Stock Code:2542

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: **10F., No.267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)**

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

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Representation Letter

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

Company name: Highwealth Construction Corp.
Chairman: Jr-Lung, Jeng
Date: March 19, 2019

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Independent Auditors' Report

To the Board of Directors of Highwealth Construction Corp.:

Opinion

We have audited the consolidated financial statements of Highwealth Construction Corp. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statement 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 at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended 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.

Emphasis of Matter

We draw attention to Note 3(a) of the consolidated financial statements, which the Group initially adopted the IFRS 9 "Financial Instruments" at January 1, 2018, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

We draw attention to Note 3(a) of the consolidated financial statements, which the Group initially adopted the IFRS 15 "Revenue from Contracts with Customers" at January 1, 2018, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

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 year ended December 31, 2018 of the Group. 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.

1. Revenue recognition

   Please refer to note 4(r) and 6(aa) of the consolidated financial statements for the account poliies on revenue recognition and the details of revenue.

   Description of key audit matter

   The real estate industry, in which the Group is into, has a higher tendency of revenue fluctuation, therefore the management has set up relevant internal control procedures. The Group's sales revenue was $43,863,790 thousands in 2018, whether revenue is presented fairly has a significant impact on financial statement. Therefore, the recognition of sales revenue is one of the most important evaluation in performing our audit procedures.

   Auditing procedures performed

   Our principal audit procedures included testing the effectiveness of the design and implementing the internal control system of sales revenue. Inspection of sales contracts, bank account transaction record and real estate ownership transfer document, etc.. Performing analytical procedures to advance payment to analyze the completeness of accounting procedures. Testing the samples of sales transaction before and after the end of the year to ensure the correctness of sales revenue.

2. Inventory valuation

   Please refer to note 4(h) 、 5 and 6(h) of the consolidated financial statements for the accounting policies on measuring inventory, assumption used and uncertainties considered in determining the net realizable value and the details of inventory.

   Description of key audit matter

   As of December 31, 2018, inventory of the Group valued $91,742,520 thousands, constituting 70% of the consolidated total assets, which was presented with lower of cost or net realizable value method. The judgment of net realizable value of inventory relies on management since the Group focuses on real estate industry, which is not only deeply affected by politics, economics, and revolution of housing and land taxation, but also an industry involving a large portion of capital infusion and long-term payback. Thus, the valuation of inventory is one of the most important evaluation in performing our audit procedures.

   Auditing procedures performed

   Our principal audit procedures included understanding the Group's operating and accounting procedures for inventory valuation. Obtain the Group management' s data of inventory valuation, inspecting and recalculating the net realizable value of inventory to ensure if it is adequate. The net realizable value can be assessed in both ways: through reviewing the recent selling price of the premises, or by inquiring the selling price of premises nearby from the "Actual Selling Price of Real Estate" website.

Other Matter

Highwealth Construction Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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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 Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 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 Ti-Nuan Chien and Kuo Yang Tseng.

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

Notes to Readers

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

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

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 15,052,306	12	10,412,644	8
1110	Financial assets at fair value through profit or loss－current (Notes 6(b) and 8)	630,174	1	729,325	1
1140	Current contract assets (Note 6(aa))	41,924	-	-	-
1150	Notes receivable, net (Notes 6(f) and 8)	1,478,259	1	692,227	1
1170	Accounts receivable, net (Note 6(f))	290,507	-	1,500,668	1
1190	Construction contracts receivable (Note 6(g))	-	-	68,366	-
130X	Inventory (Notes 6(h) and 8)	91,742,520	70	96,144,639	77
1410	Prepayment	420,992	-	1,906,267	2
1476	Other financial assets-current (Notes 6(o)、(aa)、(ae)、8 and 9(b))	4,410,835	3	4,986,975	4
1479	Other current assets, others	155,772	-	220,739	-
1480	Current assets recognised as incremental costs to obtain contract with customers (Note 6(o))	771,251	1	-	-
		114,994,540	88	116,661,850	94
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	528,381	-	-	-
1523	Non-current available-for-sale financial assets (Note 6(d) and 8)	-	-	57,043	-
1543	Non-current financial assets at amortized cost (Note 6(e))	-	-	18,298	-
1550	Investments accounted for using equity method, net (Note 6(i))	96,190	-	-	-
1600	Property, plant and equipment (Notes 6(m) and 8)	3,288,941	3	2,366,802	2
1760	Investment property (Notes 6(n) and 8)	4,337,723	3	1,523,899	1
1780	Intangible assets	25,054	-	26,558	-
1840	Deferred tax assets (Note 6(x))	56,196	-	40,658	-
1980	Other non-current financial assets (Notes 6(o) and 8)	7,486,961	6	3,323,657	3
1990	Other non-current assets, others	87,105	-	87,105	-
		15,906,551	12	7,444,020	6
	Total assets	$ 130,901,091	100	124,105,870	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(p))	$ 42,621,570	32	41,722,634	34
2110	short-term transaction instrument payables (Note 6(q))	4,347,933	3	3,679,065	3
2130	Current contract liabilities (Note 6(aa))	3,356,938	3	-	-
2150	Notes payable	20,012	-	34,694	-
2170	Accounts payable	6,107,062	5	6,284,941	5
2190	Current contract liabilities (Note 6(g))	-	-	5,172	-
2200	Other payables (Note 7)	2,056,757	2	1,967,061	2
2230	Current tax liabilities	363,099	-	34,132	-
2250	Provisions－Current (Notes 6(t) and (w))	218,970	-	162,594	-
2305	Other financial liability-current	21,892	-	17,640	-
2310	Advanced receipts (Notes 6(v) and 9(a))	-	-	8,240,656	7
2321	Current Portion of puttable bonds (Note 6(s))	1,999,919	2	1,238,708	1
2322	Current portion of long-term borrowings (Note 6(r))	211,718	-	4,374	-
2399	Other current liabilities, others	333,494	-	470,657	-
		61,659,364	47	63,862,328	52
	Non-Current liabilities:				
2530	Bonds payable (Note 6(s))	23,083,924	18	22,486,489	18
2540	Long-term borrowings (Note 6(r))	5,766,522	4	3,153,161	3
2570	Deferred tax liabilities (Note 6(x))	248,056	-	248,056	-
2640	Net defined benefit liability, non-current (Note 6(w))	41,077	-	44,766	-
		29,139,579	22	25,932,472	21
	Total liabilities	90,798,943	69	89,794,800	73
	Equity attributable to owners of parent:				
3100	Common stock (Note 6(y))	11,666,266	9	11,666,266	9
3200	Capital surplus (Note 6(y))	304,459	-	2,572,169	2
	Retained earnings:				
3310	Legal reserve (Note 6(y))	6,307,154	5	6,114,228	5
3350	Unappropriated earnings	15,458,602	12	10,404,144	8
3400	Other equity (Note 6(y))	510,427	-	5,394	-
3500	Treasury stock (Note 6(y))	(66,761)	-	(69,429)	-
	Total equity attributable to owners of parent:	34,180,147	26	30,692,772	24
36XX	Non-controlling interests (Note 6(l))	5,922,001	5	3,618,298	3
	Total equity	40,102,148	31	34,311,070	27
	Total liabilities and equity	$ 130,901,091	100	124,105,870	100

See accompanying notes to consolidated financial statements.

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6(g)、(aa) and (ab))**	$ 44,204,971	100	18,670,048	100
5000	**Operating cost (Note 6(h))**	31,032,093	70	13,696,981	73
	Gross profit from operations	13,172,878	30	4,973,067	27
	Operating expenses:				
6100	Selling expenses	2,377,040	5	1,181,577	6
6200	Administrative expenses	1,292,476	3	1,160,316	6
		3,669,516	8	2,341,893	12
	Net operating income	9,503,362	22	2,631,174	15
	Non-operating income and expenses:				
7010	Other income (Notes 6(ad) and 7)	696,204	2	515,729	3
7020	Other gains and losses (Note 6(ad))	125,762	-	293,849	1
7050	Finance costs, net (Note 6(ad))	(872,646)	(2)	(707,739)	(4)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(i))	(1,810)	-	-	-
	Total non-operating income and expenses	(52,490)	-	101,839	-
	Profit from continuing operations before tax	9,450,872	22	2,733,013	15
7950	**Less: Tax expense (Note 6(x))**	712,541	2	290,388	2
	Profit	8,738,331	20	2,442,625	13
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(w))	2,141	-	4,549	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	45,478	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	47,619	-	4,549	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(92)	-	(72)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	3,246	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(92)	-	3,174	-
8300	**Other comprehensive income**	47,527	-	7,723	-
	Total comprehensive income	**$ 8,785,858**	**20**	**2,450,348**	**13**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent company	$ 6,856,144	16	1,929,261	10
8620	Profit, attributable to non-controlling interests	1,882,187	4	513,364	3
		$ 8,738,331	**20**	**2,442,625**	**13**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent company	$ 6,903,671	16	1,936,984	10
8720	Comprehensive income, attributable to non-controlling interests	1,882,187	4	513,364	3
		$ 8,785,858	**20**	**2,450,348**	**13**
	Earnings per share (Note 6(z))				
9750	Basic earnings per share	**$**	**6.01**		**1.69**
9850	Diluted earnings per share	**$**	**5.28**		**1.69**

See accompanying notes to consolidated financial statements.

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Share capital		Retained earnings				Total other equity interest							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 11,666,266	2,583,914	5,479,307	1,529	14,907,090	20,387,926	508	-	1,712	2,220	(62,057)	34,578,269	4,152,077	38,730,346
Profit	-	-	-	-	1,929,261	1,929,261	-	-	-	-	-	1,929,261	513,364	2,442,625
Other comprehensive income	-	-	-	-	4,549	4,549	(72)	-	3,246	3,174	-	7,723	-	7,723
Total comprehensive income	-	-	-	-	1,933,810	1,933,810	(72)	-	3,246	3,174	-	1,936,984	513,364	2,450,348
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	634,921	-	(634,921)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(5,684,971)	(5,684,971)	-	-	-	-	-	(5,684,971)	-	(5,684,971)
Reversal of special reserve	-	-	-	(1,529)	1,529	-	-	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	(148,162)	-	-	-	-	-	-	-	-	-	(148,162)	-	(148,162)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	133,261	-	-	-	-	-	-	-	-	-	133,261	-	133,261
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(118,393)	(118,393)	-	-	-	-	-	(118,393)	118,393	-
Changes in ownership interests in subsidiaries	-	3,156	-	-	-	-	-	-	-	-	(7,372)	(4,216)	4,216	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,169,752)	(1,169,752)
Balance at December 31, 2017	11,666,266	2,572,169	6,114,228	-	10,404,144	16,518,372	436	-	4,958	5,394	(69,429)	30,692,772	3,618,298	34,311,070
Effects of retrospective application	-	-	-	-	325,579	325,579	-	471,689	(4,958)	466,731	-	792,310	43,550	835,860
Equity at beginning of period after adjustments	11,666,266	2,572,169	6,114,228	-	10,729,723	16,843,951	436	471,689	-	472,125	(69,429)	31,485,082	3,661,848	35,146,930
Profit	-	-	-	-	6,856,144	6,856,144	-	-	-	-	-	6,856,144	1,882,187	8,738,331
Other comprehensive income	-	-	-	-	2,141	2,141	(92)	45,478	-	45,386	-	47,527	-	47,527
Total comprehensive income	-	-	-	-	6,858,285	6,858,285	(92)	45,478	-	45,386	-	6,903,671	1,882,187	8,785,858
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	192,926	-	(192,926)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,740,607)	(1,740,607)	-	-	-	-	-	(1,740,607)	-	(1,740,607)
Cash dividends from capital surplus	-	(2,342,586)	-	-	-	-	-	-	-	-	-	(2,342,586)	-	(2,342,586)
Due to donated assets received	-	3,396	-	-	-	-	-	-	-	-	-	3,396	-	3,396
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	93,282	-	-	-	-	-	-	-	-	-	93,282	-	93,282
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(202,957)	(202,957)	-	-	-	-	-	(202,957)	-	(202,957)
Changes in ownership interests in subsidiaries	-	(21,802)	-	-	-	-	-	-	-	-	2,668	(19,134)	19,134	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	358,832	358,832
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,084	7,084	-	(7,084)	-	(7,084)	-	-	-	-
Balance at December 31, 2018	**$ 11,666,266**	**304,459**	**6,307,154**	**-**	**15,458,602**	**21,765,756**	**344**	**510,083**	**-**	**510,427**	**(66,761)**	**34,180,147**	**5,922,001**	**40,102,148**

See accompanying notes to consolidated financial statements.

