Stock Code:8077

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Telephone: (02)2562-0018

Table of contents

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, 2019 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 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 24, 2020

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.("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018 (restated), the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 of December 31, 2019 and 2018 (restated), and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 (restated) 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"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits 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 right-of-use assets, intangible assets , property, plant and equipment:

   Refer to Notes 4(i) "Leases", 4(h), "Property, plant and equipment", 4(j) "Intangible assets", 6(d) "Right-of-use assets", 6(c) "Property, plant and equipment" and 6(e) "Intangible assets" to the consolidated financial statements for the accounting policy and the details of the information.

Description of key audit matter

As of December 31.2019, the carrying amount of right-of-use assets, intangible assets, property, plant and equipment constitute 83% of the total assets of the Group. The major parts are the intangible assets originated from the acquisition of Green World Hotel Co., Ltd. in 2015 and the right-of-use assets from the recognition of leases applying IFRS 16 “Leases”. Since the aforementioned assets 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 overestimating the carrying amount of right-of-use assets, 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 assessing 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-based revenue, and cost increase rate). We verify the reasonableness of the assumptions and the accuracy of management’s calculation based on available data.

Emphasis of Matter

As stated in Note 3(a) to the consolidated financial statements, the Group has initially adopted the IFRS 16 “Leases” from January 1, 2019, and applied the full retrospective approach, with restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018 (restated), on which we have issued an unqualified opinion with emphasis of matter paragraph.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 remain solely responsible for our audit opinion.

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 24, 2020

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 auditor's audit 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 auditor's audit 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, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

		December 31, 2019		(Restated) December 31, 2018		(Restated) January 1, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 334,636	6	306,790	5	399,588	6
1150	Notes receivable, net (note 6(b), (n) and 7)	29,277	1	27,940	-	34,669	1
1170	Accounts receivable, net (note 6(b), (n) and 7)	54,521	1	58,174	1	53,246	1
1220	Current tax assets	234	-	193	-	-	-
1476	Other current financial assets (note 6(a) and (f))	251,191	4	161,658	3	8,914	-
1479	Other current assets	17,926	-	23,145	-	18,069	-
		687,785	12	577,900	9	514,486	8
	Non-current assets:						
1600	Property, plant and equipment (note 6(c))	1,181,816	20	1,256,031	21	1,290,266	20
1755	Right-of-use assets (note 3(a) and 6(d))	3,278,251	56	3,543,525	58	3,915,561	61
1780	Intangible assets (note 6(e))	414,287	7	426,903	7	451,671	7
1840	Deferred tax assets (note 3(a) and 6(k))	100,000	2	96,390	2	86,471	1
1980	Other non-current financial assets(note 6(f), 7 and 8)	166,504	3	156,763	3	156,035	3
1990	Other non-current assets	71	-	798	-	6,828	-
		5,140,929	88	5,480,410	91	5,906,832	92
	Total assets	**$ 5,828,714**	**100**	**6,058,310**	**100**	**6,421,318**	**100**

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

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

		December 31, 2019		(Restated) December 31, 2018		(Restated) January 1, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term borrowings (note 6(g))	$ 390,000	7	430,000	7	470,000	7
2130	Current contract liabilities (note 6(n))	10,587	-	8,972	-	-	-
2150	Notes payable	1,242	-	4,150	-	11,995	-
2170	Accounts payable (note 7)	49,212	1	47,597	1	41,906	1
2200	Other payable (note 6(c), (o) and 7)	55,473	1	53,836	1	53,165	1
2230	Current tax liabilities	-	-	4,360	-	426	-
2280	Current lease liabilities (note 3(a), 6(h) and 7)	365,054	6	356,314	6	347,859	6
2399	Other current liabilities (note 6(n))	1,411	-	1,767	-	7,116	-
		872,979	15	906,996	15	932,467	15
	Non-Current liabilities:						
2580	Non-current lease liabilities (note 3(a), 6(h) and 7)	3,243,711	56	3,499,673	58	3,855,988	60
2645	Guarantee deposits	1,228	-	828	-	828	-
		3,244,939	56	3,500,501	58	3,856,816	60
	Total liabilities	4,117,918	71	4,407,497	73	4,789,283	75
	Equity attributable to owners of parent(notes 3(a) and 6(l)):						
3100	Capital stock	1,097,283	19	1,097,283	18	1,097,283	17
3200	Capital surplus	604,393	10	604,393	10	604,393	9
3310	Legal reserve	8,923	-	4,844	-	-	-
3350	Unappropriated retained earnings (accumulated deficit)	197	-	(55,707)	(1)	(69,641)	(1)
	Total equity	1,710,796	29	1,650,813	27	1,632,035	25
	Total liabilities and equity	**$ 5,828,714**	**100**	**6,058,310**	**100**	**6,421,318**	**100**

See accompanying notes to consolidated financial statements.

