Stock Code: 2501

國泰建設股份有限公司

Cathay Real Estate Development Co., Ltd

2018 Annual Report

Printed on May 1, 2019

The Annual Report is available at http://mops.twse.com.tw/
http://www.cathay-red.com.tw/

The reader is advised that this annual report has been prepared originally in Chinese. In the event of a conflict between this annual report and the original Chinese version or difference in interpretation between the two versions, the Chinese language annual report shall prevail.

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Accounting Firm: Ernst & Young Taiwan

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VI. Overseas Securities Exchange: None

VII. Corporate Website: http://www.cathay-red.com.tw

Contents

Chapter 1 Letter to Shareholders

I. Operating Performance in 2018

(I) Implementation of Business Plans for 2018

Looking back on the year of 2018, the global economy continued to expand progressively in the first half of the year. The US-China trade war fermented in the second half of the year, and the US increased the interest rate for monetary tightening in the second half of the year. The global financial market fluctuated drastically, and the oil price plummeted, making the global economy turn to conservative growth in a slow-down trend. Domestically, due to fluctuations in the global economy, it also showed an up-and-down trend. The overall economic growth rate forecasted, by the Directorate-General of Budget, Accounting, and Statistics, is 2.63%, which is lower than the previous year's 3.08%. In the real estate market, although the domestic economy slowed down slightly, it only slowed down significantly in the fourth quarter. It has not yet had a significant impact on the housing market. Besides, the policy is mainly based on soundness, and there is no measure of controlling house price. The consumer confidence in the housing market continued to stabilize, the transaction volume increased significantly, and the price stopped falling, and the market showed a steady increase in the price. The Company has grasped the opportunity for the promotion and continued to take the strategy of attacking conservatively. From May to July, it launched three pre-sales projects, namely, Sanchong "Park Beautiful Mansion," Banqiao "Tree Rivers, Cathay's Home" and Xindian "HYGGE." Due to the projects fit market demands, not only the price is higher than the local level, but also the sales performance is excellent. The average sales rate at the end of the year exceeded 75%. The Company recognized revenue from the five whole batch construction cases including Taipei "Cathay Mushan," New Taipei City "Cathay Golden City," Taichung "The Royal Gallery," Tainan "Landmark Twin Towers" and Kaohsiung "Cathay Double A Building," as well as the accruals from the five projects of the previous year, including Xinbei, Zhubei, Taichung, Tainan and Kaohsiung, the total annual revenue was around NT$12.81252 Billion, which was a significant increase of 20.76% over the previous year.

(II) Budget Implementation

There was no budget implementation in 2018 due to undisclosed financial forecasting.

(III) Please refer to P.106-114 for the analysis of financial revenue and profitability in 2018.

(IV) Research and Development Status

The current real estate market is developing on a stable and consolidated pattern, thus the Company aims at expansion with the priority of stabilizing fundamental business, promotes brand sustainability based on innovative thinking, and strives to become a comprehensive developer as our development strategy. In respect to land development, in addition to control of the basic scheme reserve, we will acquire lands in more diverse ways, including joint venture development and urban renewal for business use. In respect to re-investment, the existing new business has been operating steadily and the extension project plan has already been carried out. We believe that we can improve the service capacity and expand the new business in the future. In addition, the Company will evaluate the investment in other new businesses more actively, thereby expand the development and business, and create a higher profit space.

Moreover, the Company's future vision is to become a comprehensive developer. In the process, the Company will abide by the strategy of total quality, expanded layout and sustainable brand, and the Company has also developed a practicable action plan. In face of the new generation of home buyers, in addition to word-of-mouth marketing, the Company also put forward a new thinking of "Quality Lifetime House", "giving full play to the Company's pattern advantages, actively implementing comprehensive quality, and maintaining and continuing brand value with sustainable services. The Company has been committed to real estate research for a long time as well, publishing the Cathay Real Estate Index with the Taiwan Real Estate Research Center of National Chengchi University. The Company publishes research results at the end of each season and provides market information, which has become one of the real estate information references with high reliability at home. The registration price of pre-sale real estate may still be lagging despite of the official "real-price registration" system (register within one month after the sales completed rather than the transaction done). This study can make up for the insufficient information.

II. Summary of Business Plans for 2019

Looking forward to 2019, the most significant change in the global economy is the uncertainty brought by the US-China trade war. It is inevitable that the economy will slow down. How to survive safely is a crucial point. On the domestic front, due to the global economic downturn, the expected economic trend will also be slightly slowed down. On the funding side, it is expected to continue to be a low-interest environment. As far as the policy side, after the nine-in-one election at the end of 2018, the local government is fighting for economic growth. The government has actively guided the return of overseas funds, which should help the housing market to develop in the future. However, with the presidential election at the beginning of 2020, the election activities will be carried out in advance, which will distract the market and cause adverse effects on the housing market. The buying atmosphere continued to warm up, while the pessimistic atmosphere gradually decreased. The construction industry promotes more actively. It is expected that the market will remain in a positive cycle. The Company catches the pulsating trend, with a more aggressive attack strategy, to challenge higher targets. It plans to launch, in the first half of the year, five pre-sales cases, Beitou "Cathay World-Vista Fengnien," Banqiao "Tree Rivers, Cathay's

Home II,” Xindian “Cathay Lagom,” Tucheng “Cathay Uptown” and Tainan “Wenfu Yen” and one built-and-sell case, Kaohsiung “Cathay Sigma.” There will be election disturbances in the second half of the year, and only a pre-sale case, Taichung “Mega+” will be planned. However, all stocks of land are actively prepared, and the timing of launching the case will be decided based on the market atmosphere.

The Company’s business policy this year will focus on “expansion with the priority of stabilizing fundamental business” and “brand sustainability based on innovative thinking, "introducing business thinking into real estate development and creating added value to enhance competitiveness and expand business territory. In terms of development strategy, the Company will move toward an integrated developer. For the current core business, stability is a top priority. In addition to the necessary land reservation, lands will be acquired in more diverse ways, including joint venture development and urban renewal for business use. In terms of re-investment, health management and hotel business have been operating steadily. The next step is to expand service capacity. We have already developed a project plan and believe that we can grow our business in the future. The mainland business was closed last year. In addition, we also actively consider the investment in other new markets and expand the development and operation of the territory to create a higher profit margin.

(I) Business Objectives, Expected Sales and the Reasons Thereof for 2019

In 2019, the most significant change in the global economy is the uncertainty brought by the US-China trade war. It is inevitable that the economy will slow down. How to survive safely is a crucial point. On the domestic front, due to the global economic downturn, the expected economic trend will also be slightly slowed down. On the funding side, it is expected to continue to be a low-interest environment. As far as the policy side, after the nine-in-one election at the end of 2018, the local government is fighting for economic growth. The government has actively guided the return of overseas funds, which should help the housing market to develop in the future. However, with the presidential election at the beginning of 2020, the election activities will be carried out in advance, which will distract the market and cause adverse effects on the housing market. The buying atmosphere continued to warm up, while the pessimistic atmosphere gradually decreased. The construction industry promotes cases more actively. It is expected that the market will remain in a positive cycle. In face of such situation, the Company's business policy this year will focus on "stable business, expanding development," "innovative thinking, the sustainable brand," introducing business thinking into real estate development and creating added value to enhance competitiveness and expand business territory.

In land development, we will acquire land in more ways, and move toward the vision of a comprehensive developer. In land layout, we will also combine the development and management thinking, retain the commercial real estate in prime locations, and ponder operating added value and promoting value to stabilize the profits in the future; in design, we will still focus on the demands of customers, strengthen the intimate design, and strengthen the integration of design and construction; in sales, we will continue to introduce the external professional sales team in the early stage of design, so that the planned products can lead the market, even surpass the market to enhance our product competitiveness. In diversification of re-investment, in addition to continuing to operate new business of health management and hotels steadily, the extension project plan for expanding service capacity has been carried out. In the future, we can further expand the new business territory, improve service efficiency and create brand value.

In construction sites, in addition to strengthening after-sales service for the completed and delivered projects, we will introduce the customer service APP actively based on technology to extend customer relationship management and to enhance customer recognition; in the project under construction, we will focus on the public safety, give prominence to quality and control the budget, and keep developing and improving construction methods and eco-friendly building materials and equipment; in new construction site, we will plan and design the Company's stock land precisely based on the regional characteristics and innovative thinking, proceed from the practicability of customers, and take the active strategies to challenge a higher promotion goal and to gradually expand the territory in a robust manner.