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit before tax	$	9,450,872	2,733,013
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		92,455	84,167
Amortization expense		10,307	10,746
Expected credit loss / Provision (reversal of provision) for bad debt expense		-	2,503
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		149,629	(314,256)
Interest expense		872,646	707,739
Interest income		(28,774)	(21,698)
Dividend income		(95,739)	(39,947)
Share of loss of associates and joint ventures accounted for using equity method		1,810	-
Loss on disposal of property, plan and equipment		10,840	3,087
Loss (gain) on disposal of investment properties		(288,513)	3,826
Gain on disposal of investments		-	(2)
Other revenue, overdue dividends and compensation of board and directors		3,396	-
Total adjustments to reconcile profit (loss)		728,057	436,165
Changes in operating assets and liabilities:			
Changes in operating assets:			
Increase in financial assets held for trading		-	(27,130)
Net gain on financial assets or liabilities at fair value through profit or loss		(50,478)	-
Decrease in contract assets		240,472	-
Increase in notes receivable		(786,032)	(15,358)
Decrease (increase) in accounts receivable		996,131	(874,769)
Increase in construction contracts receivable		-	(2,827)
Decrease (increase) in inventories		2,296,129	(5,589,824)
Decrease (increase) in prepayments		370,780	(55,316)
Decrease (increase) in other current assets		64,967	(38,510)
Decrease in other financial assets		800,467	243,916
Decrease in assets recognised as incremental costs to obtain contract with customers		697,828	-
Total changes in operating assets		4,630,264	(6,359,818)
Changes in operating liabilities:			
Decrease in contract liabilities		(4,888,890)	-
Decrease in notes payable		(14,682)	(16,942)
Decrease in accounts payable		(177,877)	(258,944)
Decrease in construction contracts receivable		-	(188,747)
Increase (decrease) in other payables		71,140	(485,037)
Increase in provisions		56,376	2,425
Increase in receipts in advance		-	1,243,730
Increase in other financial liabilities		4,252	3,270
(Decrease) increase in other current liabilities		(137,163)	188,635
(Decrease) increase in net defined benefit liability		(1,548)	190
Total changes in operating liabilities		(5,088,392)	488,580
Total changes in operating assets and liabilities		(458,128)	(5,871,238)
Total adjustments		269,929	(5,435,073)
Cash inflow generated from operations		9,720,801	(2,702,060)
Income taxes paid		(356,234)	(461,585)
Net cash flows from (used in) operating activities		9,364,567	(3,163,645)

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

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	59,169	-
Proceeds from capital reduction of financial assets at cost	-	2
Acquisition of investments accounted for using equity method	(98,000)	-
Net cash flow from acquisition of subsidiaries	-	(3,630,739)
Acquisition of property, plant and equipment	(719,085)	(29,473)
Proceeds from disposal of property, plant and equipment	-	1,494
Acquisition of intangible assets	(8,831)	(11,746)
Acquisition of investment properties	(531,548)	(132,882)
Proceeds from disposal of investment properties	446,454	30,310
Increase in prepayments for business facilities	-	(2,178)
Interest received	28,393	21,491
Dividends received	95,739	39,947
Net cash flows from (used in) investing activities	(727,709)	(3,713,774)
Cash flows from (used in) financing activities:		
Increase in short-term loans	26,200,549	33,996,073
Decrease in short-term loans	(24,507,163)	(29,350,329)
Increase in short-term notes and bills payable	668,868	313,586
Proceeds from issuing bonds	2,497,500	11,993,705
Proceeds from long-term debt	2,103,511	-
Repayments of long-term debt	(71,026)	(4,320)
Increase in other financial liabilities	(4,432,244)	(1,942,035)
Cash dividends paid	(3,989,911)	(5,699,872)
Interest paid	(1,370,631)	(1,288,917)
Changes in non-controlling interests	(1,096,582)	(1,299,686)
Net cash flows from (used in) financing activities	(3,997,129)	6,718,205
Effect of exchange rate changes on cash and cash equivalents	(67)	(58)
Net increase (decrease) in cash and cash equivalents	4,639,662	(159,272)
Cash and cash equivalents at beginning of the year	10,412,644	10,571,916
Cash and cash equivalents at end of the year	$ **15,052,306**	**10,412,644**

See accompanying notes to consolidated financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Highwealth Construction Corp. (the "Company") was incorporated in Jaunary 1980 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). Originally known as Yufu Construction Co., Ltd. after several times of rename. It changed its name to Hongju Construction Co., Ltd. after the acquisition of Hongju Construction Co., Ltd. in May 1989. Hongju Construction acquired Highwealth Construction Corp. in 2000 and changed its name to Highwealth Construction Corp. in May 2003. The Company's registered address is 10F, No.267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) The consolidated financial statements of the Company as of and for the year ended December 31, 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily engages in the business of construction, sales, and leasing of residential and commercial buildings, please refer to note 14 for the Group's main business activities.

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

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

(3) New standards, amendments and interpretations adopted:

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

The Group has prepared its consolidated financial statements in conformity with the following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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

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

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

1) Revenue from sales of real estate

The current sales of real estate contracts are handled in accordance to the sales of commodity agreement. Revenue is recognized when the construction of the premises is completed and delivered to the customer since revenue and cost at that point in time can be reliably measured, the selling price is likely to be recovered, and the Group no longer participates in the management of the commodity. Under International Financial Reporting Standards 15, it is necessary to assess whether the contractual commitments will gradually satisfy performance obligations over time or meet performance obligations at a certain point in time. The Group's preliminary assessment of the contract for the sales of real estate still meets the performance obligations at a certain point in time, and since the time of transfer and control of major risks and rewards from the ownership of the premises to customer is similar; thus does not have a significant impact.

2) Major financing components - Prepayment of premises

The current standard has not stipulated the imputed interest for prepayment of premises, thus, the Group has not currently adjusted the consideration for the pre-acquisition. Under International Financial Reporting Standard 15, prepayments should also be assessed to ensure whether it contains significant financial component to determine whether adjustments are required to reflect the effect of the time value of money. Based on individual contracts, the Group pre-assesses the contract price and the current sales price, which does not contain significant financing factors; thus, does not have a significant financial component. It is expected to not have any significant impact on the consolidated financial statement.

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract when they are approved and carried out as the modification of the contract. Based on its assessment, the Group does not expect the application of IFRS 15 to have any significant impact on its consolidated financial statements.

4) Incremental costs of acquiring customer contracts

The Group commissioned advertisers and the selling department of the Group to sale real estates, the current expenditures are recognized as acquisition of capitalized contract costs, and are recognized as expenses when they are sold in real estate; if they do not meet the requirements, they are immediately recognized as expenses when they occur. Under International Financial Reporting Standard No. 15, if it meets the expected incremental cost of requisitioning customer contracts through sales of premises, it should be classified as an asset and be consistent with the transfer of the pre-sale house to the customer. As a result, the incremental costs of acquiring the customer contracts, which are qualified to be recognized as assets, will be reclassified to expenses when the prepayment of premises reclassified as revenue.

5) Impacts on financial statements

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

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Contract Asset	$ -	41,924	41,924	-	282,396	282,396
Accounts receivable	306,404	(15,897)	290,507	1,500,668	(214,030)	1,286,638
Construction contract receivable	26,027	(26,027)	-	68,366	(68,366)	-
Prepayment	927,805	(506,813)	420,992	1,906,267	(1,099,950)	806,317
Commision	-	771,251	771,251	-	1,469,079	1,469,079
Impact on assets		**$ 264,438**			**369,129**	
Contract Liability	$ -	3,356,938	3,356,938	-	8,245,828	8,245,828
Construction contract payable	312	(312)	-	5,172	(5,172)	-
Advanced receipt	3,356,626	(3,356,626)	-	8,240,656	(8,240,656)	-
Impact on liabilities		**$ -**			**-**	
Retained earnings	$ 21,504,277	261,479	21,765,756	16,518,372	325,579	16,843,951
Non-controlling interest	5,919,042	2,959	5,922,001	3,618,298	43,550	3,661,848
Impact on equity		**$ 264,438**			**369,129**	

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impacted line items on the consolidated income statement	For the year ended December 31, 2018 Balances prior to the adoption of IFRS 15	Impact of changes in accounting polices	Balance upon adoption of IFRS 15
Operating revenues	$ 44,204,971	-	44,204,971
Operating costs	(31,032,093)	-	(31,032,093)
Selling expenses	(2,272,349)	(104,691)	(2,377,040)
Administrative expenses	(1,292,476)	-	(1,292,476)
Non-operating income and expenses	(52,490)	-	(52,490)
Impact on profit before income tax		(104,691)	
Income tax expenses	(706,995)	-	(706,995)
Impact on Profit		**(104,691)**	
Basic earnings per share	**$ 6.07**	**(0.06)**	**6.01**
Diluted earnings per share	**$ 5.33**	**(0.05)**	**5.28**

Impacted line items on the consolidated statement of cash flows	For the year ended December 31, 2018 Balances prior to the adoption of IFRS 15	Impact of changes in accounting polices	Balance upon adoption of IFRS 15
Cash flows from (used in) operating activities:			
Profit before tax	$ 9,555,563	(104,691)	9,450,872
Adjustments:			
Contract assets	-	240,472	240,472
Accounts receivable	1,194,264	(198,133)	996,131
Comstruction Contract Receivable	42,339	(42,339)	-
Prepayment	963,917	(593,137)	370,780
Commision	-	697,828	697,828
Contract Liability	-	(4,888,890)	(4,888,890)
Comstruction Contract Receivable	(4,860)	4,860	-
Advanced receipt	(4,884,030)	4,884,030	-
Impact on cash flows from operating activities		**104,691**	
Impact on net cash flows from operating activities		**$ -**	

(Continued)

(ii) IFRS 9 “Financial Instruments”

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

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

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

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

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

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

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

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

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		**IFRS9**	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	10,412,644	Amortized cost	10,412,644
Equity instruments	Financial assets measured at amortized cost (note 1)	18,298	Mandatorily at FVTPL	485,029
	Available-for-sale	57,043	FVOCI	57,043
Trade and other receivables	Loans and receivables (note 2)	2,192,895	Amortized cost	2,192,895
Other financial assets	Loans and receivables	8,310,632	Amortized cost	8,310,632

Note1: For those equity instruments (including financial assets measured at amortized cost) indicate that the Group intention for long term investment. Under IFRS 9, the group designated the investment as fair value through other comprehensive income at the beginning of the report date. Consequently, the amount of book value and other equity increase $466,731 thousand.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 75,341	-	-		-	-
Available for sale to FVOCI	-	-	466,731		-	466,731
Total	$ 75,341	-	466,731	542,072	-	466,731

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

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

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

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

(i) IFRS 16"Leases"

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

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

(Continued)

1) Determining whether an arrangement contains a lease

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

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

The Group plans to apply the practical expedient to be exempted from the reassessment of whether a contract is or contains a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

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

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

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its buildings and real estates. The Group estimated that the right-of-use assets, construction in progress and the lease liabilities to increase by 507,233 thousand, increase by 7 thousand and increase by 522,339 thousand respectively, as well as the retained earnings and non-controlling interests to decrease by 14,959 thousand and 140 thousand on January 1, 2019. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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

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

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

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

The Group assessed that the above IFRSs may not be relevant to the Group.

(4) Summary of significant accounting policies:

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 consolidated financial statements, the Chinese version shall prevail.

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements unless otherwise specified.

(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. (hereinafter referred to as “IFRS endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments.

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) The defined benefit liabilities (assets) is recognized as the fair value of the plan assets less the present value of defined benefit obligation and the upper limit impact mentioned in Note 6(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

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

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of non-controlling interest and its consideration is recognized as owner's equity.