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

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019 Amount	%	(Restated) 2018 Amount	%
4000	**Operating revenues (note 6(n) and 7)**	$ 1,218,871	100	1,161,786	100
5000	**Operating costs (note 6(c), (d), (e), (j) and 7)**	890,473	73	873,933	75
	Gross profit from operations	328,398	27	287,853	25
	Operating expenses (note 6(c), (d), (e), (h), (j) and 7):				
6100	Selling expenses	122,616	10	112,016	10
6200	Administrative expenses	70,524	6	67,656	6
6300	**Operating expenses**	193,140	16	179,672	16
	Operating income	135,258	11	108,181	9
	Non-operating income and expenses (note 6(c), (e), (p) and 7):				
7010	Other income	3,329	-	1,661	-
7020	Other gains and losses, net	8,245	1	(1,540)	-
7050	Finance costs	(87,906)	(7)	(94,159)	(8)
		(76,332)	(6)	(94,038)	(8)
7900	**Profit before income tax**	58,926	5	14,143	1
7950	Less: Income tax gains (note 6(k))	(1,057)	-	(4,635)	-
	Profit	59,983	5	18,778	1
8300	**Other comprehensive income, net**	-	-	-	-
8500	**Comprehensive income**	**$ 59,983**	**5**	**18,778**	**1**
	Profit attributable to:				
8610	Owners of parent	**$ 59,983**	**5**	**18,778**	**1**
	Comprehensive income attributable to:				
8710	Owners of parent	**$ 59,983**	**5**	**18,778**	**1**
	Basic earnings per share (note 6(m))				
9710	Basic earnings per share (NT dollars)	**$**	**0.55**		**0.17**
9810	Diluted earnings per share (NT dollars)	**$**	**0.55**		**0.17**

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, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

	Equity attributable to owners of parent					
			Retained earnings			
	Capital stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total equity attributable to owners of parent	Total equity
Balance on January 1, 2018	$ 1,097,283	604,393	-	48,441	1,750,117	1,750,117
Effects of retrospective application	-	-	-	(118,082)	(118,082)	(118,082)
Balance on January 1, 2018 (restated)	1,097,283	604,393	-	(69,641)	1,632,035	1,632,035
Profit for the year ended December 31, 2018 (restated)	-	-	-	18,778	18,778	18,778
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2018 (restated)	-	-	-	18,778	18,778	18,778
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	4,844	(4,844)	-	-
Balance on December 31, 2018 (restated)	1,097,283	604,393	4,844	(55,707)	1,650,813	1,650,813
Profit for the year ended December 31, 2019	-	-	-	59,983	59,983	59,983
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2019	-	-	-	59,983	59,983	59,983
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	4,079	(4,079)	-	-
Balance on December 31, 2019	**$ 1,097,283**	**604,393**	**8,923**	**197**	**1,710,796**	**1,710,796**

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, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

	2019	(Restated) 2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 58,926	14,143
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	512,439	501,065
Amortization expense	22,029	27,508
Interest expense	87,906	94,159
Interest income	(3,329)	(1,661)
Impairment loss on non-financial assets	150	4,382
Total adjustments to reconcile profit	619,195	625,453
Changes in operating assets and liabilities:		
Notes receivable	(1,337)	6,729
Accounts receivable	3,653	(4,928)
Other current assets	5,219	(5,033)
Other financial assets	467	(244)
Contract liabilities	1,615	2,984
Notes payable	(2,908)	(7,845)
Accounts payable	1,615	5,691
Other payable	633	15,335
Other current liabilities	(356)	639
Total changes in operating assets and liabilities	8,601	13,328
Total adjustments	627,796	638,781
Cash inflow generated from operations	686,722	652,924
Interest received	3,329	1,661
Interest paid	(88,271)	(94,164)
Income taxes paid	(6,954)	(1,586)
Net cash flows from operating activities	594,826	558,835

(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, 2019 and 2018

(expressed in thousands of New Taiwan Dollar)

	2019	(Restated) 2018
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(56,307)	(110,445)
Acquisition of intangible assets	(8,686)	(100)
Increase other financial assets	(99,741)	(153,228)
Net cash flows used in investing activities	(164,734)	(263,773)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(40,000)	(40,000)
Increase in guarantee deposits	400	-
Payment of lease liabilities	(362,646)	(347,860)
Net cash flows from (used in) financing activities	(402,246)	(387,860)
Net increase (decrease) in cash and cash equivalents	27,846	(92,798)
Cash and cash equivalents at beginning of period	306,790	399,588
Cash and cash equivalents at end of period	$ **334,636**	**306,790**

See accompanying notes to consolidated financial statements.

