Stock Code:2601

FIRST STEAMSHIP COMPANY LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: 14F., No.237, Sec. 2, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Telephone: (02)2706-9911

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.

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of First Steamship Company Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, First Steamship Company Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: First Steamship Company Ltd.
Chairman: Jen-Hao Kuo
Date: March 30, 2020

Independent Auditors' Report

To the Board of Directors of First Steamship Company Ltd.:

Opinion

We have audited the consolidated financial statements of First Steamship Company Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, 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, based on our audits and the reports of other auditors (please refer to other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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"), interpretation 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 audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the FSC and the auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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 Auditor's 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in Note 3(a) to the consolidated financial statements, the Group has initially adopted the IFRS 16, "Leases" from January 1, 2019 and applied the modified retrospective approach with no restatement of comparative period amounts. Our conclusion is not modified in respect of this matter.

Other Matter

We did not audit the financial statements of Mariner Finance Ltd., a subsidiary of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mariner Finance Ltd., is based solely on the report of other auditor. The financial statements of Mariner Finance Ltd. reflect the total assets constituting 6% of the consolidated total assets at December 31, 2019, and the total operating revenues constituting 4% of the consolidated total operating revenues for the years then ended.

We did not audit the financial statements of certain investees which represented the investment in other entities accounted for using the equity method of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts is based solely on the report of other auditors. The investments in other entities accounted for using the equity method constituting 1 % and 3% of the total assets at December 31, 2019 and 2018, respectively, and the related share of profit of associates accounted for using the equity method constituted 1% and (25)% of the total profit before tax for the years ended December 31, 2019 and 2018, respectively.

First Steamship Company Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion with emphasis of matter or other matter paragraph.

Key Audit Matters

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

1. Impairment of goodwill and trademark

   Please refer to notes 4(n), 4(o), 5(b), and 6(m)to the consolidated financial statements for the accounting principles on the recognition of impairment of intangible assets, non-financial assets, the accounting estimates and uncertainty of assumptions in assessment of impairment of goodwill and intangible assets, as well as details of impairment of goodwill and intangible assets, respectively.

   Description of key audit matter:

   As of December 31, 2019, the carrying amounts of intangible assets constituted 6% of the total assets of the Group. The major part of goodwill and trademark originated from the acquisition of GORG in 2006. Since retailing business is influenced by downward economic growth and online shopping, maintaining revenue and profitability has become a challenge. Therefore, the goodwill and trademark from acquisition are affected, and the Group concerns if the carrying amounts exceed recoverable amounts of retailing department. The Group's management should follow IAS 36 to determine the value in use using a discounted cash flow forecast of retailing department. Due to the fact that the estimated recoverable amounts involved management' s judgment, and it has great uncertainty, there is an overestimated risk on value in use of goodwill, trademark, and assets of retailing business department. Therefore, we consider the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

How the matter was addressed in our audit

We cast professional doubt on the model that the Group' s management used to assess the impairment of goodwill and trademark, including to evaluate whether management has identified cash generating units ("CGU") which might have impairments, and to consider all the assets that have to be tested have been included in the assessment. We also review separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verify the reasonability of the assumptions and accuracy of management' s calculation based on available data. We also examine the appropriateness of disclosure for the aforesaid assets.

2. Assets impairment

Please refer to notes 4(o), 5(a), 6(j), and 6(k) to the consolidated financial statements for the accounting principles on the recognition of impairment of non-financial assets, the accounting estimates and assumptions uncertainty in assessment of impairment of property, plant and equipment, and right of use assets, details of impairment of property, plant and equipment, as well as right-of-use assets, respectively.

Description of key audit matter:

As of December 31, 2019, the carrying amounts of property, plant and equipment and right-of-use assets constitute 61% of the total assets of the Group. The major part of property, plant and equipment is operating assets in retailing and shipping departments. Since retailing business is influenced by downward economic growth and online shopping; shipping business is affected by the uncertainty of international economic cycle and transportation volume, maintaining revenue and profitability has become a challenge. Therefore, the carrying amounts of operating assets are affected, and the Group concerns if the carrying amounts exceed recoverable amounts. The Group's management should follow IAS 36 to determine the recoverable amounts by the higher of using discounted cash flow forecast or fair value less disposal costs. Due to the fact that the estimated recoverable amounts involved management' s judgment, and it has great uncertainty, there is an overestimated risk on value in use of operating assets. Therefore, we consider the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

How the matter was addressed in our audit

We cast professional doubt on the model that the Group' s management used to assess assets impairment, including to evaluate whether management has identified CGU which might have impairments, and to consider all the assets that have to be tested have been included in the assessment. We also review separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verify the reasonability of the assumptions and accuracy of management' s calculation based on available data. We also examine the appropriateness of disclosure for the aforesaid assets.

3.Recoverability of other receivables

Please refer to notes 4(g), 6(e), and 6(n) to the consolidated financial statements for the accounting principles on the recognition of financial instruments, the disclosures of other receivables and other financial assets, respectively.

Description of key audit matter:

The retailing department of the Group recently ended part of their investment due to the downturn of business cycle and rigorous competition in mainland China. As of December 31, 2019, the carrying amounts of other receivables, originated from uncollected prepaid investments, amounted to $698,512 thousand, and constituted 2% of the total assets of the Group. The recoverability of other receivables depended on the value of collateral and the progress of the disposal of assets by debtors. Therefore, we consider it as the key audit matter to the consolidated financial statements in the audit process.

How the matter was addressed in our audit

To evaluate the recoverability of other receivables, we obtained documentation of managements' assessment to examine if their collaterals were sufficient. Also, we tested control points related to collection and examined the collection documents in subsequent period to assess the reasonability on recognition and amount of allowance for bad debt.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Ying Chang and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2020

Notes to Readers

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

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

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

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 5,149,276	14	5,468,507	16
1110	Current financial assets at fair value through profit or loss (Note 6(b))	162,866	-	151,968	-
1136	Current financial assets at amortized cost, net (Notes 6(c) and 8)	-	-	921,600	3
1170	Accounts receivable, net (Notes 6(d), (x), 7 and 8)	941,101	2	1,214,938	4
1200	Other receivables, net (Notes 6(e) and 7)	228,612	1	906,515	3
1220	Current tax assets	-	-	229	-
1300	Inventories, net	335,800	1	363,337	1
1320	Inventories (for construction business), net (Notes 8 and 9)	645,975	2	658,896	2
1461	Non-current assets classified as held for sale(note 6(f) and 8)	283,041	1	503,590	1
1476	Other current financial assets (Notes 6(n) and 8)	546,052	1	613,914	2
1479	Other current assets (Notes 6(t), (v), 7 and 9)	365,058	1	575,933	2
		8,657,781	23	11,379,427	34
	Non-current assets:				
1535	Non-current financial assets at amortized cost, net (Note 6(c))	29,900	-	-	-
1550	Investments accounted for using equity method, net (Note 6(g))	909,626	2	1,324,098	4
1600	Property, plant and equipment (Notes 6(j), 7 and 8)	13,578,283	36	13,427,506	38
1755	Right-of-use assets (Notes 6(k), 7 and 8)	9,614,639	25	-	-
1760	Investment property, net (Notes 6(f), (l), and 8)	144,009	-	144,982	-
1780	Intangible assets (Note 6(m))	2,136,205	6	2,213,422	6
1840	Deferred tax assets (Note 6(u))	877,785	2	518,633	2
1915	Prepayments for business facilities (Notes 9)	386,227	1	613,494	2
1935	Long-term lease payments receivable (Note 6(d))	790,610	2	885,063	3
1980	Other non-current financial assets (Notes 6(c), (n), 7 and 8)	884,894	2	526,060	2
1985	Long-term prepaid rents (Notes 6(t) and 8)	-	-	3,279,198	9
1990	Other non-current assets (Notes 6(v) and 7)	259,806	1	163,210	-
		29,611,984	77	23,095,666	66
	Total assets	$ 38,269,765	100	34,475,093	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	Amount	%	Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(d) and (o))	3,544,958	9	3,540,288	10
2110	Short-term notes and bills payable	49,954	-	49,947	-
2120	Current financial liabilities at fair value through profit or loss (Notes 6(b) and (q))	2,622	-	-	-
2130	Current contract liabilities (Notes 6(x) and 9)	150	-	5,173	-
2170	Accounts payable (Note 6(r))	3,053,857	8	3,680,595	11
2200	Other payables (Notes 6(c), (g), (j), (r) and (y))	1,082,030	3	1,813,412	6
2230	Current tax liabilities	133,670	-	149,727	-
2280	Current lease liabilities (Notes 6(s) and 7)	955,219	2	-	-
2321	Current portion of bonds payable (Note 6(q))	999,223	3	997,668	3
2322	Current portion of long-term borrowings (Note 6(p))	1,074,361	3	1,629,615	5
2323	Long-term notes and accounts payable, current portion (Note 6(t))	-	-	46,545	-
2399	Other current liabilities (Notes 6(n) and (u))	99,728	-	429,187	1
		10,995,772	28	12,342,157	36
	Non-Current liabilities:				
2530	Bonds payable (Note 6(q))	1,336,572	3	997,668	3
2540	Long-term borrowings (Note 6(p))	3,675,728	10	5,632,493	16
2570	Deferred tax liabilities (Note 6(u))	49,030	-	68,973	-
2580	Non-current lease liabilities (Notes 6(s) and 7)	8,232,934	22	-	-
2612	Long-term accounts payable (Note 6(t))	-	-	1,399,021	4
2640	Net defined benefit liability, non-current	422	-	1,650	-
2645	Guarantee deposits (Note 6(d))	720,549	2	953,419	3
		14,015,235	37	9,053,224	26
	Total liabilities	25,011,007	65	21,395,381	62
	Equity attributable to owners of parent (Notes 6(f), (g), (q) and (v)):				
3100	Capital stock	6,308,832	16	6,308,832	18
3200	Capital surplus	1,947,686	5	1,953,436	6
3300	Retained earnings	1,450,781	4	680,956	2
3400	Other equity interest	(565,892)	(1)	(230,852)	(1)
	Total equity attributable to owners of parent:	9,141,407	24	8,712,372	25
36XX	**Non-controlling interests (Notes 6(i) and (v))**	4,117,351	11	4,367,340	13
	Total equity	13,258,758	35	13,079,712	38
	Total liabilities and equity	$ 38,269,765	100	34,475,093	100

See accompanying notes to consolidated financial statements.

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

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(x), and 7)**	8,132,005	100	8,043,875	100
5000	**Operating costs (Notes 6(t) and (z))**	2,672,165	33	2,311,324	29
	Gross profit from operations	5,459,840	67	5,732,551	71
6000	**Operating expenses (Notes 6(m), (s), (t), (v), (y) and 7)**	3,984,383	49	4,390,681	55
6450	Expected credit loss (Note 6(d))	54,773	1	33,622	-
	Net operating income	1,420,684	17	1,308,248	16
	Non-operating income and expenses (Notes 6(e), (f), (g), (h), (j), (k), (q), (s), (z) and 7):				
7010	Other income	82,054	1	82,554	1
7020	Other gains and losses, net	1,465,407	18	(355,654)	(4)
7050	Finance costs	(939,644)	(12)	(441,991)	(5)
7055	Impairment loss determined in accordance with IFRS 9	18,627	-	(18,955)	-
7060	Share of loss of associates accounted for using equity method, net	(32,102)	-	(134,034)	(2)
		594,342	7	(868,080)	(10)
7900	**Profit from continuing operations before tax**	2,015,026	24	440,168	6
7950	Less: Income tax expenses (Note 6(u))	343,747	4	220,579	3
	Profit	1,671,279	20	219,589	3
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	407	-	1,426	-
8314	Equity related to non-current assets classified as held for sale	-	-	33,894	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		407	-	35,320	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(506,314)	(6)	(55,608)	-
8365	Equity related to non-current assets classified as held for sale	(6,218)	-	2,981	-
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6,035	-	41,545	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(506,497)	(6)	(11,082)	-
8300	**Other comprehensive income (loss)**	(506,090)	(6)	24,238	-
	Comprehensive income	$ 1,165,189	14	243,827	3
	Profit (loss), attributable to:				
8610	Owners of parent	$ 1,404,377	17	6,400	
8620	Non-controlling interests	266,902	3	213,189	3
		$ 1,671,279	20	219,589	3
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 1,069,744	13	113,110	1
8720	Non-controlling interests	95,445	1	130,717	2
		$ 1,165,189	14	243,827	3
	Earnings per share (Note 6(w))				
9750	Basic earnings per share (NT dollars)	$	2.23		0.01
9850	Diluted earnings per share(NT dollars)	$	1.98		0.01

See accompanying notes to consolidated financial statements.

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

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(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	Equity related to non-current assets classified as held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 6,308,832	1,898,430	107,468	-	565,662	673,130	(336,136)	-	8,544,256	4,382,386	12,926,642
Profit for the year ended December 31, 2018	-	-	-	-	6,400	6,400	-	-	6,400	213,189	219,589
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	1,426	1,426	69,628	35,656	106,710	(82,472)	24,238
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	7,826	7,826	69,628	35,656	113,110	130,717	243,827
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	56,496	-	(56,496)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	336,136	(336,136)	-	-	-	-	-	-
Other changes in capital surplus:											
Due to donated assets received	-	3,332	-	-	-	-	-	-	3,332	-	3,332
Changes in equity of associates accounted for using equity method	-	26,220	-	-	-	-	-	-	26,220	-	26,220
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	25,454	-	-	-	-	-	-	25,454	(46,121)	(20,667)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(99,642)	(99,642)
Balance at December 31, 2018	6,308,832	1,953,436	163,964	336,136	180,856	680,956	(266,508)	35,656	8,712,372	4,367,340	13,079,712
Effects of retrospective application	-	-	-	-	(554,500)	(554,500)	-	-	(554,500)	(428,738)	(983,238)
Equity at beginning of period after adjustments	6,308,832	1,953,436	163,964	336,136	(373,644)	126,456	(266,508)	35,656	8,157,872	3,938,602	12,096,474
Profit for the year ended December 31, 2019	-	-	-	-	1,404,377	1,404,377	-	-	1,404,377	266,902	1,671,279
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	407	407	(329,172)	(5,868)	(334,633)	(171,457)	(506,090)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,404,784	1,404,784	(329,172)	(5,868)	1,069,744	95,445	1,165,189
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	640	-	(640)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(63,088)	(63,088)	-	-	(63,088)	-	(63,088)
Reversal of special reserve	-	-	-	(105,284)	105,284	-	-	-	-	-	-
Due to recognition of equity component of convertible bonds issued	-	96,902	-	-	-	-	-	-	96,902	-	96,902
Changes in equity of associates accounted for using equity method	-	1,718	-	-	(17,371)	(17,371)	-	-	(15,653)	-	(15,653)
Disposal of investments accounted for using equity method	-	(22,126)	-	-	-	-	-	-	(22,126)	-	(22,126)
Changes in ownership interests in subsidiaries	-	(82,244)	-	-	-	-	-	-	(82,244)	237,293	155,049
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(153,989)	(153,989)
Balance at December 31, 2019	$ 6,308,832	1,947,686	164,604	230,852	1,055,325	1,450,781	(595,680)	29,788	9,141,407	4,117,351	13,258,758

See accompanying notes to consolidated financial statements.