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

			Shareholding		
Name of investor	**Subsidiaries**	**Principal activity**	**December 31, 2018**	**December 31, 2017**	**Description**
The Company	Chyi Yuh Construction Co., Ltd.	Constrction Industry Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Subsidiaries	Principal activity	Shareholding December 31, 2018	Shareholding December 31, 2017	Description
The Company	Ace Riches International Corp.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Highwealth Real Estate Co., Ltd. (Note 2)	Real estate broker agent and real estate commerce	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Jin Jyun Construction Co., Ltd.	Construction Industry、Residence and Buildings Lease Construction	- % (Note 3)	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Xingfuyu Trading (Xiamen) Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Quan Xiang Trading (Shanghai) Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Run Long Construction Co., Ltd.	Waste treatment、Residence and Buildings Lease Construction	3.60 % (Note 1)	2.58 % (Note 1)	The Company doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as subsidiary
The Company	Yeh Kee Enterprise Co., Ltd.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Bijiang Enterprise Co., Ltd.	Residence and Buildings Lease Construction	100.00 %	100.00 %	The Company hold more than 50% interest of the subsidiary directly
The Company	Highwealth Construction Co., Ltd.	Construction Industry、Residence and Buildings Lease Construction	100.00 %	- %	The Company hold more than 50% interest of the subsidiary directly
CHYI YUH	Bo Yuan Construction Co., Ltd.	Residence and Buildings Lease Construction	100.00 %	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Guang Yang Investment Co., Ltd.	Investment industry	100.00 %	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Well Rich International Co., Ltd.	Wholesale of construction Material	100.00 %	100.00 %	Chyi Yuh hold more than 50% interest of the subsidiary directly
CHYI YUH	Run Long Construction Co.	Waste treatment、Residence and Buildings Lease Construction	2.93 % (Note 1)	3.08 % (Note 1)	Chyi Yuh doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as subsidiary

(Continued)

Name of investor	Subsidiaries	Principal activity	Shareholding December 31, 2018	Shareholding December 31, 2017	Description
Guang Yang	Run Long Construction Co.	Waste treatment、Residence and Buildings Lease Construction	5.45 % (Note 1)	6.91 % (Note 1)	Guang Yang doesn't hold more than 50% of interest directly and indirectly but have substantial controlling power and considered as subsidiary
Run Long Construction	Jin Jyun Construction Co., Ltd.	Construction Industry、Residence and Buildings Lease Construction	100.00 % (Note 3)	- %	Run Long hold more than 50% interest of the subsidiary directly

Note 1: The controlling interest of the Group's changes because the Run Long Construction has secured convertible bonds converted into new shares in each period.

Note 2: Hongliang Entertainment changed its name to Highwealth Real Estate Co., Ltd. in July 2018.

Note 3: The Group restructured the organization in September, 2018 for business development and management efficiency. The Company sold 100% of Jin Jyun Construction Co., Ltd. to Run Long Construction Co., Ltd.

(iii) Subsidiary established by the Group in the current period:

The Group passed the resolution of the Board of Directors to establish Highwealth Construction Co., Ltd. on November 13, 2018. The shareholding of the Group is 100% and the investment amount is $5,000 thousand.

(iv) List of subsidiaries which are not included in the consolidated financial statements: None

(d) Foreign currencies

(i) currencies transaction

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

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

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

1) Fair value through other comprehensive income (available-for-sale) equity investment;

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

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Current and non-current distinction

An asset is classified as current when

(i) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) The Group holds the asset primarily for the purpose of trading;

(iii) The Group expects to realize the asset within twelve months after the reporting period;

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

A liability is classified as current when

(i) The Group expects to settle the liability in its normal operating cycle;

(ii) The Group holds the liability primarily for the purpose of trading;

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

(Continued)

(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 the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits, cash equivalents are highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.They are reported as cash equivalents.

(g) Financial instruments

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

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

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

(Continued)

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

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

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

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

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

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

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

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

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 90 days past due；

(Continued)

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

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

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

6) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis

c) A hybrid instrument contains one or more embedded derivatives

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in other income and loss under the non-operating income and expenses .A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the other income or loss under non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group' s right to receive payment is established, which in the case of quoted securities is normally the ex dividend date. Such dividend income is included in other income under non-operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss, under other income of non operating income and expenses.

3) Loans and receivables

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

Interest income is recognized in profit or loss, and it is included in non operating income and expenses.

4) Impairment of financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

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

(Continued)

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

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

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other income and expenses in non-operating income and expenses.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

Preference share is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

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

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

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations.

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

b) Performance of the financial liabilities is evaluated on a fair value basis.

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in financial cost in non-operating income and expenses.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

A financial liability at fair value through profit or loss is measured at cost if it is a short sale of unquoted equity investment whose fair value cannot be reliably measured and the short seller is obligated to deliver the equity instrument.

3) Other financial liabilities

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

(h) Inventory

(i) Construction industry

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The inventory of construction business are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in bringing them to their existing location and condition and capitalized borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realizable value is estimated as follows:

1) Land held for development

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

2) Construction-in-progress

Net realizable value is the estimated selling price (current market condition) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

(Continued)

3) Properties and land held for sale

Net realizable value is the estimated selling price (refer to the market condition estimated by authority)in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

(ii) Manufacturer

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Construction contracts (policy applicable before January 1, 2018)

Construction contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to dateless progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the balance sheets for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amount due to customers for contract work in the balance sheets.

(j) Joint Arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics(a) the participants are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 " Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances.

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(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(l) Propery, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

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

(ii) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(Continued)

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

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

(1) Buildings	3～50 years
(2) Equipment	3～6 years
(3) Transportation equipment	5 years
(4) Office equipemnt	3～8 years
(5) Other equipment	2～10 years

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

(m) Lease

(i) Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

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

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

The incentive provided for lease recognize as the deduction for the lease payment under the straight-line basis over the term of the lease.

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

(n) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group 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

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

(1) Goodwill and trade mark	1～10 years
(2) Computer software	1～3 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

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

(Continued)

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

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

If there is any change of the estimation of the recoverable amount ,an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination.

If the carrying amount of each of the CGUs exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Warranties

A provision for warranties is recognized when the constructions are completed. The provision is based on historical warranty data, and a weighting of all possible outcomes against their associated probabilities. When warranty expense occurs, it would be written off the warranty provision which was recognized before, or warranty expense would be recognized as expense in the current period.

(q) Treasury stock

When the Group takes back treasury stocks that has been issued, the treasury stock would be taken as a deduction in equity, according to the price of the treasury stock (including direct costs) and the treasury stock after net income. The difference between the prices of the treasury stocks sold that has a higher price than its face value is listed as the access paid-in-capital (trade in treasury stock). When the price is lower than the face value, the difference is offset against the capital reserve generated by the exchange of the same type of treasury stock. If there is not enough, it would be debited to retaining earnings. The face value of the treasury stock uses weighted average and is calculated separately according to the reasons returned.

(r) Revenue

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

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

2) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days) the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For residential properties, commercial buildings and public constructions, the Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(t).

3) Revenue from services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset.

The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

4) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

2) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

3) Services

The Group provides services of recycling residue from incinerator to its customers. Revenue is recognized in profit or loss with the recycled amount at the reporting date. Relevant cost and expense is recognized at the occuring time of revenue.

(iii) Contract costs—incremental costs of obtaining a contract (policy applicable from January 1, 2018)

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(Continued)

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’ s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high quality government bonds) bonds that have maturity dates approximating the terms of the Group’ s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

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

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

(Continued)

(t) Income Taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

(i) Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).

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

(iii) Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

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

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

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

   1) levied by the same taxing authority; or

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

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

(Continued)

(u) Business combination

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognizes a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest’s proportionate share of the acquiree’s identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

(v) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(w) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with the 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.

(Continued)

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

(a) Judgment regarding control of subsidiaries

Although the Group owns less than half of Run Long Construction Co., Ltd. and has less than half its voting rights, management has determined that the Group controls the entity. The Group has control over Run Long Construction Co., Ltd. on a de facto basis, Run Long Construction Co., Ltd. is considered a subsidiary.

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

(a) Inventory valuation

Inventories are measured at the lower of cost and net realizable value. The Group's evaluate the selling price in the market is below the cost, and write off the cost of inventory to net realizable value. The estimation of net realizable value is based on current market conditions . Please refer note 6(h) for inventory valuation.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency's website or the close deal in similar district.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. For assumptions used in measuring fair value.Please refer notes as follows:

(a) Note 6(n) Investment property.

(b) Note 6(ae) Financial instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Bank overdrafts used for cash management purposes	$ 4,010	2,873
Demand Deposits	14,948,296	10,249,771
Time Deposits	100,000	160,000
Cash and cash equivalent	**$ 15,052,306**	**10,412,644**

Please refer Note 6(ae) for the disclosure of the Group's financial assets and liabilities interest risk and sensitivity analysis.

(b) Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	$ 629,174	-
Put Options and call options	1,000	-
Financial assets held-for-trading:		
Stocks listed on domestic markets	-	728,325
Put Options and call options	-	1,000
Total	**$ 630,174**	**729,325**

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(ad).

For credit risk and market risk; please refer to note 6(ae).

As of December 31, 2018 and 2017, the financial assets at fair value through profit and loss of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(c) Financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income:	
Unlisted Common Share	**$ 528,381**

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity investment at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not hold for sale. Therefore, these investments were classified as available-for-sale and financial assets measured at costs in December 31, 2017.

In 2018, the Group has sold its shares at a fair value of $59,169 thousands and the Group realized a gain of $7,084 thousands, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(ii) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(ae).

(iii) As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Group hadn't pledged as collateral for long-term borrowings.

(d) Available-for-sale financial assets

	December 31, 2017
Investments in listed securities:	
Stock listed on markets	$ 57,043

(i) These investments above were classified as financial assets at fair value through other comprehensive income on December 31, 2018; please refer to note 6(c).

(ii) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(ae).

(iii) As of December 31, 2017, the financial assets at fair value through other comprehensive income of the Group hadn't pledged as collateral for long-term borrowings.

(e) Financial assets measured at cost

	December 31, 2017
Stocks unlisted on domestic markets	$ 18,298

(i) The Group hold for the investment above, it measured by cost deduct impairment at the year ended 2017. As of December 31, 2018, these investments above were classified as financial assets at fair value through other comprehensive income, please refer to note 6(c).

(ii) For credit risk and market risk, please refer to note 6(ae).

(iii) As of December 31, 2017, financial assets measured at amortized costs of the Group hadn't been pledged as collateral for long-term borrowings.

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(f) Note and account receivables

	December 31, 2018	December 31, 2017
Note receivables	$ 1,480,259	694,227
Trade receivables	293,510	1,503,671
Less:loss allowance	5,003	5,003
	$ 1,768,766	2,192,895

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

	Gross carrying amount	Weighted-average loss rate	Loss allowance Provision
Current	$ 1,768,766	-	-
365 days past due	5,003	100%	5,003
	$ 1,773,769		5,003

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable was as follows:

	December 31, 2017
Current	$ 2,192,895
365 days past due	5,003
	$ 2,197,898

The Group recognized impairment losses for $2,503 thousands for the year ended December 31, 2017. It hadn't recognized loss allowance and reversed in 2018.

(g) Construction contracts

Construction revenue recognized in profit or loss for the year ended December 31, 2017 was as follows:

	For the year ended December 31, 2017
Construction revenue recognized in current profit or loss	$ 730,068

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		December 31, 2017
Accumulated costs incurred (including contract costs that relate to future activity of the contract)	$	474,416
Add:Accumulated profit and losses recognized arising from the construction		16,740
Accumulated costs and profit recognized (less, losses recognized)		491,156
less:Progress billings		427,962
	$	**63,194**
Amount due from customers for contract work – presented as an asset	$	**68,366**
Amount due to customers for contract work – presented as a liability	$	**5,172**

For the amount of contract balance on December 31, 2018 and revenue recognized for the year ended December 31, 2018, please see Note6(aa).

(h) Inventory

		December 31, 2018	December 31, 2017
Spare parts	$	11,085	13,036
Raw materials and consumables		32	1,806
Finished goods		1,342	54,632
Total		12,459	69,474
Properties and land held for sale	$	27,756,439	24,711,616
Land held for construction sites		23,965,713	21,978,453
Construction in progress		38,602,850	48,924,217
Prepaid for land purchase		1,405,059	460,879
Total		91,730,061	96,075,165
In total	$	**91,742,520**	**96,144,639**

For the years ended December 31, 2018 and 2017, the cost of good sold recognized in consolidated comprehensive income amounted to $30,908,868 thousands and $13,006,642 thousands, respectively. For the years ended December 31, 2018 and 2017 because parts of properties and land held for sale had been sold, the factor led to net realizable value below cost has been gone, the increase in net realizable value write-off the amount of cost of good sold $1,600 thousands and $4,800 thousands, respectively.