(expressed in thousands of New Taiwan Dollar 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.

A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8, 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10401220100 issued by the Ministry of Economy on November 18, 2019.

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 24, 2020.

(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, 2019.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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.

The Group applied IFRS 16 using the full retrospective approach, under which the cumulative effect of initial application is recast for comparative period in the consolidated financial statements. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(i).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply the recognition exemptions to short-term leases of machinery, where the right-of-use assets and lease liabilities for short-term leases of its machinery are not recognized. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term. As for other leases of assets previously classified as operating leases under IAS17, the Group recognizes the right-of-use assets and lease liabilities.

(Continued)

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

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset.

4) Impacts on financial statements

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.25%. The explanation of impact on consolidated financial statements disclosed as follows:

	December 31, 2018		
Impacted line items on the consolidated balance sheet	**Balance before restatement**	**Impact of changes in accounting policies**	**Balance after restatement**
Right-of-use assets	$ -	3,543,525	3,543,525
Deferred income tax assets	59,378	37,012	96,390
Impact on assets		**3,580,537**	
Current lease liabilities	-	356,314	356,314
Non-current lease liabilities	-	3,499,673	3,499,673
Long-term accounts payable	135,356	(135,356)	-
Impact on liabilities		**3,720,631**	
Reatined earnings	84,387	(140,094)	(55,707)
Impact on equity		**(140,094)**	

	January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balance before restatement**	**Impact of changes in accounting policies**	**Balance after restatement**
Right-of-use assets	$ -	3,915,561	3,915,561
Deferred income tax assets	50,339	36,132	86,471
Impact on assets		**3,951,693**	
Current lease liabilities	-	347,859	347,859
Non-current lease liabilities	-	3,855,988	3,855,988
Long-term accounts payable	134,072	(134,072)	-
Impact on liabilities		**4,069,775**	
Reatined earnings	48,441	(118,082)	(69,641)
Impact on equity		**(118,082)**	

(Continued)

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

Impacted line items on the consolidated stataements of comprehensive income	2018 Balance before restatement	Impact of changes in accounting policies	Balance after restatement
Cost of sales	$ (940,536)	66,603	(873,933)
Administrative expenses	(67,826)	170	(67,656)
Finance costs	(4,494)	(89,665)	(94,159)
Impact on profit before income tax	37,035	(22,892)	14,143
Income tax expense	3,755	880	4,635
Impact on profit	**$ 40,790**	**(22,012)**	**18,778**
Basic earnings per share (NT dollars)	**$ 0.37**	**(0.20)**	**0.17**
Diluted earnings per share (NT dollars)	**$ 0.37**	**(0.20)**	**0.17**

Impacted line items on the consolidated stataements of cash flows	2018 Balance before restatement	Impact of changes in accounting policies	Balance after restatement
Cash flows from operating activities:			
Profit before income tax	$ 37,035	(22,892)	14,143
Adjustments:			
Deprectation expense	129,029	372,036	501,065
Interest expense	4,494	89,665	94,159
Lease expense	1,284	(1,284)	-
Interest paid	(4,499)	(89,665)	(94,164)
Impact on net cash flows from operating activities		**347,860**	
Cash flows from financing activities:			
Payment of principal of lease liabilities	-	(347,860)	(347,860)
Impact on net cash flows from financing activities		**(347,860)**	

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

(Continued)

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

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These consolidated 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 consolidated 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 Dollar (NTD), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. 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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**December 31, 2019**	**December 31, 2018**	**Notes**
The company	Green World Hotel ZhongHua Co., Ltd.	Hotels	- % (Note)	100 %	The Company holds more than 50% of the investee’s shares.
The company	Green World Solutions Co., Ltd.	Human Resources	100 %	- %	The Company holds more than 50% of the investee’s shares.

Note : A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8, 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10401220100 issued by the Ministry of Economy on November 18, 2019.