In internal management and organization, we will clear the responsibility function and improve the working efficiency; in processes, we will strengthen the horizontal coordination and communication between departments to improve efficiency; in use of manpower, we will continue to strengthen employee competency, actively improve the management capacity of executives, and cultivate the manpower for medium and long-term development in the future, strengthen the organizational effectiveness, and construct a database of knowledge and experience, making the Company's core values sustainable. In order to maintain the leading superiority and enhance the service value, in addition to the continuous implementation of the Company's three core values, four guarantees and five business idles, we are looking forward to keep improving and challenge high target values based on "expansion with the priority of stabilizing fundamental business" and "brand sustainability based on innovative thinking."

In conclusion, we believe that we can achieve the expected sales targets for the current year with the efforts of all employees, scaling the Company's profitability in a new height in return for shareholders.

(II) Important Production & Sales Policies for 2019

1. Expansion with the priority of stabilizing fundamental business

   The Company pursues the development with stable business without worries, and introduces business thinking into real estate development and creates added value to enhance competitiveness and expand business territory.

2. Brand sustainability based on innovative thinking

   Last year, the Company diagnosed the corporate brand through external consultants, and we also developed a practicable action plan. In face of the new generation of home buyers, in addition to word-of-mouth marketing, we also put forward a new thinking of “Quality Lifetime House,” giving full play to our pattern advantages, actively implementing total quality, and maintaining and continuing brand value with sustainable services.

III. Development Strategies

(I) Short-term Development Strategies

1. Brand promotion
2. Diversified land development strategies
3. Increased sales by practical products
4. Integration of marketing resources
5. Optimization of customer service to maintain reputation
6. Steady extension of multi-angle business layout

(II) Long-term Development Strategies

1. Strengthening brand value
2. Actively deploying integrated business opportunities
3. Planning sustainable, safe and energy-efficient buildings
4. Strengthening construction technology and quality
5. Promoting community level with sustainable sales services
6. Stimulating growth of new business at home and abroad

IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

(I) External Competitive Environment

In respect of market supply and demand, the statistical information from the Construction and Planning Agency shows that the total floor area of the national residential buildings increased by 14.0% in 2018 compared with that in 2017 and has increased for two consecutive years, indicating that the construction industry has gradually become optimistic about the follow-up development of the real estate market. The research in the quarterly report of Cathay Real Estate Index also shows that the overall house price in the national pre-sale real estate market increased slightly in 2018, and the annual transaction volume continued to increase but remained at a low level. Both the price and the volume of the real estate market increased slightly nationwide. On the whole, the current real estate market is gradually getting out of the low level and it is in the consolidation stage, but the follow-up trend is hopeful and will be adjusted based on US-China trade relations, market interest rates, capital levels, government’s policies on real estate market, market supply and demand, and promotion of cross-strait relations.

As for land supply, there is a narrow territory with a large population in the urban area of Taiwan, and the building land is sparse due to the finite land and decades of development of building industry, especially in the prosperous area, the land has almost been developed completely and the land price keeps rising; as citizens are gradually strengthening their awareness of property right, and the government tightens the policies of land redistribution and levy, it becomes more difficult to acquire lands.

(II) Regulatory Environment

1. Laws and regulations of urban planning

Amendments to the Urban Renewal Act have passed their third reading in the Legislative Yuan on December 28, 2018, and the eight claims include simplifying procedures for dispute resolution and urban renewal, protecting the equity of the public, as well as raising agreement threshold and agreement household proportion of the urban renewal business plan and total land area; meanwhile, the total floor area of the private legal buildings for urban renewal was increased by more than 80%, which has been audited and approved by the competent authority in collegial system and a public manner, making the urban renewal more difficult.

2. Other Laws and Regulations

Amendments to partial provisions of the acts related to actual transaction price registration were made on May 3, 2018. For the sale and purchase cases in the future, the buyer and seller shall make declaration while registering the transfer of ownership, declare the pre-sale housing in advance, and disclose all information regarding the pre-sale housing, the door plate or land number of the sold real estate. The real estate transaction information has thus become more immediate and transparent, and the problem of information asymmetry has been reduced.

With respect to the buildings with construction license applied after January 1, 2018, the Cadastral Survey Enforcement Regulation stipulates that only the balcony can be surveyed and registered as appendant to the building, and the eave and rain awning are removed and cannot be surveyed and registered as appendant to the building, reducing the disputes in building terrace sales and transaction valuation.

(III) Macroeconomic Conditions

In 2018, the turnover of buildings in six cities was 212,000, with an annual growth rate of 4%, which has shown an increasing trend for several consecutive quarters. Meanwhile, the balance of building and residential loans is gradually increasing, and the overall transaction volume has gradually increased since the end of 2016. The Central Bank’s interest rate has remained low since 2017, the amount of new house loans was the highest in the most recent three years, the customers were optimistic, and the overall real estate market was moderate and bounced back in 2018.

Looking forward to 2019, in terms of domestic situation, the interest rate with influence on the pressure of citizens to buy house and contractors to conduct civil engineering and financing maintains unchanged as expected, the continued easing monetary policies contribute to the steady overall economic and financial development, and with the completion of the nine-in-one election, many policies and guidelines have been determined. In terms of international situation, with the impact of the US-China trade conflict, the global economic expansion has slowed down, and international institutions forecast a downturn of global economy and trade growth in 2019; on the whole, various economic data in 2018 show that the real estate market is gradually getting out of the downturn, and the performance is better than that in 2017. Although it is upturning steadily, it will still maintain low in a long term. There are still hidden worries and uncertainties in the political and economic environment at home and abroad in 2019, and it is uncertain whether the real estate market can revive persistently.

Chairman: Ching-Kuei Chang

Chapter 2 Company Profile

I. Date of Incorporation

Founded on September 14, 1964; incorporated upon approval of Ministry of Economic Affairs on December 1, 1964.

II. Company History

In view of the social stability, spread of education, economic growth and increase in population, as well as the serious shortage of housing in the 1960s, the Company was prepared to set up for construction of national residences on June 1, 1964. On July 3 in the same year, the Company conducted the public offering upon the approval of the Order of Securities and Exchange Commission (SEC) (53) No. 520, and the capitalization was NT$100 Million, divided into 10 Million shares for public issue. The Company was ready to be listed with stock approved on March 5, 1965, and developed into a formal listed company upon approval on October 28, 1967 with flourishing business and steady finance.

Over the years, the Company has always been adhering to the concept of "integrity, professionalism and prudent operation. "Although going through many fluctuations in the past, it can still develop and thrive in a fiercely competitive market. With the care and support of the majority of customers and the efforts of all employees, the Company has developed into a domestic large-scale construction company. Now the Company's business has covered all major metropolitan areas and built more than 50,000 houses in various types in Taiwan.

For the propose of improving the domestic real estate information, the "Cathay Real Estate Index" has been compiled by the Company with the Real Estate Research Center of the National Chengchi University since the end of 2002. It is released quarterly and has become one of the real estate information with the highest reference value in the society.