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

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	2,015,026	440,168
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		1,991,674	896,622
Amortization expense		41,698	34,564
Expected credit loss		36,146	52,577
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		(58,998)	3,257
Interest expense		939,644	441,991
Operating costs (interest expense)		56,985	37,097
Impairment (loss) gain on non-current assets classified as held for sale		(31,816)	106,566
Interest income		(78,683)	(76,629)
Dividend income		(3,371)	(5,925)
Cost of share-based payments awards		1,271	-
Share of loss of associates accounted for using equity method		32,102	134,034
Loss on disposal of property, plant and equipment		17,033	19,825
Gain on disposal of non-current assets classified as held for sale		(217,213)	-
Loss on disposal of investments		-	8,364
Gain on disposal of investments		(1,000,407)	-
Impairment loss on non-financial assets		23,273	260,023
Gain on lease modification		(19)	-
Lease expense		-	168,943
Compensation loss		-	2,103
Total adjustments to reconcile profit (loss)		1,749,319	2,083,412
Changes in operating assets and liabilities:			
Changes in operating assets:			
Financial assets and liabilities at fair value through profit or loss		41,593	340,192
Accounts receivable		239,110	(569,673)
Other receivables		(38,435)	(133)
Inventories		27,808	(143,370)
Other current assets		45,296	29,064
Other financial assets		-	(5,880)
Changes in operating liabilities:			
Contract liabilities		(5,023)	(15,528)
Accounts payable		(511,163)	(413,733)
Other payables		(173,193)	90,016
Other current liabilities		(28,936)	(21,863)
Net defined benefit liability		(821)	(4,599)
Other operating liabilities		-	(98,004)
Total adjustments		1,345,555	1,269,901
Cash inflow generated from operations		3,360,581	1,710,069
Interest received		98,823	45,592
Dividends received		3,371	5,925
Interest paid		(940,710)	(464,280)
Income taxes paid		(437,314)	(380,470)
Net cash flows from operating activities		2,084,751	916,836

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

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(29,900)	(441,185)
Proceeds from disposal of financial assets at amortized cost	456,226	-
Acquisition of investments accounted for using equity method	(745,405)	(753,811)
Proceeds from disposal of investments accounted for using equity method	1,863,563	135,750
Proceeds from disposal of subsidiaries	6,183	-
Proceeds from disposal of non-current assets classified as held for sale	463,360	-
Acquisition of property, plant and equipment	(887,357)	(793,302)
Proceeds from disposal of property, plant and equipment	29,327	58,212
Decrease in other receivables	55,245	162,131
Acquisition of intangible assets	(14,592)	(131,388)
Proceeds from disposal of intangible assets	546	672
Decrease in receivables (transfer of stock equity and prepaid investment)	-	17,328
Decrease (increase) in other financial assets	33,834	(30,474)
Increase in other non-current assets	(32,152)	(38,479)
Increase in prepaid equipment	(396,872)	(69,439)
Other investing activities (increase in long-term prepaid rents)	-	(7,979)
Net cash flows from (used in) investing activities	802,006	(1,891,964)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	98,985	692,728
Increase in short-term notes and bills payable	7	31
Proceeds from issuing bonds	1,542,300	-
Redemption of bonds payable	(1,000,000)	-
Proceeds from long-term borrowings	1,730,512	3,013,669
Repayments of long-term borrowings	(4,141,399)	(4,316,110)
Increase (decrease) in guarantee deposits	(205,679)	176,171
Payment of lease liabilities	(854,283)	-
Subsidiaries' cash dividends paid	(150,582)	(99,642)
Treasury shares sold to employees	46,760	-
Acquisition of ownership interests in subsidiaries	-	(20,667)
Cash dividends paid	(63,088)	-
Other financing activities	-	3,332
Net cash flows used in financing activities	(2,996,467)	(550,488)
Effect of exchange rate changes on cash and cash equivalents	(209,521)	14,540
Net decrease in cash and cash equivalents	(319,231)	(1,511,076)
Cash and cash equivalents at beginning of period	5,468,507	6,979,583
Cash and cash equivalents at end of period	$ 5,149,276	5,468,507

See accompanying notes to consolidated financial statements.

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

(1) Company history

First Steamship Company Ltd. (the "Company") was established in October 1963 in accordance with the Company Act of the Republic of China. The Company' s registered office address is located at 14F, No.237, Sec. 2, Fuxing S. Rd., Taipei City, R.O.C. The major business activities of the Company and its subsidiaries ("the Group") are the domestic and international sea transportation and related businesses, trading of vessels and related products, providing services of financial leasing, providing business consultation services, trading of cosmetics, furnishings and etc., investments, and selling, renting, investing in construction. Please refer to note 13 for further information.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

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

(i) IFRS 16"Leases"

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

(Continued)

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at:

  — their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property, machinery and transportation equipment leases.

  In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $11,009,298 thousand of right-of-use assets, reduced $3,469,405 thousand of long-term of prepaid rents (including current portion), additional $329,302 thousand of deferred tax assets, reduced $1,445,566 thousand of long-term accounts payable and additional $10,297,999 thousand of lease liabilities, reduced $428,738 thousand of non-controlling interest and reduced $554,500 thousand of retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.90%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the balance sheet at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 13,126,826
Discounted using the incremental borrowing rate at January 1, 2019	$ 10,297,999
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 10,297,999

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

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

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

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

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The 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.

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments (including derivative financial instruments) at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements include.

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
First Steamship Co., Ltd.	Yee Shin Investment Co., Ltd.	General investing	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	Yee young Co., Ltd	Real estate development, rental and leasing of building	- %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	Royal Sunway Development Co., Ltd.	Real estate development, rental and leasing of building	55.00 %	55.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	FIRST STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	GRAND OCEAN RETAIL GROUP LTD.	Investment holding company	3.70 %	3.82 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	FIRST MARINER HOLDING LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
First Steamship Co., Ltd.	NEW URBAN INVESTMENTS LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Yee Shin Investment Co., Ltd	GRAND OCEAN RETAIL GROUP LTD.	Investment holding company	2.21 %	2.29 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Royal Sunway Development Co., Ltd.	Lan Hai Engineering Consultants LTD	Engineering Consultancy	- %	70.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	LONGEVITY NAVIGATION S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	PRAISE MARITIME S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	BEST STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	GRAND STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	AHEAD CAPITAL LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	MEDIA ASSETS GLOBAL LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	BLACK SEA STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
FIRST STEAMSHIP S.A.	SHIP BULKER STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	NATURE SOURCES LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	GRAND OCEAN RETAIL GROUP LTD.	Investment holding company	46.83 %	48.38 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	RELIANCE STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	ALLIANCE STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	SURE SUCCESS STEAMSHIP S.A.	International transportation and shipping agency	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	HERITAGE RICHES LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST STEAMSHIP S.A.	SHINING STEAMSHIP INTERNATIONAL S.A.	International transportation and shipping agency	100.00 %	- %	The Company directly (indirectly) holds more than 50% of its subsidiaries and it was sold to the ultimate parent company in June 2017
FIRST STEAMSHIP S.A.	EXCELLENT STEAMSHIP INTERNATIONAL S.A.	International transportation and shipping agency	100.00 %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries, and it also completed liquidation in December 2015
AHEAD CAPITAL LTD.	GRAND OCEAN RETAIL GROUP LTD.	Investment holding company	1.79 %	1.85 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST MARINER HOLDING LTD.	FIRST MARINER CAPITAL LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST MARINER HOLDING LTD.	MARINER FAR EAST LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST MARINER CAPITAL LTD.	MARINER CAPITAL LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST MARINER CAPITAL LTD.	Mariner Finance Ltd.	Loan company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
FIRST MARINER CAPITAL LTD.	Morton Securities Ltd.	Securities and Securities underwriting company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
MARINER CAPITAL LTD.	Mariner Finance Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Shanghai Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
Mariner Finance Ltd.	Suzhou Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Nanjing Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Nantong Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Huaian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Hefei Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Wuhan Youxin Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Qingdao Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Weifang Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Chongqing Youren Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Fuzhou Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Dongguan Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Guangzhou Youqiang Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Ningbo Youren Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Changsha Youli Car Service Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xiamen Youhon Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Chengdu Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Xuzhou Youhon Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
Mariner Finance Ltd.	Lianyungang Youren Car Service Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Jinhua Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Suqian Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Jinan Youli Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Yancheng Youcheng Car Leasing Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Mariner Finance Ltd.	Zhongshan Youcheng Car Rental Co., Ltd.	Automobile Finance leasing company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
GRAND OCEAN RETAIL GROUP LTD.	GRAND CITI LTD.	Investment holding company	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
GRAND CITI LTD.	Grand Ocean Retail Group Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Suzhou Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	- %	86.67 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Nanjing Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Zayton Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Shanghai Jing Xuan Business Management Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Retail Group Ltd.	Fuzhou Jiaruixing Commercial Management Co., Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Zayton Ocean Department Store Co., Ltd.	Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	30.00 %	30.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Ocean Department Store Co., Ltd.	Suzhou Grand Ocean Department Store Co., Ltd	Trading of cosmetics, furnishings, etc.	- %	6.66 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Ocean Department Store Co., Ltd.	Nanjing Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
Nanjing Ocean Department Store Co., Ltd.	Fuzhou Tiandi Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	57.13 %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries, and it also completed liquidation in October 2014
Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd.	Fuzhou Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd.	Fuzhou Tiandi Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	14.29 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd.	Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	70.00 %	70.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Department Store Co., Ltd.	Fuzhou Tiandi Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	14.29 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Wuhan Guanggu Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Xiangtan Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Chongqing Guanggu Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Wuhan Longyang Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Hengyang Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	Shiyan Ocean Modern Shopping Co., Ltd.	Trading of cosmetics, furnishings, etc.	100.00 %	100.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Guanggu Grand Ocean Department Store Co., Ltd.	Xiangtan Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Guanggu Grand Ocean Department Store Co., Ltd.	Chongqing Guanggu Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Guanggu Grand Ocean Department Store Co., Ltd.	Wuhan Longyang Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	50.00 %	50.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries, and it also completed liqidation in October 2014

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
Wuhan Guanggu Grand Ocean Department Store Co., Ltd.	Yichang Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	99.00 %	99.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Longyang Grand Ocean Department Store Co., Ltd.	Yichang Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	1.00 %	1.00 %	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Grand Ocean Department Store Co., Ltd.	Fuzhou Tiandi Grand Ocean Department Store Co., Ltd.	Trading of cosmetics, furnishings, etc.	14.29 %	- %	The company directly (indirectly) holds more than 50% of its subsidiaries

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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 hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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, exchange differences 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) Classification of current and non-current assets and liabilities

Except the business activities in selling, renting, and investing in construction are based on operating cycle, 3~5 years, to classify the current or non-current；other assets are classified as current under one of the following criteria, and all other assets are classified as non current.

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

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

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

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

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

(Continued)

2) 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. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

(Continued)

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized 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.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

6) Derecognition of financial liabilities

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

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

7) Offsetting of financial assets and liabilities

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

8) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(Continued)

(iii) Derivative financial instruments and hedge accounting

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Department stores

Inventory is measured at the lower of cost or net realizable value. Costs include other costs incurred in making them available for use at locations and conditions, and are calculated using the first-in first-out method.

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

Construction

The initial cost of inventory is necessary expenditure incurred in bringing them to their existing location and condition. The developing costs for real estate include construction, land, borrowings, and project expenditure. When the construction is finished, building construction in progress will be reclassified to real estate held for sale, and the Group will recognize operating costs in the proportion of the part being sold to the total developing costs for real estate. Inventories are measured at the lower of cost and net realizable value. When the costs exceed net realizable value, the costs should be reduced to their net realizable value, and the reducing amount should be recognized at current cost for sale. The net realizable value is measured as follows:

(i) Land held for development: the net realizable value is the replacement cost or estimated price (based on the market condition), less the estimated selling expenses at the end of the period.

(ii) Building construction in progress: the net realizable value is the estimated price (based on the market condition), less the estimated costs of completion and selling expenses at the end of the period.

(iii) Real estate held for sale: the net realizable value is the estimated price (based on the market condition), less the estimated selling expenses at the end of the period.

(i) Non-current assets held for sale

Noncurrent assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Group' s ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(k) Investment property

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.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

(Continued)

Land is not depreciated.

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

1) Buildings 3～50 years

2) Transportation equipment 5 years

3) Vessel 22～26 years

4) Office equipment 3～5 years

5) Leasehold improvement 5～20 years

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

(iv) 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.

(m) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

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

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

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will beused throughout the period of use.

(ii) As a leasee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

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

- there is any lease modifications

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

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

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

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

(iii) As a lessor

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

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

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

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

(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 an 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

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

Other leases are operating leases and are not recognized in the consolidated 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. Lease incentives Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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 liability.

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

(n) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

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

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

1) Computer software 5 years

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

(o) Impairment of non-financial assets

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

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

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

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

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

(Continued)

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

(p) Revenue

(i) Revenue from contracts with customers

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) Sales of goods

The Group's department store sells goods in the retail market. The Group recognizes revenue when the goods are delivered to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

2) Customer loyalty program

The Group operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

3) Services

The Group provides consultancy services and management services to the customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

4) Commissions

When the Group acts as an agent rather than as a principal in a transaction, the revenue is recognized as the net amount of the commission received.

5) Land development and sale of real estate

The Group develops and sells residential properties and usually sells 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.

6) 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.

The Group preliminarily assesses whether there is a difference between the consideration for contractual commitment and the current sales price based on the individual contract, and whether the advance receipts from the sale of real estate include financing factors. The advance receipts from the sale of real estate are security for the customer to perform the contract and decrease of the price variance risk from re sale and subsidy to the Group due to the customer not performing the contract, rather than significant financial component of the financing obtained from the customer.

(ii) Contract costs — incremental costs of obtaining a contract

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.

The Group recognizes the incremental costs as an asset which meets the expectation to recover those costs of obtaining a contract through the sale of the real estate and amortizes it on the basis of the transfer of pre-sold house.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

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

(Continued)

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

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

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

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

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

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

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

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

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

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

    1) the same taxable entity; or

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

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

(s) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(t) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures 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 Group' s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group' s financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(Continued)

(u) Earnings per share

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

(v) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements： None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

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

In the process of evaluating the potential impairment of tangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to notes 6(j) and (k) for further description of the impairment of property, plant and equipment and right-of-use assets.

(b) Impairment of goodwill and intangible assets

The assessment of impairment of goodwill and intangible assets requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(m) for further description of the impairment of goodwill and intangible assets.

(Continued)

Assessment

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company'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 Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) 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).

(c) Level 3: inputs for the assets or liability 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.