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

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(i) an investment in equity securities designated as at fair value through other comprehensive income;

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

(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 (as defined in IAS 7) 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) The Group 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 comprises cash on hand and demand deposits. Cash equivalents are 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

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

2) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime 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.

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 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**.**

The Group considers time deposits to have low credit risk, since the counterparties are financial institutions with good rating.

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.

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.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 90 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(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.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings 21 years
- Transportation equipment 8 years
- Leasehold improvements 2~19 years
- Other equipment 3~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

   - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

(Continued)

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When assessing at inception of a contract or reassessing whether a contract contains a lease, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component, instead.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(j) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) 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 expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Trademark 10 years
- Customer relationships 10 years
- Computer software 1~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Recognition of revenue

(i) Revenue from contracts with customers

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.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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 taxes comprise 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities ; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which the can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(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.

(Continued)

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn 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 to 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

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

In the process of evaluating the potential impairment of right-of-use assets, 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 based 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 overestimating the carrying amount of right-of-use assets, intangible assets, property, plant, and equipment. Please refer to note 6(c), (d), and (e) for further description of recoverable amount and impairment assessment.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and petty cash	$ 3,196	3,304
Demand deposits	330,950	302,484
Check deposit	490	1,002
Cash and cash equivalents in the consolidated statement of cash flows	**$ 334,636**	**306,790**

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

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

As of December 31, 2019 and 2018, the bank time deposits with original maturities of more than three months are $250,000 thousand and $160,000 thousand, respectively, and presented as other current financial assets.

(b) Notes and trade receivables

	December 31, 2019	December 31, 2018
Notes receivables (including related party)	$ 29,277	27,940
Trade receivables (including related party)-measured at amortized cost	54,531	58,184
Less: Loss allowance	(10)	(10)
	$ 83,798	86,114

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. 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 provisions were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 83,788	0%	-
1 to 60 days past due	10	0%	-
More than 181 days past due	10	100%	10
	$ 83,808		10

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 86,070	0%	-
1 to 60 days past due	44	0%	-
More than 181 days past due	10	100%	10
	$ 86,124		10

The movement in the allowance for notes and trade receivables were as follows:

	For the years ended December 31	
	2019	2018
Balance on December 31, 2019 and 2018 (i.e. Balance on January 1, 2019 and 2018)	$ 10	10

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

As of December 31, 2019 and 2018, the Group didn't provide any receivables as collateral for its borrowings.

(c) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Land	Buildings and construction	Leasehold improvement and other facilities	Construction in progress	Total
Cost or deemed cost:					
Balance on January 1, 2019	$ 105,621	12,223	1,565,431	342	1,683,617
Additions	-	-	6,576	51,100	57,676
Reclassifications	-	-	3,776	(3,776)	-
Balance on December 31, 2019	**$ 105,621**	**12,223**	**1,575,783**	**47,666**	**1,741,293**
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**
Depreciation and impairments loss:					
Balance on January 1, 2019	$ -	2,379	425,207	-	427,586
Depreciation	-	559	131,182	-	131,741
Impairment loss	-	-	150	-	150
Balance on December 31, 2019	**$ -**	**2,938**	**556,539**	**-**	**559,477**
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**
Carrying amounts:					
Balance on December 31, 2019	**$ 105,621**	**9,285**	**1,019,244**	**47,666**	**1,181,816**
Balance on January 1, 2018	**$ 105,621**	**10,403**	**1,161,030**	**13,212**	**1,290,266**
Balance on December 31, 2018	**$ 105,621**	**9,844**	**1,140,224**	**342**	**1,256,031**

(i) As of December 31, 2019 and 2018, due to payments to hotels maintenance of lease buildings, the Group recognized other payables amounting to $4,455 thousand and $3,086 thousand, respectively.

(ii) During the year 2019 and 2018, since the carrying amount of certain hotels was determined to be higher than its recoverable amount, impairment losses of leasehold improvement and other facilities of $150 thousand and $992 thousand, respectively, were recognized as other gains and losses in the consolidated statement of comprehensive income. Please refer to note 6(e) for the key assumptions used in the estimation of value in use.

(iii) As of December 31, 2019 and 2018, the property, plant and equipment of the Group had not been pledged as collateral for borrowings.