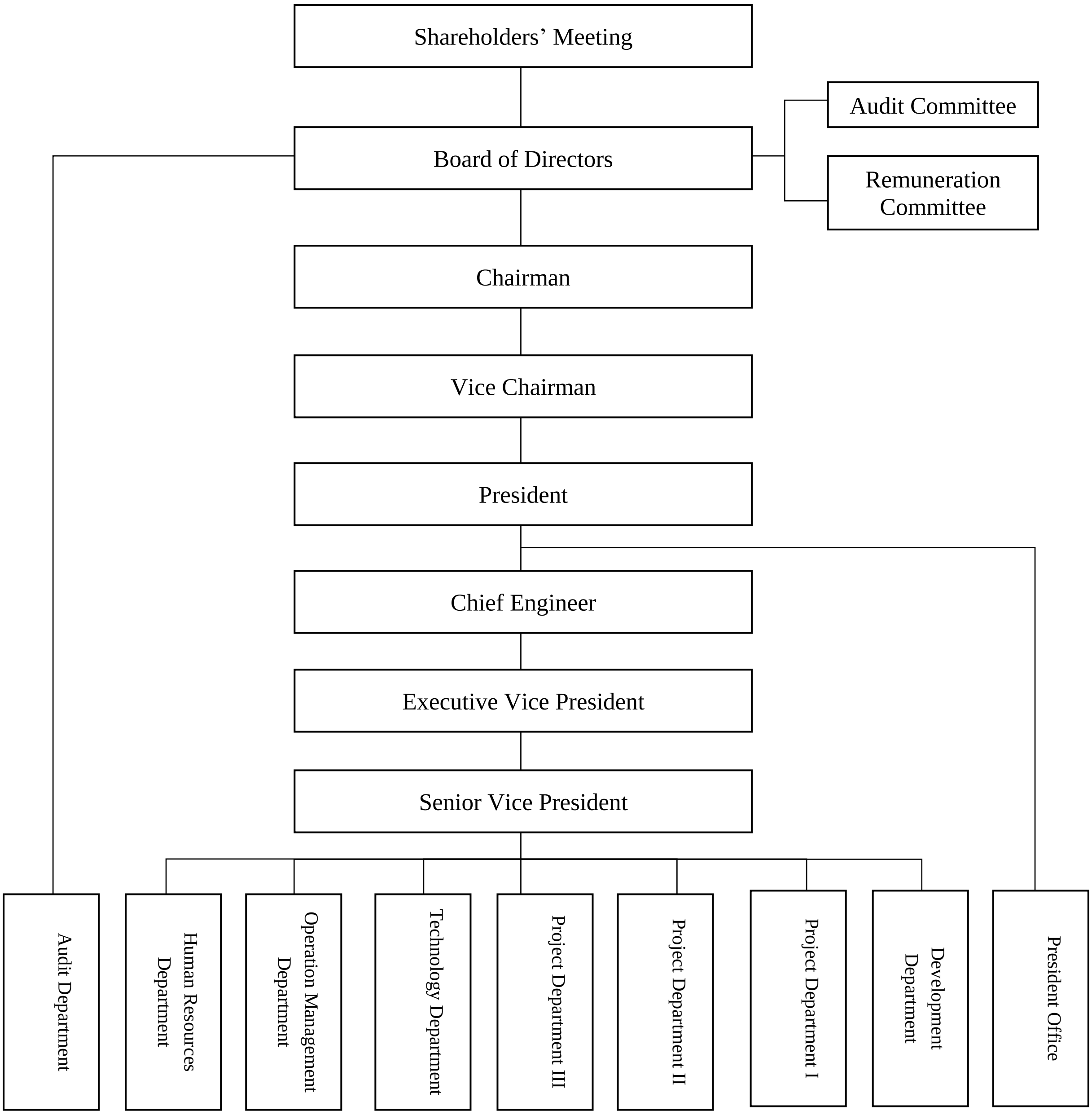
In terms of re-investment, the Company established the Cathay Real Estate Management Co., Ltd. in 2005, which merged into Shihua International Leasing Co., Ltd. with Lin Yuan Property Management Co. Ltd. and San Ching Engineering Co., Ltd. in July 2011, completing the layout of the upstream, middle and downstream industries of the real estate, and providing comprehensive real estate services to enhance the group's comprehensive effect. In order to increase the stable long-term income and actively invest in the development of new businesses, Cathay Healthcare Management Co., Ltd., Cathay Hospitality Management Co., Ltd., Cathay Hospitality Consulting Co., Ltd. and other overseas re-investment companies were established. At present, the re-investment has been stable and steady in operation. In terms of health management business, we are actively pondering value-added services and products to expand capacities; in terms of hotel business, we will continue to integrate diversified marketing and deepen brand value to enhance customer loyalty; in terms of mainland business, the shopping mall invested in Shanghai has been completed in 2018 and is lucrative. In addition, we are also actively pondering evaluation on the investment in other new businesses, and we are making progress toward the purpose of expanding revenue scale and creating a stable profit-making space.

With several times of increase/decrease in value, the current total paid-up capital of the Company is NT$11,595,611,000.

Chapter 3 Report on Corporate Governance

I. Organization

(I) Organization Chart



(II) Major Department Functions

1. Audit Department
   (1) Provide recommendations for improvement of internal audit, internal control and assessment on operation efficiency.
   (2) Audit items assigned by the Chairman, Vice Chairman, Directors and President and commissioned by all units.
   (3) Inspection and reporting items of the Company's business, financial audit and various inventory products.
   (4) Other related items.

2. President Office
   (1) Preparation, promotion and tracking analysis of the Company's annual business plan, annual target and business policy.
   (2) Research and preparation of the Company's medium and long-term business operation and development direction.
   (3) Establishment, review and adjustment of internal operation mode (including operation processes and organization structure).
   (4) Collection, investigation and analysis of various environment dynamics and business management information in Taiwan.
   (5) Investigation and analysis of trends, models and strategies for construction industry.
   (6) Coordination and integration of various subsidiaries and inter-departmental resources.
   (7) Preparation and promotion of the Company's important policies and strategic project plan.
   (8) Promotion and integration of Corporate Social Responsibility (CSR).
   (9) Other related items.

3. Development Department
   (1) Survey statistics and research of real estate market.
   (2) Research on economic and real estate situation.
   (3) Special research report project.
   (4) Investigation, analysis and evaluation of land planning data.
   (5) Review and amendment of the analysis calculation standard for gross profit of annual land planning.
   (6) Collection and analysis of construction laws and regulations and urban planning data.
   (7) Equity investigation and signing of transaction, purchase, exchange and joint construction of real estate.
   (8) Land acquisition, resurvey, replanning and other items.

(9) Handover, re-measurement, transfer and management of real estate
(10) Removal of aboveground buildings and registration of loss of buildings.
(11) Applications such as land subdivision, consolidation and land category change.
(12) Management, trading and exchange of scattered land.
(13) Purchase or lease of public real estate.
(14) Tax-related items before the land is transferred to the customer.
(15) Inventory and auditor of land rights before handover
(16) Urban renewal-related business promotion.
(17) Joint development with Metro and other project development and bidding.
(18) Assistance in subsidiaries' extension related business.
(19) Supplier management and system data maintenance.
(20) Other related items.

4. Project Department I and II

(1) Preparation, control and implementation of budget, gross profit and progress targets of the projects.
(2) Preparation and implementation of product positioning, sales strategy and marketing plan.
(3) Selection, appointment and contracting of dealers, architects, consultants and agents.
(4) Investigation and measurement of the foundation.
(5) Review of drawings for architectural design.
(6) Selection of building materials and equipment.
(7) Application and review of building license and related items.
(8) Control of design, production and construction of sales tools, reception centers and sample rooms and related items.
(9) Pricing of real estate.
(10) Sales, leasing, contracting and collection of primises and related items.
(11) Preparation and verification of contracting and construction drawings.
(12) Control of contract related to the project business.
(13) Provision, contact, coordination and verification of information regarding changes in customers.
(14) Transfer of house and land ownership and establishment of mortgage.
(15) Control of building remeasurement, preservation registration and housing taxation.
(16) Recommendation of loan bank for customer and disposal of loan procedures.
(17) Notification of collection and urgency of customer's payment and

additional/reduced payment.

(18) Verification of additional/reduced design of engineering change.

(19) Cooperating with the Company to provide financial statements related to the project business.

(20) Organization of the project result display (general inspection) and customer inspection.

(21) Item related to the delivery of housing.

(22) Acceptance and handover of public equipment.

(23) Assistance in the establishment of the Community Management Committee.

(24) Customer service within one year upon acquisition of housing license.

(25) Organization of project completion report and project handover document.

(26) Development and amendment of standard operating procedures, including drawing review, sales, customer change, inspection and delivery, public handover and other processes.

(27) Supplier management and system data maintenance.

(28) Other related items.

5. Project Department III

(1) Items related to investigation and research of real estate market.

(2) Investigation, analysis and evaluation of land planning data.

(3) Items related to land acquisition and management.

(4) Preparation, control and implementation of budget, gross profit and progress targets of the projects.

(5) Preparation and implementation of product positioning, sales strategy and marketing plan.

(6) Selection, appointment and contracting of dealers, architects, consultants and agents.

(7) Investigation and measurement of the foundation.

(8) Review of drawings for architectural design.

(9) Selection of building materials and equipment.

(10) Application and review of building license and related items.