For the year ended December 31, 2018, the Group has changed the usage of partial asset, and reclassified properties and land held for sale to property, plant and equipment and investment property according to definition. Please refer to Note 6(m) and (n).

For inventories obtained from business combination, please refer to note 6(j).

As of December 31, 2018 and 2017, the inventories of the Group had been pledged as collateral for bank borrowings, please refer to note 8.

(i) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2018
Joint ventures	$ 96,190

In order to increase the white-brick product's additional value, the Group acquired 9,800 thousands common shares of Goyu Building Materials Co., Ltd. at par value of $10 for 98,000 thousands. Goyu Building Materials Co., Ltd. is the only joint venture that the Group participates. Goyu Building Materials Co., Ltd. is structured as a separate vehicle. The Group has a residual interest in the net assets of Guoyu Construction Materials, the Group has classified its interest in Goyu Building Materials Co., Ltd. as a joint venture, and accounted for using the equity method.

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2018
Carrying amount of individually insignificant associates' equity	$ 96,190

	For the year ended December 31 2018
Attributable to the Group:	
Profit (loss) from continuing operations	$ (1,810)
Comprehensive income	$ (1,810)

(j) Business combination

On October 26 and December 8, 2017, the Group obtained control of Yeh Kee Enterprise Co., Ltd. and Bijiang Enterprise Co., Ltd by acquiring 100% of the shares and voting interests in both company.

(i) Obtaining Yeh Kee Enterprise Co., Ltd.

1) Transfer pricing

In November 22, 2017, the Group obtained 100% control of Yeh Kee Enterprise Co., Ltd. with $2,423,152 thousands.

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2) Net identifiable assets at acquisition date

Property, plant and equipment	$	729
Inventories		2,457,065
Cash and cash equivalents		95,313
Other current assets, others		727
Deferred tax liabilities		(130,634)
Other current liabilities, others		(38)
Other non-current assets, others		(10)
Fair value of net identifiable assets	**$**	**2,423,152**

(ii) Obtaining Bijiang Enterprise Co., Ltd.

1) Transfer pricing

In December 18, 2017, the Group obtained 100% control of Bijiang Enterprise Co., Ltd. with $1,302,900 thousands.

2) Net identifiable assets at acquisition date

Inventories	$	1,360,590
Other current assets, others		45
Deferred tax liabilities		(57,735)
Fair value of net identifiable assets	**$**	**1,302,900**

(k) Changes in a parent's ownership interest in a subsidiary

Acquisition of additional equity of subsidiary

The Group acquired Run Long Construction Co., Ltd’s shares with cash in 2018 and 2017.

The effects of the changes in shareholdings were as follows:

	For the years ended December 31		
		2018	**2017**
Carrying amount of non-controlling interest on acquisition	$	148,500	85,497
Consideration paid to non-controlling interests		(351,457)	(203,890)
Retained Earnings	**$**	**(202,957)**	**(118,393)**

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(l) Material non-controlling interests of subsidiaries

Subsidiaries	Main operation place	Percentage of non- controlling interests December 31, 2018	Percentage of non- controlling interests December 31, 2017
Run Long Construction Co., Ltd	Taiwan	88.02 %	87.43 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information

Financial information summary of Run Long Construction Co., Ltd was as follows:

	December 31, 2018	December 31, 2017
Current asset	$ 19,416,911	22,823,490
Non Current asset	2,987,769	2,788,726
Current Liability	(10,110,691)	(14,328,096)
Non current Liabiity	(4,983,713)	(6,632,367)
Net assets	**$ 7,310,276**	**4,651,753**
Non-controlling interests	**$ 5,922,001**	**3,618,298**

	For the years ended December 31 2018	2017
Sales revenue	**$ 13,845,007**	**4,378,108**
Net income	$ 2,186,147	575,851
Other comprehensive income	32,265	(37,045)
Comprehensive income	**$ 2,218,412**	**538,806**
Profit, attributable to non-controlling interests	**$ 1,882,187**	**513,364**
Comprehensive income, attributable to non-controlling interests	**$ 1,882,187**	**513,364**

	For the years ended December 31 2018	2017
Net cash flows from operating activities	$ 7,016,988	(4,886,340)
Net cash flows from investing activities	(664,129)	(56,656)
Net cash flows from financing activities	(4,450,348)	5,179,134
Effect of exchange rate changes on cash and cash equivalents	**$ 1,902,511**	**236,138**
Dividends to NCI	**$ 747,650**	**1,095,796**

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(m) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Other equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2018	$ 1,386,054	1,154,538	312,115	235,988	15,952	3,104,647
Transfer From Inventory	124,634	164,665	-	-	-	289,299
Additions	219,014	114,564	86	20,476	364,945	719,085
Disposals	-	(975)	(68,714)	(47,733)	-	(117,422)
Transfer from prepayments for equipment	-	-	-	6,178	(6,178)	-
Effect of changes in foreign exchange rates	-	-	-	(20)	-	(20)
Balance at December 31, 2018	$ **1,729,702**	**1,432,792**	**243,487**	**214,889**	**374,719**	**3,995,589**
Balance at January 1, 2017	$ 1,386,054	1,141,959	311,421	268,273	8,171	3,115,878
Acquired through merger	-	975	-	292	-	1,267
Additions	-	8,853	694	10,532	9,394	29,473
Transfer in	-	2,751	-	1,040	(1,613)	2,178
Disposals	-	-	-	(44,136)	-	(44,136)
Effect of changes in foreign exchange rates	-	-	-	(13)	-	(13)
Balance at December 31, 2017	$ **1,386,054**	**1,154,538**	**312,115**	**235,988**	**15,952**	**3,104,647**
Depreciation and Impairment:						
Balance at January 1, 2018	$ 2,708	273,459	298,257	163,421	-	737,845
Depreciation	571	44,191	5,682	24,965	-	75,409
Disposals	-	(256)	(61,894)	(44,432)	-	(106,582)
Effect of changes in foreign exchange rates	-	-	-	(24)	-	(24)
December 31, 2018	$ **3,279**	**317,394**	**242,045**	**143,930**	**-**	**706,648**
Balance at January 1, 2017	$ 2,138	240,463	289,623	167,093	-	699,317
Depreciation	570	32,746	8,634	35,600	-	77,550
Acquire through merger	-	250	-	288	-	538
Disposals	-	-	-	(39,555)	-	(39,555)
Effect of changes in foreign exchange rates	-	-	-	(5)	-	(5)
Balance at December 31, 2017	$ **2,708**	**273,459**	**298,257**	**163,421**	**-**	**737,845**
Carrying amounts:						
Balance at December 31, 2018	$ **1,726,423**	**1,115,398**	**1,442**	**70,959**	**374,719**	**3,288,941**
Balance at January 1, 2017	$ **1,383,916**	**901,496**	**21,798**	**101,180**	**8,171**	**2,416,561**
Balance at December 31, 2017	$ **1,383,346**	**881,079**	**13,858**	**72,567**	**15,952**	**2,366,802**

As of December 31, 2018 and 2017, the Group's property, plant and equipment had been pledged as collateral for bank borrowings, please refer to note 8.

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(n) Investment Property

	Land and improvement	Buildings and construction	Construction in progress	Total
Cost:				
Balance at January 1, 2018	$ 718,005	847,871	132,882	1,698,758
Additions	-	-	531,548	531,548
Transfer from inventory	1,291,099	1,166,164	-	2,457,263
Transfer in (out) from construction in progress	386,640	277,790	(664,430)	-
Disposals	(82,356)	(76,381)	-	(158,737)
Balance at December 31, 2018	**$ 2,313,388**	**2,215,444**	**-**	**4,528,832**
Balance at January 1, 2017	$ 187,307	262,071	-	449,378
Additions	-	-	132,882	132,882
Transfer in from inventory	550,375	608,028	-	1,158,403
Disposals	(19,677)	(22,228)	-	(41,905)
Balance at December 31, 2017	**$ 718,005**	**847,871**	**132,882**	**1,698,758**
Depreciation and Impairment:				
Balance at January 1, 2018	$ 40,818	134,041	-	174,859
Depreciation	-	17,046	-	17,046
Disposals	-	(796)	-	(796)
Balance at December 31, 2018	**$ 40,818**	**150,291**	**-**	**191,109**
Balance at January 1, 2017	$ 40,818	135,193	-	176,011
Depreciation	-	6,617	-	6,617
Disposals	-	(7,769)	-	(7,769)
Balance at December 31, 2017	**$ 40,818**	**134,041**	**-**	**174,859**
Carrying amounts:				
Balance at December 31, 2018	**$ 2,272,570**	**2,065,153**	**-**	**4,337,723**
Balance at January 1, 2017	**$ 146,489**	**126,878**	**-**	**273,367**
Balance at December 31, 2017	**$ 677,187**	**713,830**	**132,882**	**1,523,899**
Fair value:				
Balance at December 31, 2018				**$ 6,780,482**
Balance at December 31, 2017				**$ 3,201,363**

The investment property include several business real estate for rental purpose. Please refer to note 6(u), (aa) and (ab) for more information.

The fair value measurement of investment property is based on the website of Department of Land Administration and estate agency' s website or the close deal in similar district. The fair value measurement for investment property has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

As of December 31, 2018 and 2017, the Group's investment property had been pledged as collateral for bank borrowings, please refer to note 8.

(o) Other current assets and other non-current assets

		December 31, 2018	December 31, 2017
Other current financial assets	$	4,410,835	4,986,975
Current incremental costs to obtaining a contract		771,251	-
Other non-current financial assets		7,486,961	3,323,657
	$	**12,669,047**	**8,310,632**

(i) Other financial asset

Other financial assets include trust account for presale of properties and land, restricted deposit and construction deposit.

(ii) Current incremental costs to obtaining a contract

The Group expects that incremental commission fees paid to intermediaries, and the bonus for the internal sales department are recoverable. The Group has therefore capitalized them as contract costs. Capitalized commission fees are amortized when the related revenues are recognized. For the year ended December 31, 2018, the Group recognized $1,359,887 thousands of amortized expense.

(iii) As of December 31, 2018 and 2017, the other financial assets of the Group had pledged as collateral for long-term borrowings, please refer to note 8.

(p) Short-term borrowings

		December 31, 2018	December 31, 2017
Unsecured bank loans	$	6,735,352	5,102,333
Secured bank loans		35,902,836	36,630,689
Less: Syndicated loan expense		(16,618)	(10,388)
Total	$	**42,621,570**	**41,722,634**
Range of interest rates		**1.48%~2.50%**	**1.65%~2.97%**

(i) The issue of bank loan and repayment

For the years ended December 31, 2018 and 2017, the incremental amounts are $26,200,549 thousand and $33,996,073 thousand, respectively; the repayment amounts are $24,507,163 thousand and $29,350,329 thousand, respectively. Please refer to note 6(ad) for interest expense.

(ii) Collateral for bank Loans

The Group had pledged as the collateral for bank borrowings, please refer to note 8.

(q) Short-term notes and bills payable

	December 31, 2018		
	Guarantee or acceptance institute	**Range of interest rate**	**Amount**
Commercial paper payable	Financial institute	1.6%~1.788%	$ 4,364,200
Less: Discount on short-term notes and bills payable			(16,267)
Total			$ **4,347,933**

	December 31, 2017		
	Guarantee or acceptance institute	**Range of interest rate**	**Amount**
Commercial paper payable	Financial institute	1.60%~1.86%	$ 3,679,400
Less: Discount on short-term notes and bills payable			(335)
Total			$ **3,679,065**

The Group had pledged as collateral for short-term notes and bills payable, please refer to note 8.

(r) Long-term borrowings

The Group's long-term borrowings details, conditions and provisions were as follows:

	December 31, 2018			
	Currency	**Range of interest rate**	**Maturity**	**Amount**
Secured bank loans	TWD	1.69%~2.25%	110~127	$ 5,978,240
Less: current portion				(211,718)
Total				$ **5,766,522**

	December 31, 2017			
	Currency	**Range of interest rate**	**Maturity**	**Amount**
Secured bank loans	TWD	1.79%~2.16%	111-124	$ 3,157,535
Less: current portion				(4,374)
Total				$ **3,153,161**

(i) The issue of bank loan and repayment

The amount issued for the years ended December 31, 2018 and 2017 are $2,103,511 thousand and zero, respectively; the repayment amounts are $71,026 thousand and $4,320 thousand, respectively, please refer to note 6(ad) for interest expense.

(ii) Collateral for bank Loans

The Group had pledged as collateral for bank loans, please refer to note 8.