Please refer to notes 6(aa) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

Except the following explanation mentioned below, the explanation of significant accounts described in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31,2017. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31,2017.

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
	$ 36,544	49,601
Petty cash	4,900,655	5,397,402
Demand deposits	212,077	21,504
Total	$ 5,149,276	5,468,507

Please refer to note 6(aa) for the sensitivity analysis and interest rate risk.

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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	$	150,513	140,466
Beneficiary certificates		12,353	11,502
Total	$	162,866	151,968
Held-for-trading financial liabilities:			
Embedded derivatives - Call and put rights of convertible bonds	$	2,622	-

(i) Please refer to note 6(aa) for disclosure of credit risk and market risk of all financial instruments mentioned above.

(ii) The financial assets mentioned above had not been pledged as collateral.

(c) Financial assets measured at amortized cost—current and non-current

		December 31, 2019	December 31, 2018
Corporate bonds—Skyfame Realty Holdings Ltd.	$	-	921,600
Preference shares—Jiawang Assets Development Co., Ltd.		29,900	-
	$	29,900	921,600

(i) On June 15, 2018, the Group's Board of Directors approved a resolution during the meeting to purchase a one year unsecured 10% corporate bond issued by Skyfame Realty Holdings Ltd. (Skyfame), at par value of $921,600 thousand (US$30,000 thousand). The Group's objective is to hold the asset to collect the contractual cash flows until its maturity date, and the cash flows of financial assets are solely payments of principal and interest on the principal amount outstanding; therefore, the financial asset was reported as financial asset measured at amortized cost. On January 28 and July 22, 2019, the Group's Board of Directors had agreed to redeem in advance the unsecured corporate of Skyfame amounting to US$12,800 thousand and US$17,200 thousand, respectively. Moreover, the financing payables for the aforesaid amounts were zero and $468,163 thousand (US$15,240 thousand) as of December 31, 2019 and December 31, 2018, respectively.

(ii) On November 6, 2019, a resolution was made during the board of directors' meeting of the Group to purchase 2,990 thousand cumulative preference shares issued by Jiawang Assets Development Co., Ltd. amounting to $29,900 thousand, with an annual interest rate of 6%. The payment has been paid in full.

(iii) For credit risk, please refer to note 6(aa).

(iv) The financial assets mentioned above had been pledged as collateral of for its long-term borrowing. Please refer to note 8.

(d) Trade receivables and other receivables

		December 31, 2019	December 31, 2018
Current			
Accounts receivable	$	167,306	385,502
Allowance for impairment		-	-
		167,306	385,502
Leases payment receivables (included operating lease)		946,753	1,025,414
Less: Unearned interest		(144,541)	(169,065)
Allowance for impairment		(28,417)	(26,913)
		773,795	829,436
Subtotal of current asset		941,101	1,214,938
Non-current			
Leases payment receivables		894,892	988,803
Less: Unearned interest		(76,753)	(78,628)
Allowance for impairment		(27,529)	(25,112)
Subtotal of non-current asset		790,610	885,063
Total	$	1,731,711	2,100,001

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

1) The loss allowance provision in rental business department in China was determined as follows:

	December 31, 2019			
		Gross carrying amount of leases payment receivable	Weighted-average loss rate	Loss allowance provision
Current	$	1,445,310	0.15%	2,148
1 to 30 days past due		87,424	2.26%	1,974
31 to 60 days past due		16,643	13.44%	2,236
61 to 90 days past due		215	28.85%	62
More than 90 days past due (Note)		70,759	69.99%	49,526
	$	1,620,351		55,946

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018			
	Gross carrying amount of leases payment receivable		Weighted-average loss rate	Loss allowance provision
Current	$	1,605,182	0.15%	2,438
1 to 30 days past due		79,394	2.30%	1,826
31 to 60 days past due		10,676	16.59%	1,770
61 to 90 days past due		4,768	36.88%	1,759
More than 90 days past due		66,504	66.51%	44,232
	$	1,766,524		52,025

Note: As of December 31, 2019 and 2018, the Group had filed lawsuits for collecting the overdue receivables from leasing business with total amount of $53,520 thousand (CNY$12,412 thousand) and $62,494 thousand (CNY$13,962 thousand). The Group assessed the recoverability of those overdue receivables, and recognized provision for allowance of $43,802 thousand (CNY$10,159 thousand) and $36,143 thousand (CNY$7,927 thousand) less unearned interests and guarantee deposit. Besides, the Group had written off $45,442 thousand of the uncollectible leases payment receivables, $37,521 thousand of provision for allowance, and $7,921 thousand of guarantee deposit in 2019.

2) The loss allowance provision in retail business department in China as of was determined as follows:

	December 31, 2019			
	Gross carrying amount		Weighted-average loss rate	Loss allowance provision
Current	$	143,880	-	-

	December 31, 2018			
	Gross carrying amount		Weighted-average loss rate	Loss allowance provision
Current	$	339,792	-	-

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) The loss allowance provision in shipping business department was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 23,426	-	-

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 24,718	-	-

4) The loss allowance provision in Taiwan was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	-	-

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 20,992	-	-

(ii) The movements in the allowance for accounts receivable were as follows:

	For the years ended December 31	
	2019	2018
Balance on January 1 (per IFRS 9)	$ 52,025	19,366
Impairment losses recognized	54,773	33,622
Amounts written off	(48,715)	-
Foreign exchange losses	(2,137)	(963)
Balance on December 31	$ 55,946	52,025

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) A maturity analysis of lease payments, which reflects the undiscounted lease payments to be received after the reporting date, is as follows:

		December 31, 2019
Less than one year	$	946,753
One to two years		613,483
Two to three years		281,409
Total lease payments receivable		1,841,645
Unearned finance income		(221,294)
Present value of lease payments receivable	$	1,620,351

		Gross investment in the lease	Unearned finance income	Present value of minimum lease payments receivables
December 31, 2018				
Within operating cycle	$	1,025,414	(169,065)	856,349
Between operating cycle and 5 year		988,803	(78,628)	910,175
	$	2,014,217	(247,693)	1,766,524

(iv) The Group and the financial institution shall sign the accounts receivable and sales contract, and the contracted company shall guarantee the receivables for all receivables that cannot be recovered (whether delayed or defaulted) within a certain period of time, and retain the accounts receivable. Almost all risks and rewards are therefore not eligible for financial assets.

The carrying amounts of the transferred receivables and related financial liabilities not excluded in the reporting date are as follows:

December 31, 2019					
Purchaser	Transferred accounts receivable amount	Credit lines	Advanced amount (recognized under Short-term borrowings)	Range of interest rates	Guarantee item
CDIB International Leasing Corp.	$ 92,855	86,236	67,019	9.3%	Accounts receivable

(v) For credit risk information, please refer to note 6(ab).

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Other receivable

		December 31, 2019	December 31, 2018
Other receivables–transfer of equity shares	$	-	18,608
Other receivables–loans		15,824	71,616
Other receivables–investment and guarantee deposits		-	725,119
Other receivables–lease guarantee deposits		63,384	-
Other receivables–others		149,404	109,780
Less: Loss allowance		-	(18,608)
	$	228,612	906,515

(i) The other receivables–loans arise from the demand of short-term financing by the car rental platform, and the Group obtains collateral when necessary. Furthermore, other receivables–others are the advance payment in accordance with the promotions held by retail business department and venders. Since the Group and the vendors are in a long-term business relationship, the Group has considered historical experience and believed that they were less doubtful of the recoverability of these receivables. The Group assessed the aforesaid other receivables as the financial assets with low credit risk and measured loss allowances at an amount as 12-month expected credit loss. Management believed that there were less doubtful of credit losses.

(ii) In 2012, the Group paid a guarantee deposit of CNY$124,000 thousand to Quanzhou Fengsheng Group to purchase the commercial real estate of the Fengsheng Junyuan Development Project developed by Fengsheng Group in Fengze District, Quanzhou. After assessing the investment value of the project, the Board of Directors of the Group resolved during the meeting in July 2015 to invest Quanzhou Fengan Real Estate Development Co., Ltd.(Fengan), and expected to obtain 100% equity of the company with a contractual amount of CNY$325,000 thousand. As of December 31, 2015, the Group had paid CNY$200,000 thousand, which was reported under the prepayment for investments. The management of the Group evaluated the uncertainty of the investment and thus terminated the investment. Therefore, the original prepayment for investments of CNY$200,000 thousand and other financial assets – current of CNY$124,000 thousand, were reclassified as other receivables as of June 30, 2016.

In addition, the Group reviewed the nature of other receivables and analyzed the current financial position of the counterparty. In order to secure the aforementioned debt, the Group had acquired pledge of stock rights of Fengan, and at the same time had obtained the debtor's promise that other investment profits to be priority to repay the debt. The Group evaluated that the aforementioned debt should have no impairment concern. Because the debtor takes time to complete the relevant legal procedures of the disposition of investment, the Group and the debtor renegotiate the repayment period, which should be before April 30, 2017, before September 30, 2017, and before December 31, 2017. The total amount of repayment should be 10%, 40% and 50%, respectively. In case of violation of the agreement, the aforementioned collateral would be transferred to the Group for debt repayment. In accordance with the aforesaid agreement, the full amount should be recovered on December 31, 2017. On December 19, 2017, the Board of Directors of the Group resolved during the meeting on the Fengsheng Group' s extension of the repayment agreement, which extended remaining

(Continued)

proceeds to June 30, 2018. Due to the delay of procedures of the disposition of investment, Fengsheng Group could not make the payments by the aforementioned date. As of December 31, 2019 and December 31, 2018, the outstanding receivables were CNY$162,000 thousand ($698,512 thousand and $725,119 thousand) respectively. The Group acquired the deferred repayment instructions by Fullshare Holdings and promised that it will be the first one to receive funds when developing the land of Fengan and it will repay the debts; and it shall be based on the assessment report of this claim, to assess that the value of the creditor's rights without any impairment.

To ensure the recovery of the aforementioned creditor's rights and the development of Fengan's property, on August 12, 2019, the Board of Directors resolved to sign a "Debt Confirmation and Repayment Plan" with Damahua Investment Co., Ltd.(Damahua), Fengsheng and Fengan, stating that Damahua will provide financial support to Fengan for the development and construction of a real estate property to be sold to the market to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Considering the development progress of Fengan's property, the credit recovery period will exceed one year; therefore, the related receivables were reclassified to other non current receivables, recognized as other non-current financial assets.

In addition, the Group entered into a "Debt Preservation and Conditional Credit Transfer Agreement" with Damahua to comprehensively supervise the development project of the Fengan property to ensure that the future sales proceeds will be used to repay for the aforementioned claims. If certain circumstances occur, the aforementioned creditor's rights of CNY$162,000 thousand will be transferred to Damahua. The Group shall assess the value of the creditor's rights based on the creditor's rights protection measures and transfer agreements, without any impairment.

(iii) The Group sold its 100% equity of Tong-ling Grand Ocean Department Store in December 2016. The selling price was $48,549 thousand (CNY$10,000 thousand). As of December 31, 2018, the transfer amount that has not yet been received is $18,608 thousand (CNY$4,175 thousand), and the payments should be collected by May 15, 2017 according to the contract. The Group has filed a lawsuit against the transferee company in 2018, but the recoverability of the amount was assessed and the impairment loss of $18,955 thousand (CNY$4,157 thousand) was recognized on December 31, 2018 , under the expected credit loss of the statement of comprehensive income. On February 27, 2019, the court ruled in favor of the Group. In December 2019, the transferee company provided its property for payment. Thus, the Group reversed the expected credit loss amounting to $18,627 thousand (CNY$4,157 thousand).

(iv) Since the rental agreement of, Xiangtan Grand Ocean Department Store Co., Ltd. (Xiangtan) one of the Group's subsidiaries, have reached its maturity in December 2018, the Group ceased Xiangtan's business operation, wherein a security deposit amounting to CNY$15,000 thousand is expected to be received. Xiangtan had already returned the property to its owner, Xiangyuan Industrial Development Co., Ltd.(Xiangyuan), but failed to receive the security deposit. In order to receive the payment and begin the liquidation process, Xiangtan filed a lawsuit against Xiangyuan. On July 1, 2019, the people's court ordered Xiangyuan to pay the amount of CNY$14,700 thousand to Xiangtan. However, Xiangyuan disagreed with the court's decision, therefore, filed an appeal on November 13, 2019, wherein it was denied on January 16, 2020. Furthermore, Xiangtan filed an appeal to the court to freeze the property of Xiangyuan, in which the court granted the approval do to so. After a thorough investigation by the court, it was found that Xiangyuan has enough property to pay for the security deposit. As a result, the Group assessed that amount of $63,384 thousand (CNY$14,700 thousand) should have no impairment concern.

The movements in loss allowance for other receivables were as follows:

		2019	2018
Balance at January 1	$	18,608	-
Impairment losses (gains) recognized		(18,627)	18,955
Effect of change in foreign exchange rates		19	(347)
Balance at December 31	$	-	18,608

(f) Non-current assets held for sale

(i) On December 7, 2018, the board of directors of the Group resolved to sale the invested real estate, including related lands and houses; as of December 31, 2018, the amount of non-current assets classified as held for sale was $246,147 thousand. On March 29, 2019, the Group signed a sales contract with the non-relative Wisdom Marine International Inc. for a total contract price of $463,360 thousand (untaxed). The property rights transfer registration was completed in May. The relevant price has been fully collected, deducting the relevant taxes and fees and recognized the disposal gain of non-current assets classified as held for sale of $217,213 thousand.

(ii) On December 7, 2018, the board of directors of the Group resolved to sale the investment of equity method —Sandmartin International Holdings Limited; it has started to conduct the related sales and is expected to complete the sales within one year, and the investment using the equity method will be reported under the non-current assets classified as held for sale. As of December 31, 2019, the aforementioned assets had not been sold due to the circumstances which was previously considered unlikely to happen. The Group had taken necessary actions in response. Now the Group is actively looking for purchaser with reasonable prices, and reasonably expects to complete the sales within one year.

(iii) As of December 31, 2019 and 2018, the amount of the non-current assets to be disposed of and the related interests are as follows：

		December 31, 2019	December 31, 2018
Investment Property	$	-	246,147
Investments accounted for using equity method		283,041	257,443
Total	$	283,041	503,590

		December 31, 2019	December 31, 2018
Amount of cumulative income or expense recognized in other comprehensive income relating to the non-current assets classified as held for sale			
Exchange difference arising from the translation of the financial statements of the foreign operating institution	$	(3,237)	2,981
Revaluation surplus		33,894	33,894
	$	30,657	36,875

As of December 31, 2019 and 2018, the non-recurring fair value measurement for the investments accounted for using equity method were measured at $283,041 thousand and $257,443 thousand, based on observable inputs which are the measurement basis of the price in similar transaction or in the same industry, and their fair value are in the first level, respectively.