(11) Control of design, production and construction of sales tools, reception centers and sample rooms and related items.

(12) Pricing of real estate.

(13) Sales, leasing, contracting and collection of premise and related items.

(14) Preparation and verification of contracting and construction drawings.

(15) Control of contract related to the project business.

(16) Provision, contact, coordination and verification of information regarding

changes in customers.

(17) Transfer of house and land ownership and establishment of mortgage.

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(25) Acceptance and handover of public equipment.

(26) Assistance in the establishment of the Community Management Committee.

(27) Organization of project completion report and project handover document.

(28) Contact and reply, on-site investigation, tracing and treatment of customer service cases under authority.

(29) Data collection, statistical analysis and review of customer service cases under authority.

(30) Acceptance and disposal of customer complain, litigation, important case and letters from management committee under authority.

(31) Control of repair engineering contract under authority.

(32) Supplier management and system data maintenance.

(33) Other related items.

6. Technology Department

(1) Preparation and amendment of engineering-related systems, specifications and standard operating procedures.

(2) Recommended use of building materials, equipment and construction methods and collection and maintenance of relevant materials.

(3) Assistance in technical support for group relationship and enterprise development project.

(4) Calculation, budgeting and auditing of various work quantities.

(5) Contracting of various projects and conclusion of contract.

(6) Review and amendment of annual standard construction costs.

(7) Examination on qualification of manufacturer of mechatronic

engineering and structure.

(8) Review of the structure, mechanical and electrical design and construction drawings of the project.

(9) Review of additional/reduced design of engineering change.

(10) Construction period calculation and schedule control.

(11) Preparation of supervision plan and review of construction plan and construction drawing.

(12) Inspection and quality supervision of building, structure, mechatronic engineering, civil engineering and equipment construction.

(13) Coordination and integration of construction management in the construction site.

(14) Disposal of assessment and valuation.

(15) Items related to project acceptance (including initial inspection and re-inspection).

(16) Preparation and amendment of customer service related systems, specifications and standard operating procedures.

(17) Contact and reply, on-site investigation, tracing and treatment of customer service cases after handover of Project Department I and II.

(18) Data collection, statistical analysis and review of customer service cases.

(19) Customer data collection, statistical analysis, updating and maintenance

(20) Preparation and implementation of customer relationship business strategy and planning.

(21) Acceptance and disposal of customer complain, litigation, important case and letters from management committee after handover of Project Department I and II.

(22) Control of repair engineering contract after handover of Project Department I and II.

(23) Custody of project completion report and project completion data of Project Department I and II.

(24) Supplier management and system data maintenance.

(25) Other related items.

7. Operation Management Department

(1) Control of finance, tax and other accounting management items.

(2) Preparation of financial budget, budget estimate and final accounting.

(3) Final accounting for completed project.

(4) Coordination and contact with the accounting business of the Group.

(5) Financial analysis and feedback of the same industry.

(6) Post-investment operation overview and performance tracking, and proposal of strategies and recommendations.

(7) Planning and implementation of long-term and short-term capital.
(8) Custody of cash, bills and marketable securities and management of cashier accounting.
(9) Custody of various performance and guarantee bills during the execution of the Company.
(10) Operation Management of the safe deposit box of treasury.
(11) Holding Investor Conferences.
(12) Comprehensive management of share business.
(13) Sending and receiving of codes and official documents with the Company's official seal and management of documents.
(14) The Company's business registration and trademark management.
(15) Control of the development trend of the Group and organization of the relevant historical materials.
(16) Management of occupational safety and health.
(17) Leasing, procurement, management and maintenance of the office and articles therein.
(18) Procurement and production of various printed products.
(19) Contracting and purchase of sales advertising projects and items related to delivery of housing.
(20) Leasing, taxation, insurance, management and maintenance of investment property.
(21) Purchase, leasing, sales, taxation, insurance, management and maintenance of passenger cars.
(22) Consultation of legal affairs and project support for various units.
(23) Countersign and review of contracts concerning external affairs and other legal documents.
(24) Co-organization and disposal of litigation cases and non-litigation affairs.
(25) Abidance management and assistance in enforcement of laws and regulations.
(26) Operations related to Corporate Governance Team of the Corporate Social Responsibility Committee and social welfare.
(27) Discussion proceedings of the Board of Shareholders, the Board of Directors and other functional committees.
(28) Planning, construction and management of the Company's information system architecture.
(29) Assistance in the development of information systems of subsidiaries and integration of the Group's information operation platform.
(30) Establishment and promotion of the Company's information security management mechanism.
(31) Planning, construction and management of the Company's database,

network system and hardware/software equipment.

(32) Development, maintenance, improvement, and integration of various application systems.

(33) Planning of the education training of the Company's information system.

8. Human Resources Section

(1) Preparation, planning and implementation of the Company's human resources strategies, policies and plans.

(2) Planning and implementation of salary awards, year-end bonus system and issuance.

(3) Planning and implementation of personnel recruitment and appointment procedures, and personnel development and talent reserve planning.

(4) Planning of the performance management system, employee performance appraisal and promotion.

(5) Execution of compensation and performance appraisal on Directors and Managers.

(6) preparation and maintenance of personnel-related rules and regulations, management of personnel information and systems, and analysis of the efficiency of human resources.

(7) Planning and implementation of personnel appointment and dismissal, transfer, attendance, reward and punishment, business trip and vacation, pension and insurance.

(8) Distribution of material information regarding human resources such as personnel changes.

II. Information Regarding Directors, Supervisors, President, Executive Vice President, Senior Vice President and Heads of All Departments and Branches

(I) Directors and Supervisors (1)

April 16, 2019

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shaereholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position (Note 4)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	The Republic of China	He Xin Industrial Corporation Representative: Ching-Kuei Chang	Male	June 16, 2017	3 years	June 16, 2017	22,000,000	1.90%	22,000,000	1.90%	0	0	0	0	Feng Chia University (Bachelor of Architecture)	Chairman of Cathay Real Estate Management Co., Ltd. Chairman of Cathay Healthcare Management Co., Ltd. Supervisor of Lin Yuan Property Management Co., Ltd. Chairman of Cathay Real Estate Foundation Director of Cathay Charity Foundation Supervisor of Taiwan Real Estate Management Co., Ltd.	None		
						January 19, 2000	20,822	0	20,822	0									
Director	The Republic of China	He Xin Industrial Corporation Representative: Chung-Yan Tsai	Male	June 16, 2017	3 years	June 16, 2017	22,000,000	1.90%	22,000,000	1.90%	0	0	0	0	San Francisco State University (Master of Public Administration, MPA)	Executive Vice President of Cathay Real Estate Corporation Director of Cathay Life Insurance Corporation Director of Cathay Healthcare Management Co., Ltd. Executive Vice President of Liang Ting Industrial Co., Ltd.	None		
						March 11, 2009	0	0	0	0									
Director	The Republic of China	He Xin Industrial Corporation Representative: Hung-Ming Lee	Male	June 16, 2017	3 years	June 16, 2017	22,000,000	1.90%	22,000,000	1.90%	0	0	0	0	Chinese Culture University (Bachelor of law)	President of Cathay Real Estate Corporation Director & President of Cathay Real Estate Management Co., Ltd. Chairman of Cathay Hospitality Management Chairman of Cathay Hospitality Consulting Co., Ltd. Chairman of Nankang International One Co.,Ltd Chairman of Nankang International Two Co.,Ltd Director of Cathay Real Estate Foundation	None		
						March 23, 2015	0	0	0	0									
Director	The Republic of China	Employee Welfare Committee of Cathay Real Estate Corporation Representative: Chin-Liang Lin	Male	June 16, 2017	3 years	June 16, 2017	2,754,800	0.24%	2,754,800	0.24%	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Senior Vice President of Cathay Real Estate Corporation Director of Cathay Real Estate Management Co., Ltd. Director of Cathay Hospitality Management Director of Cathay Hospitality Consulting Co., Ltd. Director of CCH Commercial Company Limited Director of Lakeside Pacific Company Limited Chairman of Cathay Healthcare Management Limited (BVI)	None		
						June 6, 2014	0	0	0	0									