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

(d) Right-of-use assets

The cost and depreciation of the leased buildings were as follows:

		Buildings
Cost:		
Balance on January 1, 2019 (restated)	$	5,222,440
Additions		115,424
Balance on December 31, 2019	**$**	**5,337,864**
Balance on January 1, 2018 (restated)	$	5,222,440
Balance on December 31, 2018 (restated)	**$**	**5,222,440**
Accumulated depreciation:		
Balance on January 1, 2019 (restated)	$	1,678,915
Depreciation		380,698
Balance on December 31, 2019	**$**	**2,059,613**
Balance on January 1, 2018 (restated)	$	1,306,879
Depreciation (restated)		372,036
Balance on December 31, 2018 (restated)	**$**	**1,678,915**
Carrying amounts:		
Balance on December 31, 2019	**$**	**3,278,251**
Balance on January 1, 2018 (restated)	**$**	**3,915,561**
Balance on December 31, 2018 (restated)	**$**	**3,543,525**

(e) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Goodwill	Trademark	Customer relationships	Computer software	Total
Costs:						
Balance on January 1, 2019	$	346,883	53,000	143,000	9,351	552,234
Additions		-	-	-	8,686	8,686
Balance on December 31, 2019	**$**	**346,883**	**53,000**	**143,000**	**18,037**	**560,920**
Balance on January 1, 2018	$	346,883	53,000	143,000	9,251	552,134
Additions		-	-	-	100	100
Balance on December 31, 2018	**$**	**346,883**	**53,000**	**143,000**	**9,351**	**552,234**

(Continued)

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

	Goodwill	Trademark	Customer relationships	Computer software	Total
Accumulated amortization and impairment losses					
Balance on January 1, 2019	$ 48,875	18,954	51,142	6,360	125,331
Amortization for the year	-	5,172	13,953	2,177	21,302
Balance on December 31, 2019	**$ 48,875**	**24,126**	**65,095**	**8,537**	**146,633**
Balance on January 1, 2018	$ 45,485	13,783	37,189	4,006	100,463
Amortization for the year	-	5,171	13,953	2,354	21,478
Impairment loss	3,390	-	-	-	3,390
Balance on December 31, 2018	**$ 48,875**	**18,954**	**51,142**	**6,360**	**125,331**
Carrying value:					
Balance on December 31, 2019	**$ 298,008**	**28,874**	**77,905**	**9,500**	**414,287**
Balance on January 1, 2019	**$ 301,398**	**39,217**	**105,811**	**5,245**	**451,671**
Balance on December 31, 2018	**$ 298,008**	**34,046**	**91,858**	**2,991**	**426,903**

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

	For the years ended December 31	
	2019	**2018**
Cost of sales	$ 151	222
Operating expenses	21,151	21,256
Total	**$ 21,302**	**21,478**

(ii) The recoverable amount of the cash-generating units (CGUs) of hotel business was based on its value in use. During the year 2018, 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 consolidated statement of comprehensive income.

(iii) For impairment testing purposes, goodwill had been allocated to individual cash-generating units as follows:

	Carrying amount	Amount after deducting impairment losses December 31, 2019	Amount after deducting impairment losses December 31, 2018
A	$ 52,018	52,018	52,018
B	24,598	24,598	24,598
C	63,280	55,360	55,360
D	28,695	28,695	28,695
E	56,478	56,478	56,478
F	8,416	-	-
G	64,255	34,883	34,883
H	13,210	10,043	10,043
I	15,854	15,854	15,854
J	20,079	20,079	20,079
	$ 346,883	**298,008**	**298,008**

(Continued)

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

As of December 31, 2019 and 2018, the recoverable amount of the 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 in 2018 was recognized. The impairment loss was fully allocated to goodwill and reported in '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, 2019	(Restated) December 31, 2018
Discount rate	2.81%	3.57%
Terminal value growth rate	1%～10%	1%～10%

As of December 31, 2019 and 2018, the discount rates were determined based on weighted average cost of capital of industry. The cash flow projections are based on five-year period financial budgets approved by 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 the continuing use of the CGUs. Unless otherwise stated, the value in use of CGUs and key assumptions used had been applied consistently with those described in the financial statements for the year ended December 31, 2018.

1) The estimate of cash flow is based on past experience, actual operating results, and lease expiration date. Due to 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) Estimating operating costs and expenses in financial budgets are based on past experience and various factors of operating costs and expenses.