As of December 31, 2018, the non-recurring fair value measurement for the investment property was measured at $459,001 thousand based on observable inputs which are the measurement basis of the price in similar transaction or in the same industry, and their fair value are in the level 2.

The non-current assets classified as held for sale of the Group are estimated using the market valuation technique to estimate the fair value of the non-current assets classified as held for sale, using the recent transaction price of the same or similar transactions in the market as the observable inputs.

For the years ended December 31, 2019 and 2018, the above-mentioned non-current assets classified as held for sale were measured at a book value and fair value less than the cost of sales, and were recognized as reversal of impairment loss of $31,816 thousand (US$1,029 thousand), and impairment loss of $106,566 thousand (US$3,532 thousand). Please refer to note 6 (aa) for details.

(iv) As of December 31, 2019 and 2018, the non-current assets classified as held for sale of the Group are provided as collateral guarantees. Please refer to note 8 for details.

(g) Investments accounted for using equity method

The Group' s investments accounted for using the equity method at the reporting date were as follows:

Investee		December 31, 2019	December 31, 2018
Beijing ShouHai International Economics and Technology Consultant Service Co., Ltd.	$	-	6,742
Taiwan Environment Scientific Co., Ltd.		215,015	120,745
Summit Ascent Holdings Ltd.		-	1,196,611
Jiawang Assets Development Co., Ltd.		9,643	-
Da Yu Financial Holdings Limited		678,892	-
Hainan Sanhe Licheng Business Service Co., Ltd.		6,076	-
	$	909,626	1,324,098

(Continued)

(i) Aggregation of financial information—individually insignificant associates' equity

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

		December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	$	909,626	1,324,098

		For the years ended December 31	
		2019	2018
Attributable to the Group:			
Profit (Loss) from continuing operations	$	(32,102)	(134,034)
Other comprehensive income		6,035	41,545
Total comprehensive income	$	(26,067)	(92,489)

(ii) On May 3, 2018, the Group had disposed the entire equity of IRC Properties Inc. and ceased the significant influence on the company. The disposal price was $135,750 thousand (US$4,499 thousand), and the loss on disposal was $8,364 thousand (US$277 thousand), the loss on disposal had already been reported to other gains and losses in the consolidated statements of comprehensive income. This loss on disposal had included the amount reclassified to profits and losses which was recognized in other comprehensive income before.

(iii) In December 2017, the Group obtained 12.67% of the equity of Summit Ascent Holdings Ltd. (Summit) in cash of $101,290 thousand and in financing of $676,073 thousand (reported as other payables). In addition, since the management of the Group is a director of Summit, the Group has significant influence over Summit, and therefore, the Group evaluates its investee using the equity method. Subsequently, the Group obtained 6.55% of the shares amounting to $384,171 thousand. On April 8, 2019, a resolution was passed during the meeting of Board of Directors to dispose all of the Group's shares in Summit. On April 23, 2019, the said shares were sold to Victor Sky Holding Ltd (Victor), a subsidiary of Sun City Group Holdings Co., Ltd. (Sun City), at the amount of $2,199,033 thousand (HK$554,934 thousand), with a par value of HK$1.94 per share, resulting in a net cash inflow of $1,863,563 thousand after deducting the financing amounting to $335,470 thousand upon purchased. The gain on disposal amounting to $997,264 thousand (HK$256,833 thousand) had already been recognized as other gains and losses in the consolidated statements of comprehensive income. The gain on disposal comprised of other comprehensive income of $4,238 thousand, a component that would be reclassified to profit or loss related to the associate the Group previously recognized, as well as capital surplus amounting to $(22,126) thousand.

(iv) On August 30, 2019 and March 5, 2018, the Group subscribed to the private equity and the issuance of new shares of the investee, Taiwan Environment Scientific Co., Ltd., amounting to $147,424 thousand and $12,127 thousand, respectively. Due to the unproportioned shareholding percentage of the Group, it recognized the capital surplus, retained earnings and capital surplus of $1,718 thousand, $(17,371) thousand , and $4,207 thousand, respectively.

(Continued)

(v) In 2019, the Group acquired 29.11% of the equity of Da Yu Financial Holdings Limited (Da Yu) amounting to HK$174,898 thousand. As of December 31, 2019, the settlement had been completed. In addition, since the management of the Group is a director of Da Yu, the Group has significant influence over Da Yu, and therefore, the Group evaluates its investee using the equity method. Moreover, as of December 31, 2019, the aforesaid amount in financing was $105,982 thousand (reported as other payables).

(vi) On October 9, 2019, the board of directors of the Group resolved, during the meeting, to purchase 49% of equity of Jiawang Assets Development Co., Ltd. (Jiawang) amounting to $9,800 thousand. As of December 31, 2019, the related payment was paid in full.

(vii) Guarantees

There is no guarantee in investments using equity methods of the Group.

(h) Loss of control of subsidiaries

On July 25, 2019 the Group lost controlling power on Lan Hai Engineering Consultants Ltd. (Lan Hai) by selling 70% of the equity. The proceeds from disposal were $10,900 thousand, with gain on disposal of $2,950 thousand and was received in full.

The carrying amount of the assets and liabilities of Lan Hai on July 25, 2019 were as follows:

Cash and cash equivalents	$	4,717
Accounts receivable		9,124
Other receivables		6
Current tax assets		229
Other current assets		28
Property, plant and equipment		488
Other non-current financial assets		221
Other payables		(3,456)
Carrying amount of net assets of former subsidiary	$	11,357

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of a subsidiary were as follows:

Name of Subsidiary	Main operation/ place	Percentage of non-controlling interests December 31, 2019	December 31, 2018
GRAND OCEAN RETAIL GROUP LTD.	China/Cayman Islands	45.47 %	43.66 %

The following information of the aforementioned subsidiary has been prepared in accordance with the IFRSs endorsed by the FSC. Intra-group transactions were not eliminated in this information.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Collective financial information of Grand Ocean Retail Group Ltd.

	December 31, 2019	December 31, 2018
Current assets	$ 5,680,778	7,695,337
Non-current assets	20,537,955	13,239,338
Current liabilities	(7,401,648)	(7,194,719)
Non-current liabilities	(9,913,540)	(3,910,056)
Non-controlling interest	-	(304)
Net assets	$ 8,903,545	9,829,596
Non-controlling interest	$ 4,048,441	4,291,602

	For the years ended December 31	
	2019	2018
Sales revenue	$ 6,642,331	6,457,831
Net income	$ 603,637	490,621
Other comprehensive income	(371,862)	(188,464)
Comprehensive income	$ 231,775	302,157
Profit, attributable to non-controlling interests	$ 270,324	212,040
Comprehensive income, attributable to non-controlling interests	$ 98,868	129,568

	For the years ended December 31	
	2019	2018
Net cash flows from operating activities	$ 1,680,186	909,729
Net cash flows from investing activities	(371,224)	(1,026,411)
Net cash flows from financing activities	(1,528,809)	(1,015,869)
Effect of exchange rate changes	(178,340)	(70,203)
Net decrease in cash and cash equivalents	$ (398,187)	(1,202,754)
Dividends paid to non-controlling interests	$ 150,582	99,164

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

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

		Land	Buildings	Transportation equipment	Vessels	Office equipment	Leasehold Improvement	Construction in progress	Total
Cost or deemed cost:									
Balance at January 1, 2019	$	126,409	3,795,849	118,527	8,152,699	320,672	7,485,417	129,957	20,129,530
Additions		-	5,284	85,803	-	11,971	175,648	593,558	872,264
Transferred from prepaid equipment		-	-	-	-	-	-	614,110	614,110
Transferred from intangible assets		-	-	-	-	673	13,052	-	13,725
Other reclassifications		-	25,954	104	-	6,599	311,858	(337,539)	6,976
Disposals and obsolescence		-	-	(66,424)	-	(89,267)	(1,162,030)	-	(1,317,721)
Disposals of subsidiary		-	-	(627)	-	(293)	-	-	(920)
Effect of change in foreign exchange rates		-	(137,716)	(4,847)	(169,848)	(8,924)	(249,535)	(37,558)	(608,428)
Balance at December 31, 2019	$	126,409	3,689,371	132,536	7,982,851	241,431	6,574,410	962,528	19,709,536
Balance at January 1, 2018	$	126,409	3,869,781	183,662	7,902,335	323,543	6,906,844	201,690	19,514,264
Additions		-	7,489	40,437	893	14,295	285,051	398,462	746,627
Other reclassifications		-	783	-	-	5,876	461,607	(468,266)	-
Disposal of subsidiaries		-	(14,029)	(103,826)	-	(17,592)	(32,074)	-	(167,521)
Effect of change in foreign exchange rates		-	(68,175)	(1,746)	249,471	(5,450)	(136,011)	(1,929)	36,160
Balance at December 31, 2018	$	126,409	3,795,849	118,527	8,152,699	320,672	7,485,417	129,957	20,129,530
Depreciation and impairment loss:									
Balance at January 1, 2019	$	-	398,011	71,629	1,577,649	238,024	4,416,711	-	6,702,024
Depreciation		-	98,535	24,156	336,555	26,146	405,444	-	890,836
Transferred from intangible assets		-	-	-	-	243	4,924	-	5,167
Other reclassifications		-	6,976	-	-	-	-	-	6,976
Disposals and obsolescence		-	-	(38,608)	-	(85,477)	(1,147,276)	-	(1,271,361)
Disposals of subsidiary		-	-	(376)	-	(56)	-	-	(432)
Effect of change in foreign exchange rates		-	(17,666)	(1,945)	(41,894)	(6,324)	(134,128)	-	(201,957)
Balance at December 31, 2019	$	-	485,856	54,856	1,872,310	172,556	3,545,675	-	6,131,253
Balance at January 1, 2018	$	-	330,525	91,496	1,205,218	228,357	3,830,145	-	5,685,741
Depreciation		-	80,821	26,058	328,434	26,778	431,882	-	893,973
Impairment loss		-	-	187	-	2,329	257,507	-	260,023
Disposals and obsolescence		-	(6,443)	(45,078)	-	(15,357)	(22,606)	-	(89,484)
Effect of change in foreign exchange rates		-	(6,892)	(1,034)	43,997	(4,083)	(80,217)	-	(48,229)
Balance at December 31, 2018	$	-	398,011	71,629	1,577,649	238,024	4,416,711	-	6,702,024
Carrying amounts:									
Balance at December 31, 2019	$	126,409	3,203,515	77,680	6,110,541	68,875	3,028,735	962,528	13,578,283
Balance at January 1, 2018	$	126,409	3,539,256	92,166	6,697,117	95,186	3,076,699	201,690	13,828,523
Balance at December 31, 2018	$	126,409	3,397,838	46,898	6,575,050	82,648	3,068,706	129,957	13,427,506

(i) On June 4, 2018, the Board of Directors of Suzhou Grand Ocean Department Store Co., Ltd. resolved during the meeting to signed agreements with lessors to terminate in advance the original rental contracts which will be expired on February 15, 2019. Therefore, the Group recognized impairment losses of all its relevant property, plant and equipment amounting to $89,290 thousand (CNY$19,583 thousand).

(ii) On November 23, 2018, the Board of Directors of Xiangtan Grand Ocean Department Store Co., Ltd. resolved during the meeting not to renew the rental contract. Therefore, the Group recognized impairment loss of all its relevant property, plant and equipment amounting to $138,332 thousand (CNY$30,338 thousand).

(iii) For the year ended December 31, 2018, Fuzhou Tiandi Grand Ocean Department Store Co., Ltd. was in operation loss continuously, the Group recognized impairment loss of all its relevant property, plant and equipment amounting to $32,401 thousand (CNY$148,487 thousand).

(iv) As of December 31, 2019 and 2018, due to payments to stores maintenance and to acquire the property for department stores, the Group recognized other payables amounting to $261,609 thousand and $286,652 thousand, respectively.

(v) The significant components of the buildings include the main building, machinery and air conditioner with their own estimated useful lives.

(vi) The significant components of the buildings include the main building, machinery and air conditioner with their own estimated useful lives.

(vii) Guarantee

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral for bank borrowings; please refer to note 8 for further details.

(k) Right-of-use assets

The movements in the cost and depreciation of the leased land, buildings, machine and transportation equipment were as follows：

	Land	Buildings	Machine and transportation equipment	Total
Cost:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective application	3,378,465	7,574,869	55,964	11,009,298
Additions	-	4,567	5,993	10,560
Decrease	-	(677)	-	(677)
Lease modifications	-	83,318	-	83,318
Effect of movement in exchange rate	(123,968)	(280,755)	(2,216)	(406,939)
Balance at December 31, 2019	$ 3,254,497	7,381,322	59,741	10,695,560
Accumulated depreciation:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation for the period	99,367	992,551	7,947	1,099,865
Decrease	-	(138)	-	(138)
Impairment loss	-	23,273	-	23,273
Effect of movement in exchange rate	(3,742)	(38,065)	(272)	(42,079)
Balance at December 31, 2019	$ 95,625	977,621	7,675	1,080,921
Carrying amounts:				
Balance at December 31, 2019	$ 3,158,872	6,403,701	52,066	9,614,639

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) The subsidiary, Wuhan Longyang Grand Ocean Department Store, signed an agreement for the partial annual fee reduction of the department store building, resulting in a decrease of $56,496 thousand (CNY$12,609 thousand) for the right of use asset and lease liability. Because of the agreement made by Wuhan Guanggu Grand Ocean Department Store Co., Ltd. to increase the fixed rental expense beginning January 1, 2020, the right of use assets and lease liabilities had increased by $139,814 thousand (CNY$31,205 thousand). Please refer to note 6(s) for the lease liabilities.

(ii) For the year ended December 31, 2018, Fuzhou Tiandi Grand Ocean Department Store Co., Ltd. was in operation loss continuously, the Group recognized impairment loss of all its right-of-use assets amounting to $23,273 thousand (CNY$5,194 thousand).

(iii) The Group of the department store building, office space, staff quarters and transportation equipment used for operating leases for the year ended December 31, 2018, please refer to note 6(t) for further details.

(l) Investment properties

	Owned property		
	Land and improvement	Buildings	Total
Cost or deemed cost:			
Balance at January 1, 2019	$ 115,769	50,251	166,020
Balance at December 31, 2019	$ 115,769	50,251	166,020
Balance at January 1, 2018	$ 313,005	135,322	448,327
Transferred to non-current assets held for sale	(197,236)	(85,071)	(282,307)
Balance at December 31, 2018	$ 115,769	50,251	166,020
Accumulated depreciation and impairment losses:			
Balance at January 1, 2019	$ -	21,038	21,038
Depreciation	-	973	973
Balance at December 31, 2019	$ -	22,011	22,011
Balance at January 1, 2018	$ -	54,549	54,549
Depreciation	-	2,649	2,649
Transferred to non-current assets held for sale	-	(36,160)	(36,160)
Balance at December 31, 2018	$ -	21,038	21,038
Carrying amounts:			
Balance at December 31, 2019	$ 115,769	28,240	144,009
Balance at January 1, 2018	$ 313,005	80,773	393,778
Balance at December 31, 2018	$ 115,769	29,213	144,982
Fair value amount:			
Balance at December 31, 2019			$ 273,671
Balance at December 31, 2018			$ 768,438
Balance at January 1, 2018			$ 280,244

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of one to two years. For lease revenue, please refer to note 6(y).