																Director of Nankang International No. 1 Corporation Director of Nankang International No. 2 Corporation Supervisor of Symphox Information Co., Ltd.	
Director	The Republic of China	Cathay Charity Foundation Representative: Daniel Tung	Male	June 16, 2017	3 years	June 16, 2017	5,941,332	0.51%	5,941,332	0.51%	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Executive Vice President of Cathay Real Estate Corporation Director of Lin Yuan Property Management Co. Ltd. Director of CCH REIM Company Limited Director of CCH REIM (HK) Company Limited Supervisor of Tailin Management Consulting (Shanghai) Co., Ltd. Director of CCH Commercial Company Limited Director of Cathay Real Estate Foundation Director of Cathay Healthcare Management Limited (Cayman) Director of Hangzhou Kun-Ning Health Consulting Co., Ltd. Director of Taiwan Star Telecom Co., Ltd.	None
						July 1, 2015	0	0	0	0							
Director	Canada	Cathay Real Estate Foundation Representative: Chung-Chang Chu	Male	June 16, 2017	3 years	June 16, 2017	2,353,690	0.20%	2,353,690	0.20%	0	0	0	0	York University (Master of Business Administration, MBA)	Chairman of Meifeng Textile & Dyeing Co., Ltd. Chairman of Meifeng Corporation Director of Cathay Life Insurance Corporation	None
						May 19, 1999	11,719	0	11,719	0							
Independent Director	The Republic of China	Shiou-Ling Lin	Female	June 16, 2017	3 years	June 6, 2014	0	0	0	0	0	0	0	0	National Taiwan University (Bachelor of law)	Chairman of Dasheng IV Venture Capital Co., Ltd. Chairman of Baku Investment Co., Ltd. Independent Director of Accton Technology Corporation Director of Dasheng II Venture Capital Co., Ltd. Director of Dasheng Financial Consultant Co., Ltd. Director of Dasheng Venture Capital Co., Ltd. Director of Dasheng IB Venture Capital Co., Ltd. Director of Jiayong Co., Ltd. Director of Jans Golf & MFG Co., Ltd. Director of Debo Co., Ltd. Director of Chuangjing Co., Ltd. Director of Wanbo Co., Ltd. Director of Anding Co., Ltd. Director of Guanglimei Co., Ltd. Director of Dasheng IAI Investment Co., Ltd. Director of Dasheng V Venture Capital Co., Ltd.	None

																Director of Hongce Investment Co., Ltd. Director of Zhenhan Capital Co., Ltd. Director of Hongshun Investment Co., Ltd. Director of Zhuofu Corporation Director of KHL Investment I Limited (BVI) Director of Scope Star International Limited (BVI) Director of Gloss Victory International Limited (BVI)	
Independent Director	The Republic of China	Chih-Wei Wu	Male	June 16, 2017	3 years	June 6, 2014	0	0	0	0	0	0	0	0	California State University (Master of Business Administration, MBA)	Independent Director of Preferred Bank Chairman of Zhide Investment Co., Ltd. Director of Taiwan Farm Industry Co., Ltd. Independent Director of Long Chen Paper Co., Ltd. Independent Director of Nien Hsing textile Co., Ltd. Director of Bohui Biotechnology Co., Ltd.	None
Independent Director	The Republic of China	James Y. Chang	Male	June 16, 2017	3 years	June 16, 2017	0	0	0	0	0	0	0	0	Southern Methodist University (Doctor of Laws)	None	None

Note 1: The name and representative of the institutional shareholder shall be listed (for a representative of the institutional shareholder, the name of the institutional shareholder shall be indicated) and shall be filled in the following Table 1.

Note 2: The time of holding the position of a director or supervisor for the first time shall be filled out, and the interruption, if any, shall be noted.

Note 3: If there is any experience of holding the position related to the current position, such as taking office in the CPA firm or affiliate enterprises before the term abovementioned, the titles and duties shall be stated.

Note 4: The directors' part-time job shall be subject to the information on April 16, 2019.

Note 5: The Company has set up an Audit Committee replacing the supervisor since June 16, 2017 in accordance with the provisions of Article 14-4 of the Securities Exchange Act.

Table 1: Substantial shareholders of institutional shareholders

April 16, 2019

Name of institutional shareholder (note 1)	Substantial shareholders of institutional shareholders (note 2)
He Xin Industrial Co., Ltd.	Cheng-Ta Tsai,45%, Hung-Tu Tsai,45%, Cheng-Chiu Tsai,10%
Cathay Charity Foundation	Unincorporated organization (not applicable)
Employee Welfare Committee of Cathay Real Estate Corporation	Unincorporated organization (not applicable)
Cathay Real Estate Foundation	Unincorporated organization (not applicable)

Note 1: If the directors and supervisors are representatives of institutional shareholders, the name of the institutional shareholder shall be filled out.

Note 2: The name of the substantial shareholder of the institutional shareholder (who holds the top ten shareholdings) and its shareholding ratio shall be filled out. If the substantial shareholder is a legal person, the Table 2 below shall be filled out.

Table 2: Substantial shareholder of substantial shareholders as legal person in Table 1

April 16, 2019

Name of legal person (note 1)	Substantial shareholder of legal person (note 2)
None	None

Note 1: If a substantial shareholder in the above table is a legal person, the name of the legal person shall be filled out.

Note 2: The name of the substantial shareholder of the legal person (who holds the top ten shareholdings) and its shareholding ratio shall be filled out.

(I) Directors and Supervisors (2)

May 1, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Ching-Kuei Chang		✓	✓			✓	✓	✓	✓	✓	✓	✓		None
Chung-Yan Tsai			✓			✓			✓	✓	✓	✓		None
Hung-Ming Lee			✓			✓	✓	✓	✓	✓	✓	✓		None
Chin-Liang Lin			✓			✓	✓	✓	✓	✓	✓	✓		None
Daniel Tung			✓			✓	✓	✓	✓	✓	✓	✓		None
Chung-Chang Chu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
James Y. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: Please tick the corresponding boxes that apply to the Directors or Supervisors during the two years prior to being elected or during the term of office.✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6) Not a Director, Supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual who is an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

(II) Information regarding President, Executive Vice President, Senior Vice President and Heads of All Departments and Branches

April 16, 2019

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	The Republic of China	Hun- Ming Lee	Male	March 1, 2015	0	0	0	0	0	0	Chinese Culture University (Bachelor of Law)	Director & President of Cathay Real Estate Management Co., Ltd. Chairman of Cathay Hospitality Management Co., Ltd. Chairman of Cathay Hospitality Management Consultant Co., Ltd. Chairman of Nankang International One Corporation Chairman of Nankang International Two Corporation Director of Cathay Real Estate Foundation	None		
Executive Vice President	The Republic of China	Chung-Yan Tsai	Male	June 24, 2011	0	0	0	0	0	0	San Francisco State University (Master of Public Administration, MPA)	Director of Cathay Life Insurance Corporation Director of Cathay Healthcare Inc. Executive Vice President of Liang Ting Industrial Co., Ltd.	None		
Executive Vice President	The Republic of China	Daniel Tung	Male	July 28, 2011	0	0	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Director of CCH REIM Company Limited Director of CCH REIM (HK) Company Limited Supervisor of Tailin Management Consulting (Shanghai) Co., Ltd. Director of CCH Commercial Company Limited Director of Cathay Real Estate Foundation Director of Cathay Healthcare Management Limited (Cayman) Director of Hangzhou	None		

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
												Kun-Ning Health Consulting Co., Ltd. Director of Taiwan Star Telecom Co., Ltd. Director of Lin Yuan Property Management Co. Ltd.			
Senior Vice President	The Republic of China	Chin-Liang Lin	Male	April 1, 2011	0	0	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Director of Cathay Real Estate Management Co., Ltd. Director of Cathay Hospitality Management Co., Ltd. Director of Cathay Hotel Management Consulting Co., Ltd. Director of CCH Commercial Company Limited Director of Lakeside Pacific Company Limited Chairman of Cathay Healthcare Management Limited (BVI) Director of Nankang International No. 1 Corporation Director of Nankang International No. 2 Corporation Supervisor of Symphox Information Co., Ltd.	None		
Manager of Development Department	The Republic of China	Kuo-Chiang Cheng	Male	April 1, 2011	0	0	0	0	0	0	National Chengchi University (Bachelor of Land Economics)	None	None		
Manager of Project Department I	The Republic of China	Chia-Ming Hsiao	Female	July 1, 2015	0	0	0	0	0	0	National Cheng Kung University (Master of Architecture)	None	None		
Manager of Project Department II	The Republic of China	Shang-Chieh Ku	Male	July 1, 2015	0	0	0	0	0	0	Tamkang University (Bachelor of Architecture)	None	None		
Chief Auditor of Audit Department	The Republic of China	Chang-Yao Huang	Male	November 5, 2015	30	0	0	0	0	0	National Chung Hsing University (Bachelor of Statistics)	None	None		
Manager of Technology Department	The Republic of China	Chun-He Kuo	Male	April 5, 2017	0	0	0	0	0	0	Engineering, National Taiwan University of Science and Technology (Master of Architecture)	None	None		

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Manager of Operation Management Department	The Republic of China	Yu-Chi Lo	Female	March 16, 2018	0	0	0	0	0	0	National Chengchi University (Master of Accounting)	None	None		
Corporate Governance Executive	The Republic of China	Miao-ju Yen	Female	April 25, 2019	0	0	0	0	0	0	Soochow University (Bachelor of Law)	None	None		

Note: Information regarding other positions shall be subject to the information on April 25, 2019.