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

The value of this 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 summarized as follows:

	December 31, 2019	December 31, 2018
Current		
Other receivables	$ 1,191	1,658
Time deposits	250,000	160,000
Subtotal	251,191	161,658

(Continued)

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

	December 31, 2019	December 31, 2018
Non-current		
Lease deposits	$ 161,074	154,706
Other deposits	5,430	2,057
Subtotal	166,504	156,763
	$ **417,695**	**318,421**

(g) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ **390,000**	**430,000**
Range of interest rates	**1%**	**1%**

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

(h) Lease liabilities

The Group's lease liabilities were as follows:

	December 31, 2019	(Restated) December 31, 2018
Current	$ 365,054	356,314
Non-current	3,243,711	3,499,673
	$ **3,608,765**	**3,855,987**

For the maturity analysis, please refer to note 6(q).

The amount recognized in profit or loss was as follows:

Interest on lease liabilities, please refer to note 6(p)(iii).

	For the years ended December 31	
	2019	(Restated) 2018
Income from sub-leasing right-of-use assets	$ **19,848**	**25,721**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ **3,398**	**3,239**

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

The amounts recognized in the statement of cash flows for the Group were as follows:

	For the years ended December 31	
	2019	(Restated) 2018
Total cash outflow for leases	$ 449,913	440,764

Real estate leases

As of December 31,2019, the Group leases buildings for its hotel business. The leases typically run for a period of 3 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases contain extension options exercisable by the Group. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(i) Operating lease

Non-cancellable operating lease rentals payable was as follows:

Leases as lessor

	December 31, 2019	(Restated) December 31, 2018
Less than one year	$ 15,732	18,709
One to two years	7,639	7,909
Two to three years	3,780	7,639
Three to four years	-	5,780
Four to five years	-	3,429
More than five years	-	17,142
Total undiscounted lease payments	$ 27,151	60,608

(j) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee' s monthly wages 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 contributions to the Bureau of the Labor Insurance amounted to $11,619 and $10,570 for the years ended December 31, 2019 and 2018, respectively.

(Continued)

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

(k) Income Tax

(i) Income tax

The components of income tax in the years 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	(Restated) 2018
Current tax expense		
Current period	$ 2,552	924
Adjustment for prior periods	1	-
Undistributed earnings additional tax	-	4,360
	2,553	5,284
Deferred tax revenue		
Origination and reversal of temporary differences	(3,610)	(156)
Adjustment in tax rate	-	(9,763)
	(3,610)	(9,919)
Income tax gains	**$ (1,057)**	**(4,635)**

Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	For the years ended December 31	
	2019	(Restated) 2018
Profit excluding income tax	$ 58,926	14,143
Income tax using the Company's domestic tax rate	11,785	2,829
Non-deductible expenses	2,771	2,769
Impairment losses	30	876
Recognition of previously unrecognized tax losses	(12,743)	(2,859)
Current-year losses for which no deferred tax asset was recognized	42	-
Adjustment in tax rate	-	(9,763)
Change in provision in prior periods	1	-
Undistributed earnings addtional tax	-	4,360
Others	(2,943)	(2,847)
	$ (1,057)	**(4,635)**

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2019	(Restated) December 31, 2018
The carry forward of unused tax losses	$ 148,731	189,958

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 2019 and 2018 were as follows:

Deferred tax assets

	Used tax loss	Rental expenses	Total
Balance on January 1, 2019	$ 33,898	62,492	96,390
Recognized in profit or loss	-	3,610	3,610
Balance on December 31, 2019	**$ 33,898**	**66,102**	**100,000**
Balance on January 1, 2018 (Restated)	$ 28,813	57,658	86,471
Recognized in profit or loss	5,085	4,834	9,919
Balance on December 31, 2018 (Restated)	**$ 33,898**	**62,492**	**96,390**

3) As of December 31, 2019, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2009	$ 193,111	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
2019	211	2029
	$ 913,146	

(Continued)

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

(iii) Business income tax administrative remedies

The Corporation's income tax return for the year 2017 had been examined by the tax authorities.

(l) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were both amounted to $2,500,000 thousand, with par value of $10 per share. As of that date, ordinary shares amounted $1,097,283 thousand (including private placement $594,334 thousand) were issued. All issued shares were paid up upon issuance.

(i) Ordinary and preferred shares

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, 2019 and 2018, there were both 59,433 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.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
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.

(Continued)

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

(iii) Retained earnings

The Company's 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

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 28, 2019 and June 26, 2018 passed a resolution that earnings of 2018 and 2017 would not be distributed except for retaining $4,079 thousand and $4,844 thousand as legal reserve, respectively.