(ii) For the case where the investment properties of the Group were transferred to the non-current assets classified as held for sale, please refer to note 6(f) for further details.

(iii) As of December 31, 2019 and 2018, the investment property of the Group had been pledged as collateral for borrowings; please refer to note 8.

(m) Intangible assets

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

	Goodwill	Trademark	License Plate	Other	Total
Cost:					
Balance at January 1, 2019	$ 1,396,645	430,575	375,927	80,545	2,283,692
Additions	-	-	-	14,592	14,592
Reclassification	-	-	-	(13,725)	(13,725)
Disposal	-	-	(513)	(3,563)	(4,076)
Effect of change in foreign exchange rates	(51,148)	(8,971)	(13,775)	(2,777)	(76,671)
Balance at December 31, 2019	$ 1,345,497	421,604	361,639	75,072	2,203,812
Balance at January 1, 2018	$ 1,421,771	417,399	273,176	60,716	2,173,062
Additions	-	-	110,319	21,069	131,388
Disposal	-	-	(672)	-	(672)
Effect of change in foreign exchange rates	(25,126)	13,176	(6,896)	(1,240)	(20,086)
Balance at December 31, 2018	$ 1,396,645	430,575	375,927	80,545	2,283,692
Accumulated amortization and impairment loss:					
Balance at January 1, 2019	$ 6,318	-	5,242	58,710	70,270
Amortization	-	-	-	8,426	8,426
Reclassification	-	-	-	(5,167)	(5,167)
Disposal	-	-	-	(3,530)	(3,530)
Effect of change in foreign exchange rates	(132)	-	(192)	(2,068)	(2,392)
Balance at December 31, 2019	$ 6,186	-	5,050	56,371	67,607
Balance at January 1, 2018	$ 6,125	-	5,337	51,147	62,609
Amortization	-	-	-	8,399	8,399
Effect of change in foreign exchange rates	193	-	(95)	(836)	(738)
Balance at December 31, 2018	$ 6,318	-	5,242	58,710	70,270
Carrying amounts:					
Balance at December 31, 2019	$ 1,339,311	421,604	356,589	18,701	2,136,205
Balance at January 1, 2018	$ 1,415,646	417,399	267,839	9,569	2,110,453
Balance at December 31, 2018	$ 1,390,327	430,575	370,685	21,835	2,213,422

(Continued)

(i) Recognition of amortization and impairment

The amortization and impairment loss of intangible assets are included in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018:

	For the years ended December 31	
	2019	2018
Operating expenses	$ 8,426	8,399

(ii) Impairment testing of goodwill

For impairment testing, the Group had allocated goodwill to two CGUs, Wuhan Zhongshan Grand Ocean Department Store Co., Ltd. and Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd. The aggregated carrying amount of goodwill was allocated to each CGU as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount	Recoverable amount	Carrying amount	Recoverable amount
Goodwill				
Wuhan Zhongshan Grand Ocean Department Store Co., Ltd.	$ 188,575	1,109,617	195,758	1,875,498
Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd.	1,150,736	2,743,169	1,194,569	2,603,992
	$ 1,339,311	3,852,786	1,390,327	4,479,490
Trademark				
Grand Ocean Department Store Group Co., Ltd.	$ 421,604	1,166,537	430,575	1,143,544

The recoverable amount of CGU is the higher of fair value less costs of disposal or value in use. If an asset's recoverable amount is higher than its carrying amount, the Group assumes that there is no doubt about impairment loss. The recoverable amount of CGUs as of December 31, 2019 and 2018 was estimated on its value in use except Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd., its recoverable amount was fair value less costs of disposal.

The fair value of Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd., as of December 31, 2019 and 2018, was estimated by market method, which was based on the identical industries in recent market or similar deal prices in the neighborhood, and it was level two input of the fair value hierarchy.

The recoverable amount of two CGUs, Wuhan Zhongshan Grand Ocean Department Store Co., Ltd. and Fuzhou Zhongcheng Grand Ocean Department Store Co., Ltd., as of December 31, 2019 and 2018, was estimated on the value in use. The key assumptions used in estimating the value in use were as follows:

	December 31, 2019	December 31, 2018
Discount rate	10%	10%
Terminal value growth rate	1%~4%	1%~5%
Growth rate of earnings before interest, taxes, depreciation, and amortization from financial budget period	8%~20%	3%~21%

(Continued)

1) The discount rate is a pre-tax earnings ratio based on the government debt of China due in 2040, and adjustments of risk premium to reflect incremental risk of general investment in equity and systematic risk specific to CGU.

2) Estimates of future cash flows are based on past experience, actual operating results and future lease agreement due date.

3) Operating revenue are considered the average growth level of the past three years. Also, managements use data to estimate that the selling price will stably grow at a rate higher than expected inflation rate in the future three years.

4) Operating costs and expenses are estimated based on past experiences and variable factors.

The aforementioned key assumptions represent management' s evaluation and best estimates of future economic trend of retail business based on the external and internal historical information.

(iii) Impairment testing of license plate

As of December 31, 2019 and 2018, the recoverable amount of the CGU was as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount	Recoverable amount	Carrying amount	Recoverable amount
Intangible assets—license plate	$ 356,589	365,779	370,685	382,990

The recoverable amount of the CGU was based on fair value less costs of disposal or value in use, which was higher. The recoverable amount of the CGU was determined to be higher than carrying amount of and impairment loss was not recognized.

On December 31, 2018, the fair value of license plate is computed based on a market approach, which was based on the identical industries in recent market or similar deal prices in the neighborhood, and it was level two input of the fair value hierarchy.

The recoverable amount of the CGU, Mariner Finance Ltd., as of December 31, 2019, was estimated on the value in use. The key assumptions used in estimating the value in use were as follows:

	December 31, 2019
Discount rate	8.08%
Terminal value growth rate	-%
Growth rate of earnings before interest, taxes, depreciation, and amortization from financial budget period	10%

1) The discount rate is a pre-tax earnings ratio based on the government debt of China due in 2025, and adjustments of risk premium to reflect incremental risk of general investment in equity and systematic risk specific to CGU.

2) Estimates of future cash flows are based on past experience, actual operating results and future lease agreement due date.

3) Operating costs and expenses are estimated based on past experiences and variable factors.

The aforementioned key assumptions represent management' s evaluation and best estimates of future economic trend of rental business based on the external and internal historical information.

(n) Other financial assets—current and non-current

		December 31, 2019	December 31, 2018
Other financial assets—current			
Deposits—out for lease	$	3,269	3,900
Restricted deposits		528,539	296,279
Deposits—ready to transaction		12,396	310,028
Others		1,848	3,707
	$	546,052	613,914
Other financial assets—non-current			
Deposits—out for lease	$	163,533	239,621
Restricted deposits		-	255,084
Deposits—out for investment		698,512	-
Others		22,849	31,355
	$	884,894	526,060

(i) Deposits—out for lease is leasing deposit from lessee.; please refer to note 6(e) of investment and guarantee deposits.

(ii) As of December 31, 2019 and 2018, the collected receipts for securities brokerage business (were recognized as other current liabilities), amounting to $12,396 thousand and $310,028 thousand, respectively.

(o) Short-term borrowings

		December 31, 2019	December 31, 2018
Unsecured bank loans	$	1,539,979	1,253,516
Secured bank loans		1,847,308	1,694,854
Other unsecured loans		-	591,918
Other secured loans		157,671	-
Total	$	3,544,958	3,540,288
Unused credit lines	$	831,072	750,000
Range of interest rates		1.5%~9.5%	1.5%~7%

For the collateral of short-term borrowings, please refer to note 8.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Long-term borrowings

The list, terms and conditions of long-term borrowings of the Group were as follows:

	December 31, 2019			
	Currency	Annual interest rate	Year of maturity	Amount
Secured bank loans	USD	2.804%~4.15%	2021~2023	$ 2,253,249
	CNY	5.23%	2021~2022	652,160
Unsecured bank loans	NTD	1.77%~1.8%	2020~2021	503,000
	CNY	4.94%~5.51%	2020~2022	343,004
	USD	3.20%~5.28%	2020~2021	797,872
Other secured loans	CNY	9%~15.6%	2020~2021	200,804
				4,750,089
Less: current portion				(1,074,361)
Total				$ 3,675,728
Unused credit lines				$ 2,138,066

	December 31, 2018			
	Currency	Annual interest rate	Year of maturity	Amount
Secured bank loans	NTD	1.35%~2%	2019~2021	$ 430,000
	USD	2.28%~4.498%	2021~2023	3,487,033
	CNY	4.28%~5.23%	2021~2022	788,903
Unsecured bank loans	NTD	1.76%~2%	2019~2020	538,000
	USD	3.41%~4.8%	2019~2020	1,524,480
	EUR	1.65%	2020	399,695
	CNY	4.62%~5.35%	2019~2020	93,997
				7,262,108
Less: current portion				(1,629,615)
Total				$ 5,632,493
Unused credit lines				$ 2,741,795

(i) Collateral of bank loans

For the collateral of long-term borrowings, please refer to note 8.

(ii) Syndicated loan contract

On October 23, 2015, the Group signed a syndicated loan agreement with a total credit line of EUR 66,000 thousand, and the period was from November 23, 2015 to November 22, 2018, a total of three years' agreement with the banks, the Group should repay the loan in five installments from November 2016, and the Group must comply with certain financial covenants based on its audited annual and reviewed semiannual consolidated financial statements (June 30 and December 31). On August 13, 2019, the Group has repaid the loan in advance.

(q) Bonds payable

The information of bonds of the Group were as follows:

	December 31, 2019	December 31, 2018
Total ordinary bonds issued	$ 2,000,000	2,000,000
Total convertible bonds issued	1,542,300	-
Less: current portion	(999,223)	(997,668)
Cumulative redeemed amount	(1,000,000)	-
Discounted corporate bonds payable	(206,505)	(4,664)
Long-term portion of bonds payable	$ 1,336,572	997,668
Embedded derivative—call and put rights, accounted under financial liabilities at fair value through profit or loss	$ 2,622	-
Equity component conversion right (reported as capital surplus—share options)	$ 96,902	-

	For the years ended December 31 2019	2018
Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	$ 3,856	-
Interest expense	$ 103,402	36,609

(i) As of February 26, 2019, the key terms and conditions of the outstanding overseas guaranteed convertible bonds issued by the Group were as follows:

Item	Overseas Guaranteed Convertible Bonds 2018
Issue Size	$1,542,300 thousand (equivalent to US$ 50,000 thousand) The Bonds will be issued as guaranteed convertible bonds, in registered form at face value in denomination of US$200 thousand or in any integral multiples thereof. The USD par value of the Bonds will be translated based on NT$30.846 / US$1 according to Taipei Forex Inc. Taiwan Dollar 11:00am Fixing on 19 February 2019, "TRY11 Index" on Bloomberg (the "Fixed Exchange Rate").
Issue Date	26 February 2019

(Continued)

Item	Overseas Guaranteed Convertible Bonds 2018
Maturity Date	26 January 2022 (2 years + 11 months)
Listing Venue	Listing Venue Tentatively the Bonds are to be listed on the Singapore Stock Exchange.
Coupon	Zero
SBLC Bank	The Bank of East Asia Limited, Taipei Branch
Early Redemption at Option of Issuer	Issuer Call – After year 2, the Issuer may redeem in whole but not in part, at the US Dollar Linked Amount of the Early Redemption Amount on the date of redemption if the Market Price of the Shares (translated into US Dollars at the Prevailing Rate) for each of 30 consecutive Trading Days, the last of which occurs not more than 10 trading days prior to the date of the redemption notice, shall have been at least 130% of the quotient of the Early Redemption Amount divided by the number of Shares to be issued per Bond Clean up Call – Callable at any time, in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and cancelled or converted Tax Call – Yes, in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount if, as a result of changes relating to tax laws in the ROC, the Issuer becomes obligated to pay additional amounts. Bondholders have the right to elect for their Bonds not to be redeemed but with no entitlement to any additional amounts The Early Redemption Amount for each US$200 thousand of Bonds is determined so that it represents for the Bondholder a gross yield of 0.50% per annum on an annual basis.
Redemption at the Option of the Bondholder	Bondholders' Put – At the end of year 2, Bondholders may exercise the put option in relation to their Bonds in whole but not in part, at the US Dollar Linked amount of the Early Redemption Amount. Change of Control Put – Yes, at the US Dollar Linked Amount of the Early Redemption Amount upon the occurrence of a Change of Control. Delisting Put – Yes, at the US Dollar Linked Amount of the Early Redemption Amount, if the Shares cease to be listed or admitted for trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the TWSE.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Overseas Guaranteed Convertible Bonds 2018
Conversion Procedure	Conversion Period The Bonds may be converted into newly issued common shares of the Issuer at any time after ninety (90) days from the Issue Date (exclusive), and ending on: (1) the seventh (7th) day prior to the Maturity Date or (2) the fifth (5th) Trading Day prior to any date where the Issuer exercises its early redemption right pursuant to the applicable laws and the Trust Deed.
	Conversion Price The initial Conversion Price is NT$11.95. The exchange rate used for the Conversion Price calculation is the Fixed Exchange Rate, NT$30.846 / US$1 according to Taipei Forex Inc. Taiwan Dollar 11:00am Fixing on 19 February 2019, "TRY11 Index" on Bloomberg.
Redemption at Maturity	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed on the Maturity Date at an amount equal to the principal amount of the Bonds plus a gross yield of 0.5% per annum, calculated on an annual basis (the "Redemption Amount").The Redemption Amount will be 101.47% of the face value and converted into NT dollars based on the Fixed Exchange Rate, and this fixed NT dollar amount will be converted using the prevailing exchange rate for payment in US dollars.

(ii) As of December 31, 2019, the key terms and conditions of the outstanding convertible bonds issued by the Group were as follows:

Terms	1st secured convertible bonds issued in 2015
Offering Amount	$2,000,000 thousand
Issue Date	June 29, 2015
Issue Period	June 29, 2015 ~ June 29, 2020
Coupon Rate	1.675%
LC Bank	Chang Hwa Commercial Bank
Entrusted Bank	Mega International Commercial Bank
Final Redemption	The Company can exercise the right to redeem one half of issued amount in the fourth and fifth year.

In June 2019, according to the issuance method, the Group has repaid $1,000,000 thousand ordinary bonds with one-half of the total amount issued.