(s) Bonds payable

The details of the Group's bonds payable were as follows:

		December 31, 2018	December 31, 2017
Secured convertible bonds-current	$	-	1,238,708
Secured ordinary corporate bond-current		1,999,919	-
Secured convertible bonds- non-current		10,154,927	10,043,956
Secured ordinary corporate bond- non-current		12,928,997	12,442,533
Total	**$**	**25,083,843**	**23,725,197**

(i) The Group issued a secured ordinary corporate bond amounting to $2,500,000 thousand with an interest rate of 0.9% in May 2018. The secured ordinary corporate bond was issued for 5 years, interest paid annually, repayment of principal and interest at maturity.

Subsidiaries proceeded from secured ordinary corporate bond amounting to $2,000,000 thousand with an interest rate of 0.98% for the year ended December 31, 2017. The secured ordinary corporate bond were issued for 5 years.

(ii) The Group's details of secured convertible bonds were as follows:

		December 31, 2018	December 31, 2017
Secured convertible bonds	$	12,077,820	12,077,820
Discount on bonds payable-unamortized amount		(422,893)	(549,656)
Accumulated convertible amount		(1,500,000)	(245,500)
Less: current portion		-	(1,238,708)
Ending balance: bonds payablle	**$**	**10,154,927**	**10,043,956**
Derivative-put option and call optionn (FVPL)	**$**	**1,000**	**1,000**
Equity-Convertible right(list on Subsidiary's Additional Paid In Capital)	**$**	**-**	**88,623**

		For the years ended December 31	
		2018	**2017**
Embedded derivative - put option and call option (FVPL) (List on other profit or loss)	**$**	**-**	**(2,350)**

A subsidiary issued 5-year zero interest secured convertible bond in September 2013 in Taiwan for $1,500,000 thousand, by the year ended December 31, 2018, it has been converted. Secured convertible bond issued by the subsidiary bear the following rights and obligations:

1) The conversion price was $31.80 per share, when it comes to adjusting conversion price of subsidiary's common share, it should adhere to the subsidiary's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bond do not have reset feature.

(Continued)

2) Three months after the issuance date, the subsidiary would repurchase the bond at yield to call if the close price of the subsidiary's ordinary share price exceeded 130% of the bond's conversion price for successive 30 days.

3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.797% of the bonds value.

In June 2017, the Company issued a secured 5-year convertible bond with zero interest for $10,577,820 with the following conditions:

1) The conversion price was $57.1 per share, when it comes to adjusting conversion price of subsidiary's common share, it should adhere to the Company's conversion rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.

2) At any time within three months after the issuance date till 40 days before maturity date, the subsidiary would repurchase the bond at the face value if the close price of the subsidiary's ordinary share price exceeded 130% of the bond's conversion price for successive 30 days, or the outstanding value of bonds was lower than 10% of the total issuance value.

3) The bondholders can execute put options after three years from the issuance date, the redemption value is 103.7971% of the bond value (the real yield is 1.25%).

4) Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 106.4082% of the principal amount of the bond (the real yield is 1.25%).

(iii) For the details of collateral of secured convertible bonds and bonds payable, please refer to note 8.

(iv) Please refer to note 6(ad) for the interest expense for the years ended December 31, 2018 and 2017.

(t) Provisions

	Warranty
Balance at January 1, 2018	$ 145,193
Provisions added at current period	55,371
Provisions used at current period	(723)
Balance at December 31, 2018	**$ 199,841**
Balance at January 1, 2017	$ 146,306
Provisions added at current period	38,329
Provisions used at current period	(5,933)
Provisions reversed at current period	(33,509)
Balance at December 31, 2017	**$ 145,193**

(Continued)

The Group's warranty provision is related to construction contract for the years ended December 31, 2018 and 2017, the warranty measured by the historical record, the Group expects most of the liabilities will realize within 1-3 years after construction completion.

(u) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 42,857	42,857
Between one and five years	181,883	177,679
Over five years	403,544	450,606
	$ 628,284	**671,142**

The Group leases property, plant and equipment as shopping mall under operating leases. The leases run for a period of 16 years. Lease payments are increased by 5% every three years till the end of the contract.

The operating lease on income for the years ended December 31, 2018 and 2017 are $44,402.

(ii) Leases as lessor

The Group leases out its investment properties, please refer to note 6(n). The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 98,317	51,416
Between one and five years	280,089	177,936
More than five years	18,155	-
	$ 396,561	**229,352**

The rental income from investment property for the years ended December 31, 2018 and 2017 are $66,402 thousand and $16,674 thousand, the maintenance expense come from investment property list on operating cost and administration expense are as follows:

	For the years ended December 31	
	2018	**2017**
Rental income generate unit	**$ 52**	**141**

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(v) Advanced receipt

	December 31, 2017
Advanced receipt- properties and land	$ 8,238,345
Advanced receipt- rent	2,311
	$ 8,240,656

The advanced receipt recognized as contract liability for the year ended December 31, 2018, please refer to note 6(aa). The contract price of advanced payment-properties and land, please refer to note 9(a).

(w) Employee benefits

(i) Defined benefit plans

The expenses recognized in profit or loss for the Group were as follows:

	December 31, 2018	December 31, 2017
The present value of defined benefit plans	$ 72,320	72,014
Fair value of plan asset	(32,334)	(28,425)
Net defined benefit liability	**$ 39,986**	**43,589**

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group’ s Bank of Taiwan labor pension reserve account balance amounted to $32,334 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2018	2017
Defined benefit obligations at January 1	$ 72,014	77,942
Current service cost and interest	1,656	1,790
Remeasurements loss (gain):		
－Return on plan assets excluding interest income	(1,791)	(4,210)
－Actuarial loss (gain) arising from:	441	(461)
Benefits paid	-	(3,047)
Defined benefit obligations at December 31	**$ 72,320**	**72,014**

The details of the Group's employee's benefit liability were as follows:

	December 31, 2018	December 31, 2017
Short-term paid leave liability	**$ 19,129**	**17,401**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31	
	2018	2017
Fair value of plan assets at January 1	$ 28,425	29,155
Remeasurements loss (gain):		
－Return on plan assets excluding interest income	791	(122)
Contributions paid by the employer	2,711	2,031
Expected return on defined plan assets	407	408
Benefits paid	-	(3,047)
Fair value of plan assets at December 31	**$ 32,334**	**28,425**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31	
	2018	2017
Current service costs	$ 638	719
Net interest of net liabilities for defined benefit obligations	611	663
	$ 1,249	**1,382**
Administration expense	**$ 1,249**	**1,382**

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group' s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as followed:

	For the years ended December 31	
	2018	2017
Accumulated amount at January 1	$ (15,873)	(20,422)
Recognized during the period	2,141	4,549
Accumulated amount at December 31	**$ (13,732)**	**(15,873)**

6) Actuarial valuations

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125%~1.375%	1.375%~1.625%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $930 thousand.

The weighted average lifetime of the defined benefits plans is 12.96～15.42 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2018		
Discount rate	$ (2,146)	2,225
Future salary increasing rate	2,159	(2,094)
December 31, 2017		
Discount rate	(2,285)	2,372
Future salary increasing rate	2,311	(2,238)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Group 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 Group 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 $38,432 thousand and $35,136 thousand for the years ended December 31, 2018 and 2017, respectively.

(x) Income tax

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

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(i) Tax expense

The components of income tax for the years ended December 31, 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	**2017**
Current tax expense		
Current period	$ 391,916	56,256
Land value increment tax	334,908	206,960
Additional 10% surtax on unappropriated earnings	892	19,021
Adjustment for prior periods	363	7,962
	728,079	290,199
Deferred tax expense		
Origination and reversal of temporary differences	(10,930)	189
Adjustment in tax rate	(4,608)	-
Tax expense	**$ 712,541**	**290,388**

The reconciliation of tax expense and income before rax for the years ended December 31, 2018 and 2017 are as followed:

	For the years ended December 31	
	2018	**2017**
Income before tax	$ 9,450,872	7,239,612
Income tax expense at domestic statutory tax rate	1,890,174	464,612
Adjustment in tax rate	(4,608)	-
Land tax exempt income	(1,477,386)	(467,022)
Book –tax difference between recognition time	157,675	43,845
Book –tax difference of capitalization	(101,059)	(18,506)
Book –tax difference between deferred sales commision	(32,038)	42,098
Land value increment tax	334,908	206,960
Financial assets measured at fair value through profit and loss	29,926	(53,424)
Tax loss dedution	(38,946)	-
Additional 10% surtax on unappropriated earnings	892	19,021
Adjustment for prior periods	363	7,962
Others	(47,360)	44,842
Total	**$ 712,541**	**290,388**

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(ii) Deferred tax asset and liability recognized

Deferred tax asset:

		Investment property impairment	Warranty	Others	Total
Balance on January 1, 2018	$	11,242	24,682	4,734	40,658
Debit/Credit income statement		-	15,285	253	15,538
Balance on December 31, 2018	**$**	**11,242**	**39,967**	**4,987**	**56,196**
Balance on January 1, 2017	$	11,242	24,871	4,734	40,847
Debit/Credit income statement		-	(189)	-	(189)
Balance on December 31, 2017	**$**	**11,242**	**24,682**	**4,734**	**40,658**

Deferred tax liabilities:

		Provision for land value increment tax	Others	Total
Balance on January 1, 2018	**$**	**247,716**	**340**	**248,056**
Balance on December 31, 2018	**$**	**247,716**	**340**	**248,056**
Balance on January 1, 2017	$	59,347	340	59,687
Acquired through business combination		188,369	-	188,369
Balance on December 31, 2017	**$**	**247,716**	**340**	**248,056**

(iii) Except for Guang Yang Investment Co., Ltd., the Company and other domestic subsidiaries' income tax had been examined by the tax authorities till 2016, and the Guang Yang's income tax had been examined by the tax authorities till 2017.

(y) Capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, the number of authorized ordinary shares were 1,500,000,000 shares with par value of $10 per share. The total value of authorized ordinary shares were amounted to $15,000,000. The relevant statutory registration procedures have since been completed. As of that date, 1,166,626,600 of ordinary shares amounted $11,666,266 were issued. All issued shares were paid up upon issuance.

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(ii) Capital surplus

	December 31, 2018	December 31, 2017
Share capital	$ -	24,154
Treasury share transactions	259,119	404,381
Difference arising from subsidiary's equity	33,525	55,327
Conversion of bonds	-	2,079,888
Capital surplus-premium from merger	62	62
Donation from shareholders	3,396	-
Other	8,357	8,357
	$ 304,459	**2,572,169**

As of June 11, 2018 and 2017, a resolution was passed during the general meeting of shareholders held on for cash dividends distributed by capital surplus per share $2.008 dollars and $0.127 dollars. Amounting to $2,342,586 thousand and $148,162 thousand, respectively.

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.

(iii) Retained earnings

The Company's article 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.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of unappropriated earnings prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided by the resolution adopted, at the general meeting of shareholders held on June 11, 2018 and June 13, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2017		2016	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	$ 1.492	1,740,607	4.873	5,684,971

(iv) Treasury shares

1) In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2018, the Company hadn't repurchase any share.

2) Subsidiaries, Ace Riches International Corp., Highwealth Real Estate Co., Ltd. and Chyi Yuh Construction Co., Ltd. held part of the Company's shares. As of December 31, 2018 and 2017, the market price per share were $45.0 and $42.3, respectively.