(m) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	**(Restated) 2018**
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 59,983	18,778
Weighted average number of ordinary shares on December 31	109,728	109,728
Earnings per share (dollars)	$ 0.55	0.17
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (diluted)	$ 59,983	18,778
Weighted average number of ordinary shares on December 31	109,728	109,728
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	31	19
Weighted average number of ordinary shares (diluted) on December 31	$ 109,759	109,747
	$ 0.55	0.17

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

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31 2019	2018
Primary geographical markets:		
Taiwan	$ **1,218,871**	**1,161,786**
Major products/ services lines:		
Hotel room service	$ 1,086,646	1,027,763
Hotel catering service	110,316	105,928
Management consultancy services	1,800	1,930
Leasing services	20,058	25,721
Sale of products service	51	444
	$ **1,218,871**	**1,161,786**

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	$ 83,808	86,124	87,925
Less: allowance for impairment	(10)	(10)	(10)
Total	$ **83,798**	**86,114**	**87,915**
Contract liabilities-hotel room service/ unearned revenue	$ **10,587**	**8,972**	**5,988**

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $8,867 thousand and $5,988 thousand, respectively.

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 2019 and 2018.

(o) 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 recipients of shares and cash may include the employees of the Group’s affiliated companies who meet certain conditions.

(Continued)

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

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $415 thousand and $261 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 2019 and 2018. 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 2019 and 2018.

(p) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2019	**2018**
Interest income	**$ 3,329**	**1,661**

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2019	**2018**
Foreign exchange gains	$ 1,501	1,680
Impairment loss on property, plant and equipment	(150)	(992)
Impairment loss on intangible assets	-	(3,390)
Others	6,894	1,162
	$ 8,245	**(1,540)**

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2019	**(Restated) 2018**
Interest expense of bank loans	$ 4,037	4,494
Interest expense of lease liabilities	83,869	89,665
	$ 87,906	**94,159**

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

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

The cash and deposits are deposited in different financial institutions. The Group manages the credit risk exposure with each of these financial institutions, and believes that cash and deposits do not have significant credit risk concentration.

The major business activities of the Group are management consultancy services and hotel business services. The major customers of the Group are centralized in the general customers and travel agencies. Since some of travel agencies are related parties, the Group believes that there is credit risk concentration. However, the Group periodically evaluates the possibility of collecting accounts receivable, and it doesn't expect to have significant loss in the future.

3) Receivables

For credit risk exposure of notes 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 are 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 are considered to have low credit risk, please refer to note 4(g).

There was no increase in loss allowance provision during 2019 and 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, 2019					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	$ 105,927	105,927	105,927	-	-
Lease liabilities	3,608,765	4,052,577	442,506	1,721,965	1,888,106
Fixed rate instruments	390,000	391,815	391,815	-	-
	$ 4,104,692	**4,550,319**	**940,248**	**1,721,965**	**1,888,106**

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

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2018 (Restated)					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 105,583	105,583	105,583	-	-
Lease liabilities	3,855,987	4,375,000	439,391	1,680,979	2,254,630
Fixed rate instruments	430,000	432,560	432,560	-	-
	$ 4,391,570	**4,913,143**	**977,534**	**1,680,979**	**2,254,630**

The Group 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 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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Group's net income would have increased / decreased by $2,648 thousand and $2,420 thousand for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant, respectively. This is mainly due to the changes in the Group's variable-interest-rate-deposits.

(iv) Fair value of financial instruments

1) Fair value hierarchy

For financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

The Group's supervisors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's supervisor 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.

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 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, 2019, no other guarantees were outstanding (2018: none).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. As of December 31, 2019 and 2018, the Group's unused credit line were 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.

(s) 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, issue new shares or sell assets to settle any liabilities.

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, 2019, the Group's capital management strategy is consistent with the prior year as of December 31, 2018, 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, 2019 and December 31, 2018, is as follows:

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

	December 31, 2019	(Restated) December 31, 2018
Total liabilities	$ 4,117,918	4,407,497
Less: cash and cash equivalents	(334,636)	(306,790)
Net debt	**$ 3,783,282**	**4,100,707**
Total equity	**$ 1,710,796**	**1,650,813**
Adjusted equity	**$ 5,494,078**	**5,751,520**
Debt-to-equity ratio on December 31	**68.86%**	**71.30%**

(t) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2019 and 2018 were as follows:

(i) For right-of-use assets by leasing, please refer to note6(d).

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

H.I.S. Hotel Holdings Co., Ltd. is the parent company of the Company, holding 51% of all outstanding shares of the company. The ultimate controlling party of the Group is H.I.S. Co., Ltd..