(r) Accounts payable and other payables

		December 31, 2019	December 31, 2018
Accounts payable			
Arising from direct sales	$	167,318	156,481
Arising from concessionaire sales		2,825,519	3,452,100
Others		61,020	72,014
Total	$	3,053,857	3,680,595
Other payables			
Securities payable	$	105,982	801,582
Construction payables		261,609	286,652
Others		714,439	725,178
Total	$	1,082,030	1,813,412

(s) Lease liabilities

The Group's lease liabilities were as follows:

		December 31, 2019
Current	$	955,219
Non-current	$	8,232,934

Please refer to note 6(aa) for maturity analysis.

The amounts recognized in profit or loss were as follow:

		For the year ended December 31 2019
Interest on lease liabilities	$	480,976
Variable lease payments not included in the measurement of lease liabilities	$	127,162
Expenses relating to short-term leases	$	205
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	$	2,845

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the year ended December 31, 2019
Total cash outflow for leases	$ 1,465,471

(i) For the year ended December 31, 2019, the Group increase of the lease liability for $10,560 thousand, decrease of the lease liability for $558 thousand and lease modification for $83,318 thousand.

(ii) Lease of land, housing and construction

The Group leases land use rights, housing and buildings as office space, staff quarters and department store buildings for business. The lease period of office premises staff quarters and department store buildings is usually with three years, one year, and ten to twenty years, respectively. Some leases include the option to extend the lease period at the end of the lease term.

Some leases provide for additional rent payments that are based on changes in local price indices, or sales that the Group makes at the leased store in the period.

Some leases of retail stores contain variable lease payments which are based on sales that the Group makes at the store. These payment terms are common in retail stores in the country where the Group operates. Fixed and variable retail payments for the year ended December 31, 2019 were as follows:

	2019			
	Fixed payments	Variable payments	Total payments	Estimated annual impact on rent of a 1% increase in sales
Leases with lease payments based on sales	$ 20,366	127,162	147,528	1,272

The Group expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

(iii) Other leases

The lease period of the Group leased transportation and machinery and equipment is two to ten years. Some lease contracts stipulate that the Group has options to purchase the leased assets at the end of lease term.

In addition, the period in which the Group leases part of the office is one year, and the leases are short-term leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

(t) Operating lease

(i) Long-term prepaid rental

		December 31, 2018
Current	$	190,207
Non-current		3,279,198
Total	$	3,469,405

Long-term prepaid rental consisted of advance payment of the right to use a piece of land, advance rental payment for the lease of space in the shopping mall. The land use right covers a period ranging from forty to fifty years. The Group reclassified those amounts as the right-of-use asset at the date of initial application.

(ii) Leases as lessee

Rental payables from non-cancellable operating leases were analyzed as follows:

		December 31, 2018
Less than one year	$	1,532,227
Between one and five years		5,734,934
Over five years		5,859,665
	$	13,126,826

The Group has signed operating lease contracts relating to the lease of buildings for business operation, with lease periods ranging from 6 to 22 years. The rentals are adjusted according to the lease agreement, which also provides an option for early termination or renewal after the lease period. The rentals are adjusted regularly to reflect market condition, and the Group has to pay additional rental based on the revenue growth rate as described in the said lease agreements. These lease agreements meet the accounting policy criteria for classifying the leases as operating leases, because the Group accesses that the majority risks of ownership of leased properties have not been transferred.

As of December 31, 2019, lease payables were as follows:

		December 31, 2018
Long-term payables	$	1,445,566
Less: current portion		(46,545)
	$	1,399,021

As disclosed in note 6(j), Suzhou Grand Ocean Department Store Co., Ltd. terminated the lease contract on February 15, 2019 in advance, so the Group reversed long-term payables of $98,030 thousand (CNY$21,449 thousand) and recognized the deduction of lease expense for the year ended December 31, 2018.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Leases as lessor

The Group leases its marine equipment and transportation equipment. Since it does not transfer almost all the risks and rewards of ownership of the assets attached to the underlying assets, these lease contracts are classified as operating leases. Please refer to note 6 (j) for property, plant and equipment. In addition, please refer to note 6(d) for the information of the rental business in finance leases.

The maturity analysis of the lease payments is reported in the following table for the total amount of undiscounted lease payments to be received in the future:

1) Bulk carriers

	December 31, 2019
Less than one year	$ 499,775
Between one and two years	277,019
Between two and three years	132,848
Between three and four years	132,848
Between four and five years	132,848
More than five years	151,411
Total undiscounted lease payments	$ 1,326,749

2) Transportation equipments

	December 31, 2019
Less than one year	$ 42,197
Between one and two years	31,564
Between two and three years	5,684
Total undiscounted lease payments	$ 79,445

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

	December 31, 2018
Bulk carriers	
Less than one year	$ 557,048
Between one and five years	835,691
Over five years	304,527
	$ 1,697,266
Transportation equipments	
Less than one year	$ 20,496
Between one and five years	16,075
	$ 36,571

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The direct expenses including repairs and maintenance arising from bulk carriers were as follows:

		For the years ended December 31	
		2019	2018
Operating costs	$	28,106	20,826

(u) Income Tax

(i) Income tax expense

The components of income tax were as follows:

		For the years ended December 31	
		2019	2018
Current tax expense			
Current period	$	410,161	463,610
Land value increment tax		13,784	628
Undistributed earnings additional 10% tax		2,469	-
Adjustment for prior periods		4,997	(416)
		431,411	463,822
Deferred tax expense			
Origination and reversal of temporary differences		(87,664)	(243,243)
Income tax expense	$	343,747	220,579

Reconciliation of income tax and profit before tax were as follows:

		For the years ended December 31	
		2019	2018
Profit excluding income tax	$	2,015,026	440,168
Income tax calculated on profit before tax using the Company's domestic tax rate	$	449,448	182,341
Effect of tax rates in foreign jurisdiction		22,760	35,642
Non-deductible expenses		16,684	12,721
Share of profit (loss) of associates accounted for using equity method		7,532	(86,318)
Tax-exempt income		(20,308)	-
Recognition of previously unrecognized tax losses		(31,128)	(1,310)
Land value increment tax		13,784	628
Tax-exempt land income		(42,805)	(4,313)
Undistributed earnings additional tax		2,469	17,303
Current year losses for unrecognized deferred tax asset		89,301	126,114
Change in unrecognized temporary differences		(185,611)	(75,621)
Change in provision in prior periods		4,997	(416)
Others		16,624	13,808
Total	$	343,747	220,579

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities, the details of which were as follows:

	December 31, 2019	December 31, 2018
Aggregated amount of temporary differences related to investments in subsidiaries	$ 1,496,220	1,238,467
Unrecognized deferred tax liabilities	$ 299,244	247,694

The Board of Directors of the Group resolved during the meeting to adopt the stock dividend policy for the subsidiary, First Steamship S.A. Moreover, Group does not intend to dispose the equity investment in the near future, hence the temporary difference between the book value and the tax of the subsidiary will not be disposed and the non-recognized deferred income tax liabilities shall not be dividend.

2) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ 12,671	9,502
The carry forward of unused tax losses	$ 394,395	539,470

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Besides, the Law of the People's Republic of China on Enterprise Income Tax allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five years for local tax reporting purposes.

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

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

Deferred tax liabilities:

	Estimated subsidiary earnings appropriated	Total
Balance at January 1, 2019	$ 68,973	68,973
Recognized in profit or loss	(19,174)	(19,174)
Foreign currency translation differences for foreign operations	(769)	(769)
Balance at December 31, 2019	$ 49,030	49,030
Balance at January 1, 2018	$ 198,176	198,176
Recognized in profit or loss	(131,899)	(131,899)
Foreign currency translation differences for foreign operations	2,696	2,696
Balance at December 31, 2018	$ 68,973	68,973

Deferred tax assets:

	Rental expenses	Tax losses deduction	Other	Total
Balance at January 1, 2019	$ 359,914	64,546	94,173	518,633
Recognized in profit or loss	19,490	51,328	(2,328)	68,490
Recognized directly in equity	329,302	-	-	329,302
Foreign currency translation differences for foreign operations	(26,025)	(9,225)	(3,390)	(38,640)
Balance at December 31, 2019	$ 682,681	106,649	88,455	877,785
Balance at January 1, 2018	$ 366,025	50,759	-	416,784
Recognized in profit or loss	443	14,969	95,932	111,344
Foreign currency translation differences for foreign operations	(6,554)	(1,182)	(1,759)	(9,495)
Balance at December 31, 2018	$ 359,914	64,546	94,173	518,633

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

	Unutilized business loss		Expiry date	
Year of loss	**Taiwan**	**China**	**Taiwan**	**China**
2010	$ 10,170	-	2020	-
2011	13,913	-	2021	-
2015	72,234	249,545	2025	2020
2016	83,192	229,418	2026	2021
2017	46,055	579,396	2027	2022
2018	20,950	215,354	2028	2023
2019	152,724	411,075	2029	2024
Total	$ 399,238	1,684,788		

(iv) Examination and Approval

1) The Company' s and ROC subsidiaries' tax returns for the years through 2017 were examined and approved by the national tax authorities.

2) The annual tax returns of subsidiaries in China through 2018 were examined and approved by the tax authority.

(v) Capital and other equity

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 10,000,000 thousand shares and 8,000,000 thousand shares, respectively, with par value of $10 per share. The total value of authorized ordinary shares was amounted to $1,000,000 thousand and $800,000 thousand, respectively. Also, the number of issued and outstanding shares both were 630,883 thousand shares. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2019	December 31, 2018
Share capital	$ 561,458	561,458
Stock option from convertible corporate bonds	748,921	748,921
Employee share options	96,902	-
Forfeited share options	13,838	13,838
Treasury share transactions	15,967	15,967
Changes in equity of associates accounted for using equity method	11,629	32,037
Difference arising from subsidiary's share price and its carrying value	430,844	430,844
Changes in a parent's ownership interest in a subsidiary	64,795	147,039
Donation from shareholders	3,332	3,332
	$ 1,947,686	1,953,436

(Continued)

According to the ROC 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 paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The Group issued the overseas guaranteed convertible bonds in 2019. Please refer to note 6(q).

The Group collected the expired unclaimed dividends of the period from 2008 to 2012 and recognized capital surplus—donation from shareholders of $$3,332 thousand in accordance with regulation with Ruling No.10602420200 from the Ministry of Economic Affairs.

(ii) Retained earnings

According to the Articles of Association, the Company is required to appropriate earnings every accounting year. The after tax earnings are initially used to offset cumulative losses. 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.

According to the Company's articles of incorporation, the dividend policy of the Company is based on the principle of prudence, which considers the Company's future funding needs and financial structure by reserving a certain amount of earnings, and distributing stock dividends and cash dividends from the remaining earnings. In order to maintain stable dividend distribution, in principle, the distribution of cash dividends shall not be less than 10% of the total dividends. If the distribution of cash dividends is less than $0.1 dollars per share, the Board of Directors can pass a resolution to distribute stock dividends instead, but it will be subject to a resolution by the shareholders during their shareholders' meeting.

1) Legal reserve

According to the ROC Company Act, 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

The Group chose to apply the exemption under the IFRS1 "First-time adoption of IFRS"; therefore, a portion of cumulative translation adjustments amounting to thousand was reclassified as special earnings reserve. The net increase in retained earnings due to this reclassification is not covered by the Ruling No. 1010012865 issued by the FSC on April 6, 2012 for purposes of appropriating the same amount of special earnings reserve.

In accordance with the aforementioned Ruling No. 1010012865, 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 undistributed 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. A resolution was passed during the shareholders' meeting held on June 29, 2018 and June 28, 2019 for the appropriation of special earnings reserve of $336,136 thousand and the reversal of special earnings reserve of $105,284 thousand, respectively.

3) Earnings distribution

On June 28, 2019, a resolution was passed during the shareholders' meeting to appropriate the 2018 earnings. These earnings were appropriated as follows:

	For the year ended December 31, 2019
Dividends distributed to ordinary shareholders:	
Cash	$ 63,088

On June 29, 2018, the shareholder's meeting had passed a resolution not to distribute the earnings of 2017.

(iii) Treasury stock

1) The details for transferring treasury was as below:

Management share incentive plan	1st	2nd
Resolved date of board of directors' meeting	August 11, 2017	May 14, 2019
Transferring treasury shares (thousand shares)	6,370	6,282
Nominated employees	the senior level management, and employees nominated by the general manager or Board of Directors	
The grant-date fair value	$0.052, $0.076, and $0.051	$0.72 and $0.60
Subscripted price per share	$24.72, $24.43, and $24.73	$24.43 and $24.73

Management share incentive plan	1st	2nd
The period which employees must comply with after shares have been granted	A.The employees cannot apply for these shares to be traded until the 24th month period has elapsed from the subscription date. B.Within the 24th to the 36th month period from the subscription date, the employees can choose to sell up to 30% of the original shares subscripted or postpone the sale. C.Within the 36th month to the 48th month period from the subscription date, the employees can choose to sell another 30% of the original shares subscripted (i.e. accumulated shares sold cannot exceed 60% of the original shares subscripted) or postpone the sale. D.After the 48th month period from the subscription date, the employees can choose to sell the remaining 40% of the original shares subscripted (i.e. accumulated shares sold up to 100% of the original shares subscripted) or postpone the sale.	A.The employees cannot apply for these shares to be traded until the 24th month period has elapsed from the subscription date. B.Within the 24th to the 36th month period from the subscription date, the employees can choose to sell up to 30% of the original shares subscripted or postpone the sale. C.Within the 36th month to the 48th month period from the subscription date, the employees can choose to sell another 70% of the original shares subscripted (i.e. accumulated shares sold cannot exceed 100% of the original shares subscripted) or postpone the sale.

Management share incentive plan	1st	2nd
The period which employees must comply with after shares have been granted	A.The employees cannot apply for these shares to be traded until the 24th month period has elapsed from the subscription date. B.After the 24th from the subscription date, the employees can choose to sell all of the original shares subscripted or postpone the sale.	

The transferred price deducting tax was $153,776 thousand, and the Group recognized cost of share-based payments awards and capital surplus amounting to $1,271 thousand and $(374) thousand, respectively.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) The details for transferring treasury shares to employees:

(In thousands of shares)

	For the years ended December 31	
	2019	2018
Outstanding at January 1 (Same as outstanding at December 31)	6,350	6,370
Granted during the year	6,282	-
Vested during the year	(750)	(20)
Outstanding at December 31	$ 11,882	6,350

The proceeds from transferring treasury shares were recognized as prepaid salary for employees to subscribe. As of December 31, 2019 and 2018, these prepaid salary amounting to $214,055 thousand and $115,276 thousand were recognized under prepaid account, respectively. Considering the crisis the industry is facing and the impact caused by COVID-19, a resolution was passed during the board of directors' meeting to defer the repayment of advanced employees' salary for one year on February 27, 2020.