(III) Remuneration of Directors (including Independent Directors), Supervisors, President and Executive Vice President

(1-2) Remuneration of Directors (including Independent Directors) (summary of the range of disclosure of name)

Unit: NT$ thousands

Title	Name (Note 1)	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company		All companies in the consolidated financial statements (Note 7)		The Company	All companies in the consolidated financial statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	11,292	11,292	20,679	20,679	2,400	2,400	1,068	1,068	0.98%	0.98%	17,903	17,903	0	0	107	0	107	0	1.48%	1.48%	20
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai																					
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee																					
Director	Employee Welfare Committee of Cathay Real Estate Corporation Representative: Chin-Liang Lin																					
Director	Cathay Real Estate Foundation Representative: Chung-Chang Chu																					
Director	Cathay Charity Foundation Representative: Daniel Tung																					
Independent Director	Shiou-Ling Lin																					
Independent Director	Chih-Wei Wu																					
Independent Director	James Y. Chang																					

In addition to the above remuneration, Director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate Directors for their services, such as being independent contractors: 15.

Table of Range of Remuneration

Range of Remuneration Paid to Each Director	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (I) (Note 9)	The Company (Note 8)	All companies in the consolidated financial statements (J) (Note 9)
Under NT$ 2,000,000	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd., Employee Welfare Committee of Cathay Real Estate Corporation, Cathay Real Estate Foundation, Cathay Charity Foundation	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd., Employee Welfare Committee of Cathay Real Estate Corporation, Cathay Real Estate Foundation, Cathay Charity Foundation	Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd., Employee Welfare Committee of Cathay Real Estate Corporation, Cathay Real Estate Foundation, Cathay Charity Foundation	Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd., Employee Welfare Committee of Cathay Real Estate Corporation, Cathay Real Estate Foundation, Cathay Charity Foundation
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	0	0	Chung-Yan Tsai, Chin-Liang Lin, Daniel Tung	Chung-Yan Tsai, Chin-Liang Lin, Daniel Tung
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	0	0	Hung-Ming Lee	Hung-Ming Lee
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	0	0	0	0
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	Ching-Kuei Chang	Ching-Kuei Chang	Ching-Kuei Chang	Ching-Kuei Chang
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	0	0	0	0
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	0	0	0	0
Over NT$100,000,000	0	0	0	0
Total	13	13	13	13

Note 1: The names of Directors shall be listed separately (names of institutional shareholders and representatives shall be listed separately), and the payment amounts shall be disclosed collectively. If the Director is also the President or Executive Vice President, both this table and the following table (3-2) shall be filled out.

Note 2: Base Compensation of Directors in the most recent year, including salaries, job remuneration, severance, bonuses and performance fees.

Note 3: Directors Compensation distributed upon the approval of the Board meeting in the most recent year.

Note 4: Allowances paid out to Directors in the most recent year, including travel allowance, special expenses, various allowances, accommodation, vehicles and provision of physical goods. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$ 656,000.

Note 5: Salary, Bonuses, and Allowances received by Directors who are also employees (President, Executive Vice President, other managers or employees) in the most recent year, including salaries, job remuneration, severance, bonuses, performance fees, travel allowance, special expenses, various subsidies, accommodation, vehicles and provision of physical items. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including certificates of employee stock options, new restricted employee shares and subscription of shares for increment of cash, shall also be included in remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$ 2,622,000.

Note 6: Employee Compensation (including stock and cash) received by Directors who are also employees (President, Executive Vice President, other managers or employees) in the most recent year. The amount of employee bonus distributed upon the approval of the Board meeting in the most recent year shall be disclosed as well. If unpredictable, the amount to be distributed this year shall be calculated according to the proportion of the actual distribution amount last year, and the Table 1-3 shall be filled out.

Note 7: The total remuneration in various items paid to the Company's Directors by all companies (including the Company) listed in the consolidated report shall be disclosed.

Note 8: The name of each director shall be disclosed in the range corresponding to the total amount of various remuneration paid to each director by the Company.

Note 9: The total remuneration in various items paid to the Company's Directors by all companies (including the Company) listed in the consolidated report shall be disclosed, and the name of Directors shall be disclosed in the corresponding range.

Note 10: Net Income in the most recent year. Where the International Financial Reporting Standards prevail, it refers to net income in the parent company only reports or individual financial reports in the most recent year.

Note 11:

a. The amount of compensation paid to Directors from invested companies other than the Company's subsidiaries shall be stated clearly in this column.

b. The amount of compensation received by Directors from invested companies other than the Company's subsidiaries shall be included into Column I of the Table of Ranges of Remuneration, and the column shall be renamed as All Invested Companies.

c. Compensation refers to rewards, remuneration (including employee bonus, remuneration of Directors and Supervisors), allowances and other related payments received by the Company's Directors as the Directors, Supervisors or managers of invested companies other than subsidiaries.

Note 12: The 2018 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 25, 2019, but not recognized by the shareholders' meeting yet.

The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is for the purpose of information disclosure, but not the levy.

(3-2) Remuneration of President and Executive Vice President (summary of the range of disclosure of name)

Unit: NT$ thousands

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 8)		Compensation Paid to the President and Executive Vice Presidents from an Invested Company Other than the Company's Subsidiary (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Hung-Ming Lee	8,915	8,915	0	0	6,428	6,428	81	0	81	0	0.43%	0.43%	20
Executive Vice President	Chung-Yan Tsai													
Executive Vice President	Wei-Kun Kuo (Resigned on April 22, 2017)													
Executive Vice President	Daniel Tung													

Table of Range of Remuneration

Range of Remuneration Paid to Each President and Executive Vice President	Name of President and Executive Vice President	
	The Company (note 7)	All companies in the consolidated statements (E) (Note 8)
Under NT$2,000,000	Wei-Kun Kuo	Wei-Kun Kuo
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	Chung-Yan Tsai, Daniel Tung	Chung-Yan Tsai, Daniel Tung
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	Hung-Ming Lee	Hung-Ming Lee
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	0	0
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	0	0
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	0	0
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	0	0
Over NT$100,000,000	0	0
Total	4	4

Note 1: The names of the President and the Executive Vice President shall be listed separately, and the payment amounts shall be disclosed collectively. If the Director is also the President or Executive Vice President, this table and the table above (1-2) shall be filled out.

Note 2: Salary, job remuneration and severance of the President and the Executive Vice President in the most recent year.

Note 3: Bonuses, performance fees, travel allowance, special expenses, various subsidies, accommodation, vehicles and provision of physical items received by the President and Executive Vice Presidents in the most recent year. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including certificates of employee stock options, new restricted employee shares and subscription of shares for increment of cash, shall also be included in remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$2,083,000.

Note 4: The employee bonus amount (including stock and cash) of the President and Executive Vice President distributed upon the approval of the Board Meeting in the most recent year shall be filled out. If unpredictable, the amount to be distributed this year shall be calculated according to the proportion of the actual distribution amount last year, and the Table 1-3 shall be filled out. Net Income in the most recent year. Where the International Financial Reporting Standards prevail, it refers to net income in the parent company only reports or individual financial reports in the most recent year.

Note 5: The total remuneration in various items paid to the Company's President and Executive Vice President by all companies (including the Company) listed in the consolidated report shall be disclosed.