(b) Names and relationship with related parties

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

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

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

(c) Significant transactions with related parties

(i) Sales

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

	For the years ended December 31	
	2019	**2018**
Hotel room and catering service revenue		
Other related parties－Sanpu Travel	$ 300,015	291,089
Other related parties	10,508	14,027
Lease Income		
Other related parties－Sanpu Travel	7,800	7,800
Other related parties	2,000	3,000
	$ 320,323	**315,916**

The credit term for hotel room service and catering service is 45 days for related parties and 30 to 60 days for non-related parties. The Group negotiates with each travel agencies according to the current market prices, and offers discount to those lease a constant level of accommodation. The terms of transaction with related parties are the same as those mentioned above, which are not significantly different with those offered to non-related parties.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	**Relationship**	**December 31, 2019**	**December 31, 2018**
Notes receivable	Other related parties－Sampu Travel	$ 27,496	26,310
Notes receivable	Other related parties	564	1,476
Accounts receivable	Other related parties－Sampu Travel	30,667	26,661
Accounts receivable	Other related parties	1,265	1,659
		$ 59,992	**56,106**

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

(iii) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Accounts payable	The Group's main management	$ -	13
Accounts payable	Other related parties	9	-
Other payables	Other related parties	32	244
Other payables	Parent company	870	254
Other payables	The Group's main management	94	-
		$ 1,005	**511**

(iv) The Group rented office buildings and hotels from other related parties, and the rental expenses were determined based on nearby office rental rates. The Group adopted IFRS 16 and recognized its right-of-use assets and lease liabilities. For the years ended December 31, 2019 and 2018, the interest expenses amounted to $16,682 thousand and $17,142 thousand; and the lease liabilities amounted to $701,000 thousand and $775,289 thousand, respectively; and also, the rental deposits, which were recognized as other financial asset-non-current, each amounted to $280 thousand for both years.

(v) Guarantee

As of December 31, 2019 and 2018, the ultimate parent company had provided for loans taken out by the Group. The credit limits of the guarantee were as follows:

	December 31, 2019	December 31, 2018
H.I.S. Co., Ltd.	**$ 390,000**	**430,000**

(vi) Management fee

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

	For the years ended December 31	
	2019	2018
H.I.S. Hotel Holdings Co., Ltd.	**$ 3,009**	**254**

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2019	2018
Short-term employee benefits	$ 7,566	6,828
Post-employment benefits	55	116
	$ 7,621	**6,944**

(Continued)

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Other financial asset-non-current	Guarantee for rental payment	$ 35,500	35,500

(9) Commitments and contingencies:

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

	December 31, 2019	December 31, 2018
The price signed (tax included)	$ 65,571	16,246
The price paid (tax included)	56,546	11,711

(b) Please refer to note 6(h) for the leasing contracts of the Group as of December 31, 2019 and 2018. Besides, the notes payable due to leasing payments were $703,427 thousand and $608,185 thousand, respectively.

(c) As of December 31, 2019 and 2018, the bank issued the guarantees of $3,000 thousand and $0 thousand, respectively, for the Group's human resources management.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

The COVID-19 pandemic outbreak in the early 2020 have impacted the domestic and worldwide tourism, resulting in the decrease in room occupancy rate and on the operation of the Group, as well. The Group will continue to monitor the development of the event and keep its contingency measure and adjustments as needed.

(12) Other:

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

	For the years ended December 31					
	2019			2018 (Restated)		
By funtion / By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	159,503	59,595	219,098	150,841	45,155	195,996
Labor and health insurance	17,350	5,334	22,684	15,584	4,478	20,062
Pension	9,064	2,555	11,619	8,285	2,285	10,570
Remuneration of directors	-	550	550	-	600	600
Others	10,560	3,498	14,058	9,990	3,095	13,085
Depreciation	507,392	5,047	512,439	497,300	3,765	501,065
Amortization	947	21,082	22,029	4,677	22,831	27,508

(Continued)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 Group:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2019 (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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(in thousands of New Taiwan Dollars)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
The company	Sanpu Travel Service Co., Ltd.	other related party	sale	307,815	25 %	O/A 45 days	-		58,163	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: None

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of wnership	Carrying value				
The company	Green World Solutions Co., Ltd.	Taiwan	Human resource	5,000	-	500,000	100.00 %	4,789	100.00 %	(211)	(211)	Subsidiary

(c) Information on investment in mainland China:

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

(ii) Limitation on investment in Mainland China: None

(iii) Significant transactions: None

(14) Segment information:

(a) General Information

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

(b) Major

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.