(iv) Other equity interests

	Exchange differences on translation of foreign financial statements	Equity related to non-current assets classified as held for sale	Non-controlling interests	Total
Balance at January 1, 2019	$ (266,508)	35,656	4,367,340	4,136,488
Effects of retrospective application	-	-	(428,738)	(428,738)
Balance at January 1, 2019 after adjustments	(266,508)	35,656	3,938,602	3,707,750
Profit attributable to non-controlling interests	-	-	266,902	266,902
Subsidiaries' cash dividends paid	-	-	(150,582)	(150,582)
Changes in ownership interests in subsidiaries	-	-	237,293	237,293
Exchange differences on associates accounted for using equity method	1,796	-	-	1,796
Losses reclassified to profit or loss on disposal of associates accounted for using equity method	4,238	-	-	4,238
Disposal of subsidiaries	-	-	(3,407)	(3,407)
Equity related to non-current assets classified as held for sale	-	(5,868)	(350)	(6,218)
Exchange differences on foreign operation	(335,206)	-	(171,107)	(506,313)
Balance at December 31, 2019	$ (595,680)	29,788	4,117,351	3,551,459
Balance at January 1, 2018	$ (336,136)	-	4,382,386	4,046,250
Profit attributable to non-controlling interests	-	-	213,189	213,189
Subsidiaries' cash dividends paid	-	-	(99,642)	(99,642)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	(46,121)	(46,121)
Exchange differences on associates accounted for using equity method	41,545	-	-	41,545
Equity related to non-current assets classified as held for sale	-	35,656	1,219	36,875
Exchange differences on foreign operation	28,083	-	(83,691)	(55,608)
Balance at December 31, 2018	$ (266,508)	35,656	4,367,340	4,136,488

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Earnings per share

	For the years ended December 31	
	2019	2018
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 1,404,377	6,400
Weighted-average number of ordinary shares at December 31	630,883	630,883
Earnings per share (dollars)	$ 2.23	0.01
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 1,404,377	6,400
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	59,414	-
Profit attributable to ordinary shareholders of the Company (diluted)	$ 1,463,791	6,400
Weighted-average number of ordinary shares at December 31	630,883	630,883
Effect of dilutive potential ordinary shares		
Effect of issuance of share option	721	193
Effect of conversion of convertible bonds	109,261	-
Weighted average number of ordinary shares (diluted) at December 31	740,865	631,076
Earnings per share (dollars)	$ 1.98	0.01

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2019					
	Shipping department	Investing department	Retail department	Rental department	Other department	Total
Primary geographical markets						
Taiwan	$ -	4,934	-	3,058	56,690	64,682
China	-	-	6,642,331	317,299	-	6,959,630
Other	1,049,420	58,273	-	-	-	1,107,693
	$ 1,049,420	63,207	6,642,331	320,357	56,690	8,132,005
Major products/services lines						
Commissions revenue (Retail revenue – concessionaire sales)	$ -	-	2,522,661	-	-	2,522,661
Commodity sales (Retail revenue – direct sales)	-	-	1,920,388	-	-	1,920,388
Lease revenue (Note)	1,049,420	4,934	947,899	65,984	-	2,068,237
Financial lease interest income (Note)	-	-	-	222,987	-	222,987
Service revenue and others	-	58,273	1,251,383	31,386	56,690	1,397,732
	$ 1,049,420	63,207	6,642,331	320,357	56,690	8,132,005

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31, 2018					
	Shipping department	Investing department	Retail department	Rental department	Other department	Total
Primary geographical markets						
Taiwan	$ 3,984	-	-	7,634	102,335	113,953
China	-	-	6,457,831	314,990	-	6,772,821
Other	1,098,052	59,049	-	-	-	1,157,101
	$ 1,102,036	59,049	6,457,831	322,624	102,335	8,043,875
Major products/services lines						
Commissions revenue (Retail revenue – concessionaire sales)	$ -	-	2,927,137	-	-	2,927,137
Commodity sales (Retail revenue – direct sales)	-	-	1,596,855	-	-	1,596,855
Lease revenue (Note)	1,102,036	-	787,966	69,414	-	1,959,416
Financial lease interest income (Note)	-	-	-	221,424	-	221,424
Service revenue and others	-	59,049	1,145,873	31,786	102,335	1,339,043
	$ 1,102,036	59,049	6,457,831	322,624	102,335	8,043,875

Note: The lease revenue and financial lease interest income of the Group for the years ended December 31, 2019 and 2018 are under accounting policies of IFRS 16 and IAS 17, respectively.

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$ -	20,992	11,661
Less: allowance for impairment	-	-	-
Total	$ -	20,992	11,661
Contract liabilities—advance real estate receipts	$ 150	5,173	20,701

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period amounting to 4,774 thousand and 20,701 thousand, respectively. In addition, the contract was cancelled for the year ended December 31, 2019, so contract liabilities which were reversed recognized as default income amounting to 398 thousand.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes during the period from January 1 to December 31, 2019 and 2018.

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

According to the Articles of Association, once the Company has annual profit, it should appropriate no less than 1% of the profit to its employees and 3% or less as directors' and supervisor's remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes dependent employees of the Company's subsidiaries under certain requirements approved by Board of Directors. However, directors' and supervisors' remuneration could only be paid by cash.

The compensation to employees amounted to 14,352 thousand for the year ended December 31, 2019. The remunerations to directors and supervisors amounted to $0 thousand for the year ended December 31, 2019. These amounts were calculated using the Company's net profit 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 approved by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

As the operations for the year 2018 resulted in a net loss, no employee compensation and directors' and supervisors' remuneration were estimated and accrued.

For the year ended December 31, 2017, the Company estimated its employee compensation and directors' and supervisors' remuneration amounting to $6,800 thousand and $3,000 thousand, respectively. There is no difference between actual amount distributed and the estimated amount in the consolidated financial statements of 2017 for the employee compensation and directors' and supervisors' remuneration. The information is available on the Market Observation Post System website.

(z) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 37,473	36,549
Financial assets amortized at cost	35,403	30,173
Loans	4,727	8,546
Open Fund	1,061	1,111
Others	19	250
Subtotal interest income	78,683	76,629
Dividend income	3,371	5,925
	$ 82,054	82,554

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2019	2018
Loss on disposal of property, plant and equipment	$ (17,033)	(19,825)
Gains (loss) on disposals of investments	1,000,407	(8,364)
Gain on lease modification	19	-
Gain on disposal of non-current assets classified as held for sale	217,213	-
Foreign exchange losses	(2,203)	(82,151)
Net gain (loss) on financial assets or liabilities at fair value through profit or loss		
Open fund and listed companies	55,142	(3,166)
Derivate instruments not used for hedging－Accumulator/ Decumulator	-	(91)
Embedded derivative instruments–call and put options	3,856	-
Impairment loss (gain of reversal)		
Non-current assets classified as held for sale	31,816	(106,566)
Property, plant and equipment	-	(260,023)
Right-of-use assets	(23,273)	-
Others (Included credit card charge income and etc.)	199,463	124,532
	$ 1,465,407	(355,654)

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2019	2018
Interest expenses	$ 329,555	338,815
Interest on corporate bonds	25,125	33,500
Amortization on discount of corporate bonds	78,277	3,109
Other interest	1,966	30,747
Lease liabilities	480,976	-
Other financial expense	23,745	35,820
	$ 939,644	441,991

The interest related to leases amounting to 56,985 thousand and 37,097 thousand for the years ended December 31, 2019 and 2018, respectively, was recognized as interest expense under operating cost.

(aa) Financial instruments

(i) Credit risks

1) Credit risk exposure

As of December 31, 2019 and 2018, the maximum exposure of credit risks of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations were mainly from:

·The carrying amounts of financial assets recognized in the consolidated balance sheet; and

· The Group provided financial guarantees to an associate amounting to $64,385 thousand. Please refer to note 7.

2) Concentration of credit risk

There is no significant concentration on single customer in the Group's retail business, and debtors of accounts receivable are banks with high credit rating; therefore, management believes that there is no significant concentration of credit risk.

The Group's automobile lease business has a wide range of customers. To minimize the credit risk, the Group transacts with corporations or individuals that have credit ratings equivalent, and will assesses the ratings based on other publicly available financial information and will continuously monitor the exposure to credit risk.

Besides, the Group's shipping business consistently adheres to its policy of receiving in advance of each freight fee charged to customers to minimize credit risk.

3) Receivables of credit risk

For credit risk exposure of notes and accounts receivables, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and corporate bonds., etc., please refer to notes (c), (d), and (e).

The impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement. The movement in the allowance for impairment for above assets was referred to notes 6(d) and (e).

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risks

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

	Carrying amount	Contractual cash flows	1 years	1 to 5 years	Over 5 years
December 31, 2019					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 4,362,608	4,362,608	3,647,699	162,371	552,538
Floating rate instrument	5,507,439	5,779,144	2,899,873	2,879,271	-
Fixed rate instruments	5,667,185	6,089,966	3,524,264	2,565,702	-
Lease liabilities	9,188,153	11,479,164	1,378,453	5,037,213	5,063,498
	$ 24,725,385	27,710,882	11,450,289	10,644,557	5,616,036
December 31, 2018					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 7,091,410	7,091,410	4,758,900	770,244	1,562,266
Floating rate instrument	10,079,572	10,639,068	5,046,952	5,592,116	-
Fixed rate instruments	3,569,689	3,698,010	2,664,510	1,033,500	-
	$ 20,740,671	21,428,488	12,470,362	7,395,860	1,562,266

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

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD:NTD	$ 900	30.08	27,072	533	30.72	16,374
HKD:USD	261	0.1285	1,009	10,740	0.1277	42,145
NTD:USD	3,922	0.0332	3,917	-	-	-
AUD:USD	-	-	-	40	0.7050	861
EUR:USD	148	1.1217	4,994	551	1.1465	19,391
Non-monetary items						
Non-current assets classifies as held for sale	73,216	0.1285	283,041	65,624	0.1277	257,443
Investment accounted for equity method						
HKD:US	175,614	0.1285	678,892	304,957	0.1277	1,196,611

(Continued)

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial liabilities						
Monetary items						
USD:CNY	25,225	6.9762	758,767	13,000	6.8632	399,356
HKD:USD	27,415	0.1285	105,967	259,234	0.1277	1,017,199
EUR:USD	-	-	-	11,348	1.1465	399,695
CNY:USD	-	-	-	70,000	0.1457	313,323

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, financial assets at fair value though profit or loss, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD or CNY against the USD, EUR, HKD, AUD and CNY as of December 31, 2019 and 2018 would have increased (decreased) the profit before tax by $8,277 thousand and $20,508 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Since the Group has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(2,203) thousand and $(82,151) thousand, respectively.

(iv) Interest rate analysis

The details of the Group's exposure to interest rate of financial assets and liabilities, please refer to the note on liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding of liabilities with floating interest rates, the analysis is based on the assumption that the amount of liabilities 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 or decreased by 0.5%, the Group's profit before tax would have decreased or increased by $391 thousand and $20,654 thousand, which is mainly due to the Group's borrowings at variable rates and demand deposits for the years ended December 31, 2019 and 2018, respectively, given that all other variable factors remaining constant.

(v) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same：

	For the years ended December 31			
	2019		2018	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 5%	$ -	7,526	-	7,023
Decrease 5%	$ -	(7,526)	-	(7,023)

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2019				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 162,866	162,866	-	-	162,866
Financial liabilities at fair value through profit or loss					
Embedded derivative instruments–call and put options	$ 2,622	-	-	2,622	2,622

	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 151,968	151,968	-	-	151,968

(Continued)

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 or 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.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques. Embedded derivative instruments are measured at model of adjusted Binary tree.

c) Financial guarantee contract

Discounted cash flow models that are applied to estimate the fair value of a financial guarantee. The assumption is to use a probability-weighted discounted cash flow analysis that incorporates the expected default rate of the borrower and expected recoveries in the event of default.

4) There were no transfers in either direction of levels in 2019 and 2018.

5) Reconciliation of Level 3 fair values

		Financial liabilities as held for sale
		Embedded derivative instruments
Opening balance, January 1, 2019	$	-
Issuance		6,478
In profit or loss		(3,856)
Ending Balance, December 31, 2019	$	2,622

For the year ended December 31, 2019, total gains and losses that were included in "other gains and losses" were as follows:

		2019
Total gains and losses recognized:		
In profit or loss, and including "other gains and losses"	$	(3,856)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – embedded derivative instruments, and the financial instrument in Level 3 has only one significant unobservable input.

Quantified information of significant unobservable inputs was as follow:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Embedded derivative instruments–call and put options	Adjusted Binary tree	· Volatility (As of December 31, 2019 was 24.29%)	· The estimated fair value would decrease if the volatility were higher

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group' s measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss:

	Inputs	Fluctuation in inputs	Profit or loss: Favorable	Profit or loss: Unfavorable
December 31, 2019				
Financial assets at fair value through profit or loss				
Embedded derivative instruments–call and put options	Volatility	5%	308	(308)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ab) Financial risk management

(i) Overview

The Group have exposures to the following risks due to the uses of its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Groups risk management policies are established to identify and analyze the Group' s exposure to risks, 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 board of directors has overall responsibility for the establishment and oversight of the derivative financial instruments, and internal auditor undertakes regular reviews of risk management controls and procedures.

(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 receivables

To minimize the credit risk, the Group' s shipping business consistently adheres to its policy of receiving in advance of each freight fee being charged to its customers. In addition, the Group's vessel management receives fees monthly, assesses possibility of collecting receivables, and recognizes allowances for doubtful account.

The Group' s retail business is expected to have no significant credit risk because its collection methods of primary customers and debtors of accounts receivable are through cash or credit card.

To minimize credit risk, the Group' s automobile lease business transacts with corporations with high credit ratings, and assesses the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establishes sales limits based on credit rating for each of its approved customer. In addition, the management of credit risk to other receivables, please refers to note 6(e).

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposures, and a collective loss component which the loss has been incurred but not yet identified. Considering that the Group has no concentration on single customer and complies with the policy to receive proceeds in advance, the credit risk of accounts receivable is estimated to be low.

2) Investment

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 with high credit rating, or financial institutes and corporate organizations with level of professional investor; therefore, 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 guarantees with high credit ratings, and assesses the ratings based on other publicly available financial information and records of transactions with its major borrower. The Group continuously monitors the exposure to credit risk and counterparty credit ratings for each of its approved borrower.

For the Group providing financial guarantees, please refer to notes 9 and 13.

(iv) Liquidity risk

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

As of December 31, 2019 and 2018, the Group's unused credit line amounted to $2,969,138 thousand and $3,491,795 thousand, respectively.

(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.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US, and CNY. The currencies used in these transactions are the US and CNY.

The subsidiaries of the Group which use the CNY as the functional currency, choose US or EUR borrowings to reduce the finance cost, because these borrowings are denominated in currencies that not match the cash flows generated by the underlying operations of the Group. The Group considers that reduced finance cost should offset the exchange rate risk arising from US and EUR borrowings, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group' s risks with exposure to changes in interest rates arise mainly from borrowings from banks. Borrowings on a variable–rate basis will exposed the Group to the variability in cash flows attributable to interest rate risk. The Group assess the level of interest rate is recently stable in the business environment. Therefore, material interest rate risk is less likely to occur.