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The details of the treasury shares held by subsidiaries are as followed:

Subsidiary	December 31, 2018 Shares (thousands)	December 31, 2018 Book value	December 31, 2017 Shares (thousands)	December 31, 2017 Book value
Ace Riches International Corp.	4,162	$ 1,733	4,162	1,733
Highwealth Real Estate Co., Ltd.	8,045	10,850	8,045	10,850
Chyi Yuh Construction Co., Ltd.	2,495	-	2,495	-
Run Long Construction Co., Ltd.	11,950	54,178	11,950	56,846
	26,652	**$ 66,761**	**26,652**	**69,429**

(v) Other equity items

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance on January 1, 2018	$ 436	-	4,958	5,394
Effects of retrospective application	-	471,689	(4,958)	466,731
Balance on January 1, 2018 after adjustments	436	471,689	-	472,125
Exchange differences on foreign operations	(92)	-	-	(92)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	45,478	-	45,478
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(7,084)	-	(7,084)
Balance at December 31, 2018	**$ 344**	**510,083**	**-**	**510,427**
Balance on January 1, 2017	$ 508	-	1,712	2,220
Exchange differences on translation of foreign operations	(72)	-	-	(72)
Unrealized gains (losses) on available for sale financial assets	-	-	3,246	3,246
Balance at December 31, 2017	**$ 436**	**-**	**4,958**	**5,394**

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Earnings per share

(i) Basic earnings per share

The Group' s Basic earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2018 and 2017 are $6,856,144 thousand and $1,929,261 thousand, respectively, and the weighted average number of ordinary shares outstanding for 2018 and 2017 are 1,139,975 thousand shares. For related calculation are as follows:

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2018	**2017**
Profit attributable to ordinary	**$ 6,856,144**	**1,929,261**

2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2018	**2017**
Ordinary shares outstanding at January 1	1,166,627	1,166,627
Treasury shares	(26,652)	(26,652)
Weighted-average number of ordinary shares at December 31	**1,139,975**	**1,139,975**

(ii) Diluted earnings per share

The Group' s diluted earnings per share is calculated by profit attributable to ordinary shareholders of the Company for 2018 and 2017 are $6,947,766 thousand and $1,980,219 thousand, respectively. After adjusting the effect of dilution of ordinary share, the weighted average number of ordinary shares for 2018 and 2017 are 1,316,199 thousand and 1,199,178 thousand shares, respectively. For related calculation are as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2018	**2017**
Profit attributable to ordinary shareholders of the Company	**$ 6,947,766**	**1,980,219**

2) Weighted-average number of ordinary shares

	For the years ended December 31	
	2018	**2017**
Weighted-average number of ordinary shares (basic)	1,139,975	1,139,975
Impact of conversion of convertible bonds	175,131	58,377
Effect of restricted employee shares unvested	1,093	826
Weighted-average number of ordinary shares (diluted)	**1,316,199**	**1,199,178**

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HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2018				
	Sales of real estate department	Construction contractor department	Eco-technology department	Other department	Total
Primary geographical markets:					
Taiwan	$ **43,934,427**	**127,932**	**140,291**	**2,321**	**44,204,971**
Major products/services lines:					
Sales of real estate	$ 43,863,790	-	-	-	43,863,790
Construction contractor	-	122,582	-	-	122,582
Other revenue	70,637	5,350	140,291	2,321	218,599
	$ **43,934,427**	**127,932**	**140,291**	**2,321**	**44,204,971**
Timing of revenue recognition:					
Revenue transferred at a point in time	$ 70,637	127,886	-	-	198,523
Products and services transferred over time	43,863,790	46	140,291	2,321	44,006,448
	$ **43,934,427**	**127,932**	**140,291**	**2,321**	**44,204,971**

For details on revenue for the year ended December 31, 2017 please refer to note 6(g) and (ab).

(ii) Contract balances

	December 31, 2018	January 1, 2018
Contract assets- Construction	$ 41,924	84,239
Contract asset- Labor Services	-	198,157
Less: Allowance for impairment	-	-
Total	$ **41,924**	**282,396**
Contract liabilities- Construction	$ 312	5,172
Contract liabilities-Sales of real estate	3,354,352	8,238,344
Contract liabilities-Advance receipt	2,274	2,312
Total	$ **3,356,938**	**8,245,828**

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

For details on construction contracts for the year 2017, please refer to note 6(g).

As of January 1st, 2018, the beginning balance of contract liabilities that were accounted for as 2018 revenue amounts to $6,345,954 thousand.

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the year ended December 31, 2018.

The Group's advanced receipt of properties and land presale was deposit in real estate trust account of bank, and classified as other current financial assets. The details of real estate trust account of bank on December 31, 2018 were as follows:

	December 31, 2018
Nankang Third	$ 64,506
Sec.3 Kangning	76,576
Longfu second	9,929
Xingzhuang Section	247,647
Guangwu Section	485,997
Zhuangjing 671	11,634
Huixing Section	140,440
Bai Lun Section	288,668
Fu De Section	159,136
Liu He Section	11,415
Guo Mao Section	97,248
Dongshi Second	11,258
Taike Section	50,875
LongZhong six	1,026
YongCui Section	121,034
Others	186,738
	$ 1,964,127

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ab) Revenue

Details of the Group's for the year ended December 31, 2017 revenue details was as follows:

	For the year ended December 31, 2017
Revenue obtained from sales of real estate	$ 17,639,948
Revenue obtained from servies	236,572
Rent revenue	42,751
Construction contract revenue	730,068
Others	20,709
	$ 18,670,048

Refer to Note 6(aa) for the year ended December 31, 2018 revenue.

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

In accordance with the articles of incorporation the Company should contribute no less than 0.1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The remunerations to employees and directors amounted to $60,000 thousand and $35,400 thousand, respectively, for the years ended December 31, 2018 and 2017. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

(ad) Other operating income and expense

(i) Other income

For the years ended December 31, 2018 and 2017 revenue were as follows:

	For the years ended December 31	
	2018	**2017**
Interest income	$ 28,774	21,698
Contract termination income	160,314	286,142
Dividend income	95,739	39,947
Other income	411,377	167,942
	$ 696,204	**515,729**

(Continued)

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other gains and losses

For the years ended December 31, 2018 and 2017 other gains and losses were as follows:

	For the years ended December 31	
	2018	2017
Foreign exchange losses	$ (74)	(2,180)
Gains on disposal of investments	-	2
Losses on disposal of property, plant and equipment	(10,840)	(3,087)
Gains (losses) on disposal of investments	288,513	(3,826)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(149,629)	314,256
Other expenses	(2,208)	(11,316)
	$ 125,762	293,849

(iii) Finance costs

For the years ended December 31, 2018 and 2017 details of finance cost of the Group were as follows: :

	For the years ended December 31	
	2018	2017
Interest expense		
Bank loans and collateral	$ 1,226,100	1,144,152
Amortization on discounted corporate bond	128,035	83,637
Interest on corporate bond	159,087	134,023
Discount on construction refundable deposit	-	1,124
Interest on closing construction	-	9,741
Less: capitalized interest	(640,576)	(664,938)
	$ 872,646	707,739

(ae) Financial instruments

(i) Credit risk

1) Credit risk exposure

The financial instrument's biggest credit risk exposure is same as the carrying amount of the financial assets.

2) The Group has a vast client base that is not connected; thus, the ability to concentrate the credit risk is limited.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(f).

Other financial assets at amortized cost includes other receivables (classified as other financial assets-current). 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.

The loss allowance provision as of December 31, 2018 was determined as follows:

		Other receivables
Balance on January 1 per IAS39	$	8,235
Adjustment on initial application of IFRS 9		-
Balance on January 1 per IFRS 9	$	**8,235**

(ii) Liquidity risk

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

		Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2018					
Non derivative financial liabilities:					
Secured loans	$	45,330,367	4,268,864	35,372,946	5,688,557
Unsecured loans		6,928,501	2,308,460	4,620,041	-
Short-term transaction instrument payables		4,364,200	4,364,200	-	-
Convertible bond (Including less than 1 year)		10,640,820	-	10,640,820	-
Ordinary corporate bonds		15,419,527	2,149,958	13,269,569	-
Notes payable, accounts payable and other payable		7,943,610	7,870,235	72,037	1,338
	$	**90,627,025**	**20,961,717**	**63,975,413**	**5,689,895**
December 31, 2017					
Non derivative financial liabilities:					
Secured loans	$	42,371,798	9,389,658	29,712,928	3,269,212
Unsecured loans		5,194,466	3,169,799	2,024,667	-
Short-term transaction instrument payables		3,679,400	3,679,400	-	-
Convertible bond (Including less than 1 year)		11,879,528	1,238,708	10,640,820	-
Ordinary corporate bond		12,965,403	145,000	12,820,403	-
Notes payable, accounts payable and other payable		8,140,207	8,056,692	82,645	870
	$	**84,230,802**	**25,679,257**	**55,281,463**	**3,270,082**

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

(iii) Currency risk

1) Exposure to foreign currency risk: None.

2) 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 0.5% 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 0.5% basis points, the Group' s net income would have increased / decreased by $264,739 thousand and $242,796 thousand for the years ended December 31, 2018 and 2017. Taking into account that capitalized interest of profit may decrease or increase by $152,670 thousand and $125,183 thousand. This is mainly due to the Group's borrowing at variable rates.

3) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31			
	2018		2017	
Price of securities at reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 10%	$ 52,838	62,917	5,704	72,833
Decreasing 10%	$ (52,838)	(62,917)	(5,704)	(72,833)

(iv) Information of fair value

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 1,000	-	1,000	-	1,000
Derivative financial assets mandatorily measured at fair value through profit or loss	629,174	629,174	-	-	629,174
Subtotal	$ 630,174	629,174	1,000	-	630,174
Financial assets at fair value through other comprehensive income					
Stocks in unlisted company	$ 528,381	528,381	-	-	528,381
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 15,052,306	-	-	-	-
Notes and accounts receivable	1,768,766	-	-	-	-
Other financial assets- current	4,410,835	-	-	-	-
Other financial assets- non-current	7,486,961	-	-	-	-
Subtotal	$ 28,718,868	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term loans	$ 42,621,570	-	-	-	-
Short-term transaction instrument payables	4,347,933	-	-	-	-
Notes payable, accounts payable and other payables	7,943,610	-	-	-	-
Other financial assets- current	21,892	-	-	-	-
Other financial liabilities- current	25,083,843	-	-	-	-
Long-term loans (Due within 1 year)	5,978,240	-	-	-	-
Subtotal	$ 85,997,088	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through other comprehensive income	$ 1,000	-	1,000	-	1,000
Non derivative held for trading financial asset	728,325	728,325	-	-	728,325
Subtotal	$ 729,325	728,325	1,000	-	729,325
Available for sale financial assets					
Stocks in listed companies	$ 57,043	57,043	-	-	57,043
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 10,412,644	-	-	-	-
Notes and trade receivable	2,192,895	-	-	-	-
Other financial assets-current	4,986,975	-	-	-	-
Other financial assets-noncurrent	3,323,657	-	-	-	-
Subtotal	$ 20,916,171	-	-	-	-

(Continued)

	December 31, 2017				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at amortized cost					
Short-term bank loans	$ 41,722,634	-	-	-	-
Short-term Transactions Instruments payable	3,679,065	-	-	-	-
Notes payable, accounts payable, and other payables	8,140,207	-	-	-	-
Other financial liabilities-current	17,640	-	-	-	-
Corporate bonds payable (Due within 1 year)	23,725,197	-	-	-	-
Long-term loans (Due within 1 year)	3,157,535	-	-	-	-
Subtotal	$ 80,442,278	-	-	-	-

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

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

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

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair value of financial assets, which is regarded as being quoted in an active market, held by the Group is disclosed as follows sorted by character:

i) A financial instrument being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

4) Transfers between Level 1 and Level 2

Stock held by the Group quoted in an active market is sorted to Level 1. There is no difference regarding valuation techniques between 2018 and 2017. There is no transfer between first and second level measured at fair value in 2018 and 2017.

(af) Financial risk management

(i) Overview

The Group have 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 exposure information, objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

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.

(Continued)

(iii) Credit risk

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

1) Trade and other receivable

The Group is credit risk is affected by its clients. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring, check ,or loans form the bank.

The Group discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

2) Investments

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

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2018 and 2017, no other guarantees were outstanding.

(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.

(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.

(ag) 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 liabiltiies.

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 2018, the Group’s capital management strategy is consistent with the prior year as of 2017. The gearing ratio is maintained so as to ensure an “A” credit rating and ensure financing at reasonable cost. The Group’s debt-to-equity ratio at the end of the reporting period as of December 31 2018, is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 90,798,943	89,794,800
Less: cash and cash equivalents	(15,052,306)	(10,412,644)
Net debt	75,746,637	79,382,156
Total Equity	40,102,148	34,311,070
Less: hedging reserve	**$ 115,848,785**	**113,693,226**
Debt-to-equity ratio	**65.38 %**	**69.82 %**

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

The Group’s investing and financing activities which did not affect the current cash flow in the years ended December 31, 2018 and 2017, were as follows:

For conversion of convertible bonds to ordinary shares, please refer to notes 6(s)).

