<u>Credit Limit</u>	<u>Collateral</u>
Sumitomo Mitsui Banking Co.	Unsecure bank loans	\$ 280,000	107/5/31~108/5/31	1%	280,000	None
"	"	<u>150,000</u>	107/12/7~108/6/6	1%	<u>150,000</u>	"
		<u>\$ 430,000</u>			<u>430,000</u>	

Statement of operating revenue

For the year ended December 31, 2018

Please refer to note 6(m).

Green World Hotel Co., Ltd.

Statement of operating costs

For the year ended December 31, 2018

(expressed in thousands of New Taiwan Dollars)

Item	Amount
Lease expenses	\$ 393,813
Salary expenses	135,591
Depreciation expenses	112,173
Amortization expenses	4,501
Utilities expenses	46,304
Laundry and cleaning fee	51,898
Food ingredients expenses	31,172
Labor and health insurance expenses	14,025
Pension	7,476
Other	44,379
	<u>\$ 841,332</u>

Statement of operating expenses

Item	Selling expenses	Administrative expenses	Total
Salary expenses	\$ 7,460	34,760	42,220
Lease expenses	162	3,356	3,518
Depreciation expenses	-	1,318	1,318
Amortization expenses	19,533	1,723	21,256
Commission fees	48,070	-	48,070
Professional service fees	1,136	5,133	6,269
Labor and health insurance expenses	843	3,245	4,088
Pension	412	1,653	2,065
Transaction fees	11,452	-	11,452
Other	11,205	11,997	23,202
Total	<u>\$ 100,273</u>	<u>63,185</u>	<u>163,458</u>

Green World Hotels Co., Ltd.

Chairman: HSIEH,HSIEN-CHIH