3) Other market price risk

The Group is exposed to equity price risk due to use capital effectively and hold different investment portfolios. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market index. Material investments within the portfolio are managed on an individual basis, and all buy and sell decisions are approved by the management authority.

The primary goal of the Group's investment strategy is to maximize investment returns; the board of directors and member in investment department were all professional in finance to make appropriate decision, and therefore the market price risk of investment at fair value through profit or loss were controlled by management.

(ac) Capital management

The Group' s objectives for managing capital are ensuring the ability to operate continuously, providing returns to shareholders and other stakeholders, and maintaining an optimal capital structure to reduce the cost of capital.

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

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

The Group's debt to adjusted capital ratios at the end of the reporting period were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 25,011,007	21,395,381
Less: cash and cash equivalents	(5,149,276)	(5,468,507)
Net debt	$ 19,861,731	15,926,874
Total equity	$ 13,258,758	13,079,712
Total capital	$ 33,120,489	29,006,586
Debt-to-equity ratio	60 %	55 %

The increase in the ratio of debt to equity in 2019 is due to the issuance of overseas guaranteed convertible bonds and adoption of IFRS 16.

(ad) Changes in liabilities arising from financing activities

(i) Acquiring the right-of-use assets, please refer to note 6(k).

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

			Non-cash changes		
	January 1, 2019	Cash flows	Other (Note 1)	Foreign exchange movement	December 31, 2019
Short-term borrowings	$ 3,540,288	98,985	-	(94,315)	3,544,958
Short-term notes and bills payable	49,947	7	-	-	49,954
Bonds payable	1,995,336	542,300	(201,841)	-	2,335,795
Long-term borrowings	7,262,108	(2,456,317)	-	(99,421)	4,706,370
Lease liabilities	10,297,999	(854,283)	93,320	(348,883)	9,188,153
Guarantee deposits	953,419	(205,679)	-	(27,191)	720,549
Total liabilities from financing activities	$ 24,099,097	(2,874,987)	(108,521)	(569,810)	20,545,779

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2018	Cash flows	Non-cash changes: Other (Note 2)	Non-cash changes: Foreign exchange movement	December 31, 2018
Short-term borrowings	$ 2,813,379	692,728	-	34,181	3,540,288
Short-term notes and bills payable	49,916	31	-	-	49,947
Bonds payable	1,992,227	-	3,109	-	1,995,336
Long-term borrowings	8,407,751	(1,302,441)	-	156,798	7,262,108
Guarantee deposits	794,622	176,171	-	(17,374)	953,419
Total liabilities from financing activities	$ 14,057,895	(433,511)	3,109	173,605	13,801,098

Note 1 : It is mainly the effects of lease modification and amortization on discount of corporate bonds.
Note 2 : It is mainly the amortization on discount of corporate bonds.

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

First Steamship Company Ltd. is the ultimate controlling company of the Group.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Nanjing Tiandu Co., Ltd.	The Group's manager is the company's chairman
Shanghai Tian An Tower Co., Ltd.	The Group's manager is the company's director
Huizhou Tianan Xinghe City Management Co., Ltd.	A substantial related party
Huiyang Tamsui New Sun City Construction Co., Ltd.	A substantial related party
Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd.	A substantial related party
Hainan Sanhe Licheng Business Service Co., Ltd.	An associate

(c) Significant transactions with related parties

(i) Sales

The amounts of significant interest income of finance leases and lease receivables by the Group to related parties were as follows:

	Operating revenues: 2019	Operating revenues: 2018	Lease receivables: December 31, 2019	Lease receivables: December 31, 2018
Associates	$ 4,726	-	220,099	-

(Continued)

The interest income of finance leases between the Group and the associates is based on the interest rate agreed by both parties and collected monthly. The interest rate is not significantly different from the one with non-related parties. The receivables with related parties are guaranteed by vehicles for finance lease, and no impairment losses were required after the assessment.

(ii) Prepayments

	December 31, 2019	December 31, 2018
Other related parties	$ 48,692	-

Note: It is a short-term prepaid lease fee and a monthly fixed prepaid variable rent of the Group, which is settled at the end of the year.

(iii) Leases

1) Liabilities lease

		Right-of-use assets	Lease liabilities		Interest expense
Relationship	Purpose	January 1, 2018	December 31, 2019	January 1, 2018	2019
Other related parties	Office building and department store	$ 98,562	76,266	105,591	4,418
Other related parties	Energy-saving renovation engineering equipment	55,018	53,811	56,815	2,809

The Group are under accounting policies of IFRS 16 from January 1, 2019; therefore, operating lease contracts entered into with the related parties are recognized as right-of-use assets and lease liabilities.

2) Operating lease

		Rent expense	
Relationship	Account	2019	2018
Other related parties	Office building and department store	$ -	141,582

		Payments that are not included in the measurement of the lease liabilities	Property management fee
Relationship	Account	2019	2019
Other related parties	Office building and department store	$ 127,162	1,354

Note: These leases are short-term lease, and the Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and liabilities.

(Continued)

As of December 31, 2019 and 2018, rental security deposit of the Group to other related parties amounted to $8,624 thousand and $8,952 thousand.

(iv) Others

1) The Group provided management consulting services and signed service contracts with other related parties. For the years ended December 31, 2019 and 2018, the revenue from consulting services was $17,612 thousand and $21,508 thousand , respectively. On December 31, 2019 and 2018, the outstanding amounts were $26,949 thousand (CNY$6,250 thousand) and $11,095 thousand (CNY$2,500 thousand) which reported as other receivables.

2) The Group had signed an energy-saving reconstruction contract with other related parties in 2018. The total amount of the contract was CNY$35,000 thousand. As of December 31, 2018, the pre-paid amount of energy saving projects was not suitable and re-assessed after the evaluation, and then was rejected due to the uncertainty of US-China trade war. In 2019 and 2018, the Group purchased energy-saving equipment amounting to $589 thousand (CNY$137 thousand) and $15,326 thousand (CNY$3,424 thousand), respectively, from other related parties and which reported as property, plant and equipment. The energy management fee for other related parties in 2018 is $7,381 thousand.

(v) Guarantees

On December 31, 2019, the amount of guarantee that the Group provided for associates, which signed the finance lease agreements with non-related parties, is $64,385 thousand (CNY$14,932 thousand).

(d) Key management personnel compensation

(i) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2019	2018
Short-term employee benefits	$ 55,968	51,937

(ii) The Group granted key management personnel rights to subscribe treasury shares in advance salaries. As of December 31, 2019 and 2018, those prepaid salaries amounted to $45,585 thousand (CNY$10,572 thousand) and $25,484 thousand (CNY$5,693 thousand), respectively.

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

(a) The carrying amount of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Current financial assets at amortized cost	Securities payable	$ -	921,600
Inventories (for construction business)	Bank loans	101,531	117,552
Other financial assets – current and non-current (Note 1)	Bank loans, bank depository funds and ordinary bonds payable	528,539	551,363
Accounts receivable	Bank loans	92,855	-
Property, plant and equipment (Note 2)	Bank loans and ordinary bonds payable	9,602,555	10,201,012
Investment Property	Ordinary bonds payable	144,009	144,982
Non-current assets classified as held for sale	Bank loans	-	246,147
		$ 10,469,489	12,182,656

Note 1: The credit line of the above pledged assets has been made, with some are actually appropriated.

Note 2: Including the land use rights, which are recognized as right-of-use assets and long-term prepaid rentals.

(b) The Group pledged the guaranteed vehicles which acquired from finance lease business for loans. As of December 31, 2019, the value of the vehicles is $322,379 thousand.

(9) Significant commitments and contingencies:

Except for those described in note 6, the Group's other significant commitments and contingencies were as follows:

(a) Unrecognized contractual commitments

(i) The unrecognized contractual commitments of the Group were as follows:

	December 31, 2019	December 31, 2018
Contracted price		
Construction contract of land and building	$ 665,331	665,331
Purchase contract of vehicle for rent	23,981	57,156
Sales contract of land	11,020	40,196
Purchase vessel equipment	1,931,136	-

(Continued)

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2019	December 31, 2018
Received or paid price			
Construction contract of land and building	$	108,309	108,309
Purchase contract of vehicle for rent		16,816	48,134
Sales contract of land		150	5,173
Purchase vessel equipment		386,227	-

(ii) The total amount of the Group's contracts to purchase commercial real estate as department store business office on December 31, 2018 was CNY$141,416 thousand. As of December 31, 2018, the unpaid amount was $72,410 thousand (CNY$16,177 thousand). The aforesaid real estate was completed acceptance in the 4th quarter of 2019 and reclassified as property, plant and equipment. Please refer to note 6(j).

(iii) The Group signed a finance lease business cooperation agreement with Shanghai Financial Leasing Co., Ltd., then found and reviewed customers according to the contracted risk control standards. Shanghai Financial Leasing Co., Ltd. signed a finance lease contract with the customer, and the Group received some contract considerations from Shanghai Financial Leasing Co., Ltd. on schedule. In addition, the Group promised to buy unconditionally the default claims from Shanghai Financial Leasing Co., Ltd. if the customers violate the agreement, it will buy the default claims from Shanghai Financial Leasing Co., Ltd. On December 31, 2019, the contract value and remaining amount of the above commitments were $48,321 thousand and $46,866 thousand, respectively. Since there was no past due occurred, the Group did not accrue expected credit losses after evaluation.

(iv) The Group signed the joint construction contracts with other companies as follows:

Item	Construction name
Joint investing and developing on construction site, Joint construction with allocation of buildings, construction on self-owned land	Me island phase II B3
Joint construction with allocation of buildings	Me island phase II B4
Joint construction with allocation of buildings	Me island phase III B1
Joint investing and developing on construction site	Nan Jing Jian Kang

(b) Contingencies: None.

(10) Losses due to major disasters: None

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(11) Subsequent events:

(a) On December 20, 2019, the board of directors of the Group approved to sell the land of Me island phase II and III, thus, entered into sales agreements with non related parties on January 2, 2020. The total amount of the contract was $386,011 thousand, wherein the relevant legal procedures are still in progress.

(b) On February 5, 2020, the board of directors of the Group approved to repurchase treasury stocks to be transferred to employees, with the price ranging from $8.5 to $9.9 per share, for transferring to employees. The Group repurchased 10,000 thousand shares of treasury stock amounting to $94,491 thousand. As of March 30, 2020, the relevant statutory registration had been completed.

(c) Due to the epidemic of COVID-19, each store of the Group had been temporarily closed from January 24, 2020, and it gradually resumed operation in the middle of February. As of March 30, 2020, all stores resumed their operation.

Currently, managing fans group on social network and holding activities encouraged consumers to visit our stores directly. Protective measures are being taken, such as disinfecting stores and putting employees' and customers' health as top priority, so as to provide a safe and comfortable shopping environment.

The impact and scope of COVID-19 are still uncertain since it is still in its epidemic prevention phase. If there is any further information, announcement will be made by MOPS at any time.

(12) Other:

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

	For the years ended December 31					
By function	For the year ended 2019			For the year ended 2018		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefits						
Salary	$ 191,191	670,173	861,364	188,595	730,543	919,138
Health and labor insurance	1,074	4,313	5,387	1,130	4,022	5,152
Pension	1,236	60,551	61,787	1,557	73,001	74,558
Others	16,345	123,159	139,504	15,932	133,025	148,957
Depreciation	358,743	1,632,931	1,991,674	354,684	541,938	896,622
Depletion	-	-	-	-	-	-
Amortization	31,555	10,143	41,698	20,826	13,738	34,564

FIRST STEAMSHIP COMPANY LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Segment information:

(a) General information

The Group has four reportable segments: shipping business, investing department, retail business department and rental department.

Shipping business departments' main operating activities are international transportation and shipping agency; investing departments' main operating activities are investments; retail business departments' main operating activities are trading of cosmetics, furnishings and etc.; rental business Departments' main operating activities are providing services of financial leasing. The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies.

(b) The Group's operating segment information and reconciliation were as follows:

For the year ended December 31, 2019	Shipping department	Investing department	Retail department	Rental department	Other segment	Reconciliation and elimination	Total
Revenue:							
Revenue from external customers	1,049,420	63,207	6,642,331	320,357	56,690	-	8,132,005
Intersegment revenues	-	67,640	-	557	-	(68,197)	-
Interest income	16,896	43,390	56,364	6,554	16	(44,537)	78,683
Total revenue	$ 1,066,316	174,237	6,698,695	327,468	56,706	(112,734)	8,210,688
Interest expenses	$ 106,533	177,194	649,895	86,602	20,942	(16,735)	1,024,431
Depreciation and amortization	366,437	19,250	1,611,882	35,203	600	-	2,033,372
Share of profit (loss) of associates accounted for using equity method	(6,295)	(20,762)	-	(4,888)	(157)	-	(32,102)
Other material non-cash items:							
Impairment of assets	-	-	(23,273)	-	-	-	(23,273)
Reportable segment profit or loss	$ 92,388	761,672	928,858	239,310	(7,202)	-	2,015,026
Investments accounted for using equity method	$ -	893,907	-	6,076	9,643	-	909,626
Reportable segment assets	$ 7,966,858	1,929,871	26,218,733	1,881,203	273,720	(620)	38,269,765
Reportable segment liabilities	$ 2,476,966	3,701,930	17,315,188	1,397,908	119,635	(620)	25,011,007
For the year ended December 31, 2018							
Revenue:							
Revenue from external customers	1,098,052	63,033	6,457,831	322,624	102,335	-	8,043,875
Intersegment revenues	-	67,293	-	1,057	-	(68,350)	-
Interest income	9,305	51,269	64,316	9,291	148	(57,700)	76,629
Total revenue	$ 1,107,357	181,595	6,522,147	332,972	102,483	(126,050)	8,120,504
Interest expenses	$ 150,838	138,782	147,907	79,462	19,798	(16,709)	520,078
Depreciation and amortization	349,260	6,185	542,408	31,683	1,650	-	931,186
Share of profit (loss) of associates accounted for using equity method	60	(122,027)	(12,067)	-	-	-	(134,034)
Other material non-cash items:							
Impairment of assets	-	(99,228)	(267,361)	-	-	-	(366,589)
Reportable segment profit or loss	$ 144,738	(448,134)	759,622	(19,911)	3,853	-	440,168
Investments accounted for using equity method	$ 6,742	1,317,356	-	-	-	-	1,324,098
Reportable segment assets	$ 9,519,885	1,768,966	20,934,675	1,934,672	317,850	(955)	34,475,093
Reportable segment liabilities	$ 3,824,673	5,031,484	11,104,775	1,282,417	152,987	(955)	21,395,381

(Continued)

(c) Product and service information

For the revenue from the external customers of the Group, please refer to note 6(z).

(d) Geographic information

The segment revenue based on the geographical location of customers, please refer to note 6(z) for Geographic information.

(e) Major customers

For the years ended December 31, 2019 and 2018, the major customers of the Group were less than 10% of the operating revenue.