(7) Related-party transactions:

(a) Related-party transactions

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
Tsai, Tsung-Bin	Key management personnel
You, Jr-Bin	Supervisor (resigned at June 13, 2017)
Da Li Investment Co., Ltd.	The entity’s chairman is the key management personnel of the Group
Da Wei Co., Ltd.	The entity’s director is the key management personnel of the Group
Jeng, Shiou-Huei	Director of the Group
Jeng, You-Sheng	Key management personnel
Jeng, Jiun-Fang	The second immediate family of the director of the Group

(b) Significant transactions with related parties

(i) Leases

1) The Group leased offices to related parties were as follows:

	Rent income	
	For the years ended December 31	
	2018	**2017**
Other related parties	**$ 41**	**41**

2) The Group rented an office building from related parties were as follows:

	Rent expense	
	For the years ended December 31	
	2018	**2017**
Other related parties	**$ 694**	**-**

(ii) Others

1) In September, 2008, The Group sold a portion of land to Mr. Tsai, Tsung-Bin with a land developing plan at $5,000 thousand, recorded within other payables. The Group would repurchase the land without any interest if the plan was not completed within three years. Both parties agreed lengthening the expiry date unconditionally in October 20, 2011. As of December 31, 2018 and 2017, other payables were both $5,000 thousand.

2) The Group paid the service fee to other related parties for selling real estate on consignment were $30,010 thousand and $59,099 thousand, respectively, for the years ended December 31, 2018 and 2017.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2018	**2017**
Short-term employee benefits	**$ 108,297**	**99,087**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Financial assets at FVTPL	Mortgage	$ 237,796	379,644
Inventories (construction)	Mortgage, issuing commercial paper and bonds payable	66,929,806	64,483,209
Other financial assets- current and non-current	Mortgage, issuing commercial paper, performance bond, real estate trust account and bond payable	10,830,796	7,594,585
Property, plant and equipment	Mortgage and bonds payable	2,829,302	2,253,864
Investment property at net value	Mortgage and bonds payable	4,017,685	1,382,795
		$ 84,845,385	76,094,097

As of December 31, 2018 and 2017, the book value of pledged assets providing undrawn guaranteed loan are $12,745,011 thousand and $3,143,256 thousand, respectively.

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

(i) Contract price signed with clients were as follows:

	December 31, 2018	December 31, 2017
Amount of signed contracts (construction)	$ 29,257,922	41,035,345
Received amount from contracts	$ 3,354,352	8,238,345
Outstanding checks received from presale cases	$ 1,185,986	872,089

(ii) Unrecognized commitments generated by signing contracts for purchasing land for construction, building bulk, and investment properties are as follows:

	December 31, 2018	December 31, 2017
Acquisition of inventory	$ 8,034,679	4,530,403
Acquisition of investment property	$ -	531,548

(iii) Construction contract price signed by subsidiaries is as follows:

	December 31, 2018	December 31, 2017
Amount of signed contracts	$ 831,167	737,290
Received amount from contracts	$ 200,156	427,962

(Continued)

(b) Others

(i) As of December 31, 2018 and 2017, the refundable deposit paid for cooperation cases are $547,749 thousand and $654,971 thousand dollars, respectively.

(ii) A Subsidiary signed a cooperation contract with Hontai Life Insurance Co., Ltd. in March 2013. Nevertheless, affected by economic fluctuation, there were several presold houses returned. Dispute arose over the contract, the subsidiary should repurchase these returned houses with contribution ratio, and paid to Hontai Life Insurance Co., Ltd. And both parties agreed to go to arbitration. According to the resolution of arbitration received in December 31 2017, the subsidiary should pay Hontai Life Insurance Co., Ltd. $184,767 thousand, including $9,741 thousand interest, and received 5 units of apartments and 10 units of parking space. As of December 31 2017, resolution of arbitration was executed by both parties.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, were as follows:

By function / By item	For the years ended December 31					
	2018			2017		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits						
Salary	238,474	753,912	992,386	215,713	565,671	781,384
Labor and health insurance	1,720	78,704	80,424	2,088	8,450	10,538
Pension	840	38,841	39,681	922	35,596	36,518
Others	9,416	20,767	30,183	8,127	17,410	25,537
Depreciation	35,071	57,384	92,455	29,370	54,797	84,167
Depletion	-	-	-	-	-	-
Amortization	140	10,167	10,307	165	10,581	10,746

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(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:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The company	Chyi Yuh Construction Co., Ltd	2	$ 34,180,147	8,158,000	7,626,000	4,193,000	-	22.31 %	68,360,294	Y	N	N
0	The company	Bo Yuan Construction Co., Ltd	3	34,180,147	2,734,890	1,695,390	1,443,434	-	4.96 %	68,360,294	Y	N	N
0	The company	Well Rich International Co., Ltd	3	34,180,147	180,000	180,000	-	-	0.53 %	68,360,294	Y	N	N
1	Yeh Kee Enterprise Co., Ltd	The company	2	34,180,147	1,922,700	1,922,700	1,922,700	1,922,700	5.62 %	68,360,294	N	Y	N

Note 1: The numbering is as follows:
1."0" represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: The relationship between the guarantee and the guarantor are as follows:
1. Transactions between the companies.
2. The Company directly or indirectly holds more than 50% voting right.
3. When other companies directly or indirectly hold more than 50% voting rights of the Company.
4. The Company directly or indirectly holds more than 90% voting right.
5. A company that is mutually protected under contractual requirements based on the needs of the contractor.
6. A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
7. Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

Note 3: The Company and its subsidiaries endorsed the operation method for the total amount of guarantees and the limit for endorsement of a single enterprise:

1. The total amount of guarantee for external endorsement shall not exceed 200% of the net value of the company.

2. The guarantee amount for a single enterprise endorsement shall not exceed 100% of the current net value of the company.

Note 4: The consolidated financial report has been written off at the time of preparation.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock-Lee Shuo investment Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	712,500	$ 523,015	19.00 %	523,015	19.00 %	
〃	Stock-Super Communications Incorporation	-	Total non-current financial assets at fair value through other comprehensive income	36,480	366	0.13 %	366	0.13 %	
The Company	Stock-Shin Kong Rral Estate Management Co., Ltd.	-	Total non-current financial assets at fair value through other comprehensive income	500,000	5,000	1.67 %	5,000	1.67 %	

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
〃	Stock- Da-Ll Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	9,564,963	268,776	3.92 %	268,776	4.26 %	
〃	Stock- Hung Sheng Construction Co., Ltd.	-	Financial assets at fair value through profit or loss-current	1,368,000	34,952	0.18 %	34,952	0.18 %	
Ace Riches International Corp.	Stock- Highwealth Construction Corp.	Parent Company	Financial assets at fair value through other comprehensive income-current	4,162,135	187,296	0.36 %	187,296	0.36 %	
Highwealth Real Estate Co., Ltd.	Stock- Highwealth Construction Corp.	Parent Company	Total non-current financial assets at fair value through other comprehensive income	8,044,810	362,016	0.69 %	362,016	0.69 %	
Chyi Yuh Construction Co., Ltd	Stock- Highwealth Construction Corp.	Parent Company	Total non-current financial assets at fair value through other comprehensive income	2,495,092	112,279	0.21 %	112,279	0.21 %	
〃	Company Debt- China Rebar Co., Ltd.	-	inancial assets at amortized cost-current	3	-	- %	-	- %	Note 1
〃	Stock- Da-Ll Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	6,719,236	188,810	2.75 %	188,810	2.75 %	
Run Long Construction Co., LTd.	Stock- Da-Ll Development Co., Ltd.	-	Financial assets at fair value through profit or loss-current	4,862,477	136,636	1.99 %	136,636	2.08 %	
〃	Stock-Highwealth Construction Corp.	Parent Company	Financial assets at fair value through other comprehensive income-current	11,950,000	537,750	1.02 %	537,750	1.02 %	

Note 1: Recognized as impairment loss.

Note 2: Reconciliated in the preparation of consolidated report.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Stock- Jin Jyun Construction Co., Ltd.	Investments accounted for using equity method, net	Run Long Construction Co., LTd.	Related Party	50,000,000	$ 508,942	-	-	50,000,000	518,300	498,619	19,681	-	-
Run Long Construction Co., Ltd.	Stock- Jin Jyun Construction Co., Ltd.	Investments accounted for using equity method, net	Highwealth Construction Corp.	Related Party	-	-	50,000,000	518,300	-	-	-	-	50,000,000	544,130

Note 1: Do not result in a loss of control are accounted for as equity transactions.

Note 2: Reconciliated in the preparation of consolidated report.

HIGHWEALTH CONSTRUCTION CORP. AND SUBSIDIARIES
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(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition
							Owner	Relationship with the Company	Date of transfer	Amount		
The Company	Dan-Hai Fifth	May 11, 2018	$ 2,488,443	2,488,443	Guo Ruei Construction	not related parties	-	-	-	-	Appraisal	Constrction
〃	Qing-Xi Section	May 29, 2018	898,655	898,655	Mr. Yeh and other 5 people	〃	-	-	-	-	〃	〃
〃	Fu-du Xing three	July 18, 2018	992,496	992,496	Mr. Hsu and other 8 people, Mr. Chao and Farglory Land Development Co, Ltd.	〃	-	-	-	-	〃	〃
〃	Wu-ru High speed rail	August 6, 2018	4,001,736	4,001,736	Railway Bureau	〃	-	-	-	-	Open tender	〃
〃	Shan-jie section	September 19, 2018	1,843,400	1,843,400	Mr. lee and other 3 people	〃	-	-	-	-	Appraisal	〃
〃	Bo-Ai Second Road-Storefront	July 3, 2018	336,890	336,890	Jin Cheng Construction Co. and Mr. Tsai	〃				-	〃	Operating
〃	An Kong Section	October 8, 2018	1,839,000	551,700	Sanyang Motor Co., Ltd.	〃	-	-	-	-	〃	Construction
〃	Huei Shun Second	November 1, 2018	1,698,841	1,698,841	Mr. Huang and other 9 people	〃			-	-	〃	〃
〃	Fung Gong Section	November 13, 2018	2,668,250	266,825	Farglory Land Development Co., Ltd.	〃	-	-	-	-	〃	〃
Run Long Construction Co., Ltd	Kaosiung city Sanmin district Shin-do section	August 29, 2018	1,383,589	1,383,589	Ministry of National Defense in the Republic of China	〃	-	-	-	-	Open tender	〃
〃	Tainan Yu Guang	August 6, 2018	400,491	400,491	Highwealth Construction Corp.	related parties	Taiwan Tainan District Court	not related parties	September 21, 2016	348,647	Appraisal	〃
〃	Taipei city Wenshan district Wanfang section	December 20, 2018	2,464,000	238,410	Empire Construction Co., Huaho Asset Management Co., Mr. Ho and otehr 6 people	not related parties	-	-	-	-	〃	〃

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Jin-Tai Jui-Store	April 30, 2018	Not applicable	$ 157,941	446,454	446,454	288,513	SILVER LAKK International Asset Management, Ltd.	Non-related party	Earning profit	Appraisal	None
〃	Jin-Tai Jui-Inventory	April 30, 2018	Not applicable	Inventory sold thus not applicable	266,326	266,326	Sale of inventory, not applicable	SILVER LAKK International Asset Management, Ltd.	〃	〃	〃	〃
〃	in-Tai Jui-Inventory	June 8, 2018	Not applicable	Inventory sold thus not applicable	929,100	929,100	Sale of inventory, not applicable	iSee Taiwan Foundation	〃	〃	〃	〃
〃	Tainan Yu Guang	August 6, 2018	September 22, 2018	385,291	400,491	400,491	15,200	Run Long Construction Co., Ltd.	Related party	Business purpose	〃	〃

Note: Reconciliated in the preparation of consolidated report.

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Chyi Yuh Construciton Co., Ltd	Investee accounted for using equity method	Contracting project	$ 4,019,402	17.95%	Pay by contract terms	-	-	(462,525)	(35.34)%	Note 2
The Company	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	1,229,559	5.49%	Pay by contract terms	-	-	(173,018)	(13.22)%	Note 2
The Company	Run Long Construction Co., Ltd	Investee accounted for using equity method	Sales of goods	(990,596)	-%	Receive by contract terms	-	-	-	-%	
Chyi Yuh Construciton Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(4,795,328)	(75.50)%	Receive by contract terms	-	-	462,525	67.70%	Note 1
Chyi Yuh Construciton Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(837,646)	(13.19)%	Receive by contract terms	-	-	136,839	20.03%	Note 1
Chyi Yuh Construciton Co., Ltd	Bo Yuan Construction C0., Ltd	Investee accounted for using equity method	Contracted project	(666,229)	(10.49)%	Receive by contract terms	-	-	64,633	9.46%	Note 1
Bo Yuan Construction C0., Ltd	Chyi Yuh Construciton Co., Ltd	Parent Company	Contracting project	622,183	80.70%	Pay by contract terms	-	-	(64,633)	(49.89)%	Note 2
Run Long Construction Co., Ltd	Chyi Yuh Construciton Co., Ltd	Parent Company	Contracting project	569,849	10.72%	Pay by contract terms	-	-	(136,839)	(22.84)%	Note 2
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Investee accounted for using equity method	Contracting project	562,428	10.57%	Pay by contract terms	-	-	(32,441)	(5.41)%	Note 2
Run Long Construction Co., Ltd	The Company	The ultimate parent of the company	Land held for development and administration fee	879,575	16.54%	Pay by contract terms	-	-	-	-%	
Jin Jyun Construction Co., Ltd	The Company	The ultimate parent of the company	Contracted project	(1,220,554)	(67.64)%	Receive by contract terms	-	-	173,018	64.26%	
Jin Jyun Construction Co., Ltd	Run Long Construction Co., Ltd	Investee accounted for using equity method	Contracted project	(535,600)	(29.68)%	Receive by contract terms	-	-	32,441	12.05%	Note 1

Note 1: The contracted company recognizes its construction revenue through percentage of completion method, and the amount of sales included.

Note 2: The contracting company records its import price through estimates of amount of purchase through number of trials.

Note 3: Recognized revenue through payment received.

Note 4: Reconciliated in the preparation of consolidated report.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Chyi Yuh Construciton Co., Ltd	The company	The ultimate parent of the company	462,525	7.46	-	-	-	-
〃	RUN LONG Construction Co., Ltd	Investee accounted for using equity method	136,839	2.61	-	-	-	-
Jin Jyun Construction Co., Ltd	The company	The ultimate parent of the company	173,018	13.11	-	-	-	-

Note: Reconciliated in the preparation of consolidated report.

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(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions: Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Chyi Yuh Construciton Co., Ltd	1	Accounts payable	$ 462,525	Same with peer terms	0.35%
0			1	Operating Cost	4,813,756	Same with peer terms	10.89%
0	The Company	Jin Jyun Construction Co., Ltd	1	Accounts payable	173,018	Same with peer terms	0.13%
			1	Operating Cost	1,178,845	Same with peer terms	2.67%
		RUN LONG Construction Co., Ltd	1	Operating Revenue	990,596	Same with peer terms	2.24%
			1	Operating Cost	968,747	Same with peer terms	2.19%
1	Chyi Yuh Construciton Co., Ltd	The Company	2	Accounts Receivable	462,525	Same with peer terms	0.35%
			1	Operating Revenue	4,813,756	Same with peer terms	10.89%
		Run Long Construction Co., Ltd	3	Accounts Receivable	462,777	Same with peer terms	0.35%
			3	Operating Revenue	839,987	Same with peer terms	1.90%
		Bo Yuan Construction Co., Ltd	3	Accounts Receivable	64,633	Same with peer terms	0.05%
			3	Operating Revenue	666,229	Same with peer terms	1.51%
2	Run Long Construction Co., Ltd	The Company	3	Inventory	21,850	Same with peer terms	0.02%
		Chyi Yuh Construciton Co., Ltd	3	Accounts payable	462,777	Same with peer terms	0.35%
			3	Operating Cost	839,987	Same with peer terms	1.90%
		Jin Jyun Construction Co., Ltd	3	Accounts payable	32,441	Same with peer terms	0.02%
			3	Operating Cost	535,600	Same with peer terms	1.21%
3	Bo Yuan Construction Co., Ltd	Chyi Yuh Construciton Co., Ltd	3	Accounts payable	64,633	Same with peer terms	0.05%
			3	Operating Cost	666,229	Same with peer terms	1.51%
4	Jin Jyun Construction Co., Ltd	The Company	2	Accounts Receivable	173,018	Same with peer terms	0.13%
			2	Operating Revenue	1,178,845	Same with peer terms	2.67%
		Run Long Construction Co., Ltd	3	Accounts Receivable	32,441	Same with peer terms	0.02%
			3	Operating Revenue	535,600	Same with peer terms	1.21%

Note 1: The numbering is as follows:

1. "0" represents the parent company
2. Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries
2. Subsidiaries and its parent company
3. Subsidiaries and its subsidiaries

(b) Information on investees:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2018	Original investment amount: December 31, 2017	Balance as of December 31, 2018: Shares (thousands)	Balance as of December 31, 2018: Percentage of wnership	Balance as of December 31, 2018: Carrying value	Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Ace Riches International Corp.	Taiwan	Residential and building development, rental and sales	$ 12,000	12,000	1,200,000	100.00 %	36,525	100.00 %	14,545	(22)	
〃	Highwealth Real Estate Co., Ltd.	Taiwan	Real estate brokerage, real estate trading	25,000	25,000	2,500,000	100.00 %	56,642	100.00 %	20,942	(7,215)	
〃	Chyi Yuh Construciton Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	30,041	30,041	55,000,000	100.00 %	248,654	100.00 %	440,641	554,340	
〃	Run Long Construction Co., Ltd	Taiwan	Environmental protection technology, real estate development, rental and sales industries, etc.	456,443	191,663	11,098,000	3.60 %	(599,564)	3.62 %	2,186,147	30,497	Note
〃	Jin Jyun Construction Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	-	500,000	-	- %	-	100.00 %	12,964	(10,323)	
〃	Yeh Kee Enterprise Co., Ltd.	Taiwan	Residential and building development, rental services, etc.	2,423,152	2,423,152	2,200,000	100.00 %	2,445,654	100.00 %	22,183	22,183	
〃	Bijiang Enterprise Co., Ltd	Taiwan	Residential and building development, rental services, etc.	1,302,900	1,302,900	7,200	100.00 %	1,300,497	100.00 %	(2,385)	(2,385)	
〃	Highwealth Construction Co.	Taiwan	Residential and building development, rental services, etc.	5,000	-	500,000	100.00 %	4,826	100.00 %	(174)	(174)	

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of wnership	Carrying value				
Chyi Yuh Construciton Co., Ltd	Bo Yuan Construction Co., Ltd	Taiwan	Residential and building development, rental services, etc.	737,000	737,000	73,700,000	100.00 %	925,525	100.00 %	(2,423)	Exempt from diclosure	
	Guang Yang Investment Co., Ltd	Taiwan	Investment industry	284,050	284,050	29,900,000	100.00 %	578,622	100.00 %	139,266	〃	
	Well Rich International Co., Ltd	Taiwan	Construction material wholesale industry	78,484	78,484	8,100,000	100.00 %	143,414	100.00 %	24,505	〃	
	Run Long Construction Co., Ltd	Taiwan	Environmental technology, property development and rental industry	375,443	288,766	9,036,000	2.93 %	213,795	3.08 %	2,186,147	〃	Note
	Goyu Building Materials Co., Ltd.	Taiwan	Construction material wholesale industry	98,000	-	9,800,000	35.00 %	96,190	35.00 %	(5,171)	〃	Note 1
Guang Yang Investment Co., Ltd	Run Long Construction Co., Ltd	Taiwan	Environmental technology, property development and rental industry	398,063	398,063	16,810,013	5.45 %	398,410	6.91 %	2,186,147	〃	Note
Run Long Construction Co., Ltd	Jin Jyun Construction Co., Ltd	Taiwan	Construction, housing and building development rental services etc.	518,300	-	50,000,000	100.00 %	544,130	100.00 %	32,432	〃	

Note : Voting interest percentage differed due to secured bonds converted to ordinary shares.

Note 1: Please refer to Note 6(i)

Note 2: Reconciliated in the preparation of consolidated report.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow							
Chuan Xiang Commercial Co.	Construction material, furniture, metal parts	26,555 USD 900,000	(1)	26,555 USD 900,000	-	-	26,555 USD 900,000	(380)	100.00%	100.00%	(380)	2,634	-
Shin Fu Yu Commercial Co.	Construction material wholesale	27,104 USD 900,000	(1)	27,104 USD 900,000	-	-	27,104 USD 900,000	(56)	100.00%	100.00%	(56)	1,797	-

Note: Reconciliated in the preparation of consolidated report.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
53,659 （USD1,800,000）	53,659 （USD1,800,000）	20,508,088

Note 1: 3 types of investment method are as follows:

1. Directly investing in the mainland area
2. Investing in the mainland through companies in another country (Please note the name of the investing company from the other country)
3. Other methods

Note 2: Profit and loss recognized from investment for the current period:

1. If it is in preparation, and has no investment profit or loss, it should be noted
2. The basis for profit or loss from investment are as follows:
   A. The international accounting firm which has cooperative relationships with the CPA in the Republic of China verifies its financial statements
   B. Financial statement of the parent company is verified by the Taiwanese accountant
   C. Others

(iii) Significant transactions: None

(14) Segment information:

(a) General information

The Group has three reportable segments: developing segment, constructing segment, and ecotechnology segment. Developing segment is responsible for developing new constructing or rental opportunities. Constructing segment is involving in constructing buildings. Ecotechnology segment provides services for clearing waste.

(i) The reportable segments are the Group's strategic divisions.

(ii) They offer different products and services, and are managed separately, because they require different technology and marketing strategies.

(iii) The Group reviews the internal report provided by every segment quarterly.

(b) Information about reportable segments and their measurement and reconciliations

	For the year ended December 31, 2018					
	Developing segment	**Constructing segment**	**Ecotechnology segment**	**Other segment**	**Reconciliation and elimiation**	**Total**
Revenue from external customers	$ 43,934,427	127,932	140,291	2,321	-	44,204,971
Intersegment	998,593	7,521,350	-	89,512	(8,609,455)	-
Interest revenue	26,636	1,292	35	838	(27)	28,774
Total revenue	$ 44,959,656	7,650,574	140,326	92,671	(8,609,482)	44,233,745
Interest expenses	$ 849,990	34,680	-	3	(12,027)	872,646
Depreciation and amortization	49,946	31,715	17,779	451	2,871	102,762
Share of profit (loss) of associates and joint ventures accounted for using equity method	586,465	229,755	-	141,489	(959,519)	(1,810)
Reportable segment profit or loss	**$ 9,767,853**	**474,904**	**(17,315)**	**162,316**	**(936,886)**	**9,450,872**
Investments accounted for using equity method	$ 3,497,665	1,957,246	-	435,696	(5,794,417)	96,190
Capital expenditure	756,497	2,847	346	-	(40,605)	719,085
Reportable segment assets	**$ 125,979,572**	**7,621,470**	**901,881**	**1,253,399**	**(4,855,231)**	**130,901,091**
Reportable segment liabilities	**$ 82,334,485**	**8,022,660**	**1,539**	**19,390**	**420,869**	**90,798,943**

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	For the year ended December 31, 2017					
	Developing segment	Constructing segment	Ecotechnology segment	Other segment	Reconciliation and elimiation	Total
Revenue from external customers	$ 17,682,700	730,591	256,757	-	-	18,670,048
Intersegment	3,106	8,797,914	10	72,504	(8,873,534)	-
Interest revenue	18,079	2,500	411	728	(20)	21,698
Total revenue	**$ 17,703,885**	**9,531,005**	**257,178**	**73,232**	**(8,873,554)**	**18,691,746**
Interest expenses	$ 655,192	33,817	-	7	18,723	707,739
Depreciation and amortization	24,027	39,378	21,888	492	9,128	94,913
Share of profit (loss) of associates and joint ventures accounted for using equity method	109,118	79,144	-	39,733	(227,995)	-
Reportable segment profit or loss	**$ 2,468,470**	**386,049**	**91,372**	**102,998**	**(315,876)**	**2,733,013**
Investments accounted for using equity method	$ 3,618,739	1,549,169	-	351,251	(5,519,159)	-
Capital expenditure	14,846	348	7,945	-	8,512	31,651
Reportable segment assets	**$ 119,773,858**	**7,829,184**	**1,185,199**	**1,140,544**	**(5,822,915)**	**124,105,870**
Reportable segment liabilities	**$ 82,643,635**	**8,436,254**	**13,708**	**10,877**	**(1,309,674)**	**89,794,800**

(c) Geographic information:

The Group's revenues are all generated from domestic business.

(d) Major customers:

The Group does not have revenues from a single customer that exceeds 10% of the consolidated oprating revenues in 2018 and 2017.