Note 6: The name of each President and Executive Vice President shall be disclosed in the range corresponding to the total amount of various remuneration paid to each President and Executive Vice President by the Company.

Note 7: Total remuneration of various items paid to each President and Executive Vice President of the Company by all companies (including the Company) listed in the consolidated report shall be disclosed. The name of the President and Executive Vice President shall also be disclosed in the corresponding range.

Note 8: Net Income in the most recent year. Where the International Financial Reporting Standards prevail, it refers to net income in the parent company only reports or individual financial reports in the most recent year.

Note 9:

a. The amount of remuneration of the Company's President and Executive Vice Presidents received from re-investment companies other than subsidiaries shall be stated clearly in this column.

b. The amount of compensation received by the Company's President and Executive Vice Presidents from invested companies other than the Company's subsidiaries shall be included into Column E of the Table of Ranges of Remuneration, and the column shall be renamed as All Invested Companies.

c. Compensation refers to rewards, remuneration (including employee bonus, remuneration of Directors and Supervisors), allowances and other related payments received by the Company's President and Executive Vice Presidents as the Directors, Supervisors or managers of invested companies other than subsidiaries.

Note 10: The 2018 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 25, 2019, but not recognized by the shareholders' meeting yet.

＊ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is for the purpose of information disclosure, but not levy.

(4) Name of managers for distributing the employee bonus and the distributions

May 1, 2019 Unit: NT$ thousands

	Title (Note 1)	Name (Note 1)	Stock	Cash (Note 5)	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Hung-Ming Lee	0	269	269	0.007%
	Executive Vice President	Chung-Yan Tsai				
	Executive Vice President	Daniel Tung				
	Senior Vice President	Chin-Liang Lin				
	Manager of Development Department	Kuo-Chiang Cheng				
	Manager of Project Department I	Chia-Ming Hsiao				
	Manager of Project Department II	Shang-Chieh Ku				
	Manager of Technology Department	Chun-He Kuo				
	Chief Auditor of Audit Department	Chang-Yao Huang				
	Operation Management Department	Yu-Chi Lo				

Note 1: Individual names and titles shall be disclosed, but the profit distribution shall be disclosed collectively.

Note 2: The amount of employee compensation (including stock and cash) distributed to managers upon the approval of the Board meeting in the most recent year. If unpredictable, the amount to be distributed this year shall be calculated according to the proportion of the actual distribution amount last year. Net Income in the most recent year. Where the International Financial Reporting Standards prevail, it refers to net income in the parent company only reports or individual financial reports in the most recent year.

Note 3: The scope of application for the Managers is stipulated in the Order No. 0920001301of Securities and Futures Bureau (3) made on March 27, 2003 as follows:

(1) President and its equivalent

(2) Executive Vice President and its equivalent

(3) Senior Vice President and its equivalent

(4) Executive of Finance Department

(5) Executive of Accounting Department

(6) Other people entitled to manage the corporate affairs and conduct signature

Note 4: Where the Director, President and Executive Vice President receive the employee bonus (including stock and cash), in addition to Table 1-2, this table shall be filled out separately.

Note 5: The 2018 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 25, 2019, but not recognized by the shareholders' meeting yet.

(IV) The analysis of the ratio of the total remuneration paid to the Company’s Directors, Supervisors, President and Executive Vice Presidents by the Company and all companies listed in the consolidated statements in the most recent two years to net income, and the relevance of remuneration payment policies, standards and combination, procedures of determining remuneration, business performance and future risk shall be compared and stated:

1. Ratio of total remuneration paid to the Company's Directors, Supervisors, President and Executive Vice President in the most recent two years to the net profit after tax:

   The total remuneration paid to Directors, Supervisors, President and Executive Vice Presidents was NT$53,738,000 and NT$40,168,000 in 2018 and 2017, accounting for 1.49% and 2.78% of the net income respectively.

2. Relevance of remuneration payment policies, standards and combination, procedures of determining remuneration, business performance and future risk:

   The Company shall make the payment according to the Director’s Remuneration Payment Standards, Directors Performance Appraisal Standards, Manager’s Remuneration Payment Standards and Manager’s Performance Appraisal Standards upon the deliberation of the Remuneration Committee and the approval of the Board meeting.

III. Implementation of Corporate Governance

(I) Board of Directors

The 18th Directors (statistical period: January 1, 2018 to December 31, 2018)

A total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of Directors and Supervisors were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 2)	Remarks
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	6	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	6	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee	6	0	100	
Director	Representative of Cathay Real Estate Foundation: Chung-Chang Chu	5	1	83.3	
Director	Employee Benefit Committee of Cathay Real Estate Representative: Chin-Liang Lin	6	0	100	
Director	Representative of Cathay Charity Foundation: Daniel Tung	6	0	100	
Independent Director	Shiou-Ling Lin	5	1	83.3	
Independent Director	Chih-Wei Wu	6	0	100	
Independent Director	James Y. Chang	6	0	100	

Other required disclosure:

I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors.

II. If there are Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting should be specified:

Name of Director	Contents of Motion	Causes for Avoidance	Voting
Ching-Kuei Chang, Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin	Proposals for paying year-end bonus and special incentives to Directors and managers participating in businesses in 2017	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Ching-Kuei Chang Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Compensation assessment of Independent Directors and Executive Directors participating in businesses in 2017	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

Name of Director	Contents of Motion	Causes for Avoidance	Voting
Chung-Yan Tsai, Hung-Ming Lee, Daniel Tung and Chin-Liang Lin	Assessment of manager compensation in 2017	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Daniel Tung Shiou-Ling Lin	Removal of budiness strife limitation on the Company's directors	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Daniel Tung	Removal of budiness strife limitation on the Company's directors	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Hung-Ming Lee and Chin-Liang Lin	Proposal of leasing the Hotel Floor of Minsheng Jianguo Building owned by the Company to Cathay Hotel Management Consultant Co., Ltd.	Directors stated were involved in the contents of motion.	Cathay Hotel Management Consultant Co., Ltd. is a subsidiary corporation with all shares held by the Company, and the Company has full control power for it according to the laws. Therefore, the substantial interests of the subsidiary corporation are also consistent with the Company. Therefore, the discussion and voting of Directors Lee Hung Ming and Chin-Liang Lin in this proposal shall not be harmful to the interests of the Company and they shall not avoid.
Shiou-Ling Lin Chih-Wei Wu	Removal of budiness strife limitation on the Company's directors	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chih-Wei Wu	The Company intends to sell the Cathay TWIN PARK premise and parking spaces to affiliates	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

III. Measures taken to strengthen the functions of the Board (for example, establishing an Audit Committee and enhancing information transparency) for the current year and the most recent year and the implementation:

Strengthen the functions of the Board of Directors

The Board of Directors of the Company consists of more than nine directors. In order to strengthen the professional functions of the Board of Directors and to be in line with international standards, the Company has set up an Audit Committee instead of Supervisors on June 16, 2017 in addition to the Remuneration Committee. The Audit Committee has assisted the Board of Directors in making a number of important decisions with its professional and independent standpoint. The Remuneration Committee has also provided professional advices and made important resolutions regarding to enactment and amendment of performance assessment standards and remuneration of Directors and managers, effectively establishing the performance assessment system to improve the Company's operational performance. The members of the Board of Directors of the Company have diversity, including different professional experience/work areas and backgrounds. In order to strengthen the corporate governance and promote the sound development of the composition and structure of the Board of Directors, Article 20-2 of Code of Practice of Corporate Governance updated by the Company in 2015 includes Policy of Diversity of Members of Board of Directors and the relevant contents and the implementation are as follows:

In order to improve the structure of the Board of Directors, its members shall be diversified, such as different professional experience, gender or work areas, and knowledge, skills and literacy necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the abilities of the Board of Directors shall be as follows:

I. Operation judgment ability.

II. Accounting and financial analysis ability.

III. Operation management capabilities.

IV. Crisis management ability.

V. Industrial knowledge.

VI. International market view.

VII. Leadership.

VIII. Decision-making ability.

The current Board of Directors of the Company consists of 9 Directors, including 6 non-executive Directors and 3 Independent Directors with rich experience and expertise in the fields of business, construction and law. In addition, the Company also focuses on gender equality in the composition of the Board of Directors, the ratio of female Directors is more than 10%, currently there are 9 Directors, including a female director and the ratio is 11%. The implementation is as follows:

Diversification core	Basic Composition								Professional Experience/ Career Fields						Backgrounds				
Items / Name of director	Nationality / Place of Incorporation (Note3)	Gender	Also Serve as An Employee of the Company	Age: 41 to 50	Age: 51 to 60	Age: 61 to 70	Term of Independent Director: Less than three years	Term of Independent Director: Three to nine years	Real Estate	Health Management\Medical Treatment	Hotel Tourism	Financing Control\Banking\Insurance	Information\Telecom\Media	Manufacturing\Investment\Others	Business	Building	Law	Public administration	Business management
Ching-Kuei Chang	1	Male							✓	✓					✓	✓			
Lee Hung Ming	1	Male	✓						✓		✓				✓		✓		
Chung-Yan Tsai	1	Male	✓						✓	✓		✓			✓			✓	
Daniel Tung	1	Male	✓						✓			✓	✓		✓				✓
Chin-Liang Lin	1	Male	✓	1	3	5			✓		✓				✓	✓			
Chung-Chang Chu	2	Male							✓			✓		✓	✓				✓
Shiou-Ling Lin	1	Female						✓	✓			✓	✓	✓	✓		✓		
Chih-Wei Wu	1	Male						✓	✓			✓		✓	✓				✓
James Y. Chang	1	Male					✓		✓						✓		✓		

Note 1: If the Directors and Supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed.

Note 2:

(1) If any Directors and Supervisors resign from the Company before the end of the year, the date of resignation shall be stated in the remark column. The Attendance Rate (%) shall be calculated using the number of Board meetings and Attendance in Person during the term of service.

(2) If any Directors and Supervisors are reelected before the end of the year, both newly elected and prior Directors and Supervisors should be filled in, and their identities and the date of re-election shall be stated in the remark column. The Attendance Rate (%) shall be calculated using the number of Board meetings and Attendance in Person during the term of service.

Note 3: Nationality / Place of Incorporation: 1. Republic of China, 2. Canada.

(II) Audit Committee or the Supervisors' participation in the operations of the Board of Directors

(1) Audit Committee

The 1st Audit Committee (statistical period: January 1, 2018 to December 31, 2018)

There have been 5 (A) meetings of Audit Committee in the recent years and the attendance situations are shown as follows:

Title	Name	Number of actual attendance (B)	Time of proxy attendance	Actual attendance rate (%) (B/A) (note)	Remarks
Independent Director	Shiou-Ling Lin	4	1	80	
Independent Director	Chih-Wei Wu	5	0	100	
Independent Director	James Y. Chang	5	0	100	

Other required disclosure:

I. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Board of Directors	Contents Proposed by the Board of Directors	Matters referred to in Article 14-5 of the Securities and Exchange Act.	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
The 18th The 6th time March 16, 2018	1. Draw up Internal Control System Statement of 2017 of the Company submitted to the Securities and Futures Bureau of the Securities Regulatory Commission	✓	×
	2. Parent company only financial report and consolidated financial report for 2017.	✓	×
	3. It is proposed to entrust the new project of Cathay Shuixiu and new project of structural body of Banqiao DE of the Company to San-Ching Engineering Co., Ltd.	✓	×
	4. The new financial and accounting executive personnel case of the Company.	✓	×
	Results of the Audit Committee Resolution (March 16, 2018): Proposals 1 to 4 are approved by the all independent directors actually attended.		
	The Company's response to auditors' opinions Proposals 1 to 4 were approved by all directors actually attended.		
The 18th session The 7th time April 19, 2018	1. Remove restrictions on the competition prohibition for directors of the Company.	✓	×
	2. Remove restrictions on the competition prohibition for managers of the Company	✓	×
	3. Amend the Detailed Rules for Internal Control System and Internal Audit of the Stock Affair Units of the Company.	✓	×
	4. It is proposed to entrust the new project of structure, decoration, public facilities, electromechanical and landscape of Yonghua Road in Tianan to San-Ching Engineering Co., Ltd.	✓	×
	5. It is proposed to lease the Hotel Floor of	✓	×

	Minsheng Jianguo Building, which is owned by the Company to the Cathay Hotel Management Consultant Co., Ltd.		
	Results of the Audit Committee Resolution (April 19, 2018): Proposal 1 was approved by all Independent Directors present, except for the Independent Director Shiou-Ling Lin in recusal. Proposals 2-5 were approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1 was approved by all directors actually attended, except for the Independent Director Shiou-Ling Lin in recusal. Proposal 2-5 were approved by all Directors present.		
The 18th session The 8th time August 9, 2018	1. Report on the consolidated financial statements for the first half of 2018.	✓	×
	2. Remove restrictions on the competition prohibition for directors of the Company.	✓	×
	Results of the Audit Committee Resolution (Augest 9, 2018): Proposal 1 was approved by all Independent Directors present. The part about removing restrictions on the competition prohibition for Independent Director Shiou-Ling Lin of Proposal 2 was approved by all independent directors actually attended, except for Independent Director Shiou-Ling Lin in recusal. The part about removing restrictions on the competition prohibition for Independent Director Chih-Wei Wu of Proposal 2 was approved by all independent directors actually attended, except for Independent Director Chih-Wei Wu in recusal.		
	The Company's response to the opinions of the Audit Committee: Proposal 1 was approved by all Directors present. Proposal 2 was approved by all Directors present, except for the Independent Directors Shiou-Ling Lin and Chih-Wei Wu in recusal.		
The 9th time of the 18th session, November 8, 2018	1. Review on CPA certificate remuneration of the Company of 2019.	✓	×
	2. The Company intends to sell the Cathay TWIN PARK premise and parking spaces to affiliates.	✓	×
	Results of the Audit Committee Resolution (November 8, 2018): Proposal 1 was approved by all Independent Directors present. Proposal 2 was approved by all Directors present, except for the Independent Director Chih-Wei Wu in recusal.		
	The Company's response to the opinions of the Audit Committee: Proposal 1 was approved by all Directors present. Proposal 2 was approved by all Directors present, except for the Independent Director Chih-Wei Wu in recusal.		

(II) In addition to the items in the preceding sentence, other resolutions passed by two-thirds of all the directors but not to be approved by the Audit Committee are as follows: none

II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the proposal contents, reasons for recusal due to conflict of interests and voting outcomes shall be stated.

Name of Independent Director	Proposal contents	Reasons for recusal due to conflict of interests	Voting outcomes
Shiou-Ling Lin	Removal of budiness strife limitation on the Company's directors	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chih-Wei Wu	Removal of budiness strife limitation on the Company's directors	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chih-Wei Wu	The Company intends to sell the Cathay TWIN PARK premise and parking spaces to affiliates.	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

III. Communication among Independent Directors, internal audit Supervisors, and CPA (including material matters, methods, and results of the Company's finance and operations).

(1) The CPA reports to the independent directors on the Company's financial status and internal control check, and communicates the impact of major adjustments or legislative amendments.

Summary of previous communications between independent directors and CPAs:

Date	Communication Focus
March 16, 2018	Discussions on the review of the financial statements of 2017 and the IFRS revision adjustment
June 05, 2018	Communication and investment discussion before the shareholders' meeting in 2018
November 08, 2018	Discussion on key audit matters, update of the Securities Management Act and IFRS16 adoption matters in 2018
March 21, 2019	1. Progress assessment of the IFRS 16 Lease Implementation Plan in 2019 2. Update of the Securities Management Act and independent directors and Accounting Manager discussion

(2) The audit executive of the Company regularly communicates with the independent directors about audit report and discusses the follow-up implementation.

Summary of each communication between independent directors and internal audit executives:

Date	Communication Focus
March 16, 2018	1. Audit performance in the whole 2017 2. Discussion on house delivery and after-sales service process
March 21, 2019	Audit performance in the whole 2018

Note:

＊ If any Supervisors resign from the Company before the end of the year, the date of resignation shall be stated in the remark column. The Attendance Rate (%) shall be calculated by Attendance in Person during the term of service.

＊ If any Supervisors are reelected before the end of the year, both newly elected and prior Supervisors should be filled in, and their identities and the date of re-election shall be stated in the remark column. The Attendance Rate (%) is calculated by Attendance in Person during the term of service.

(III) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has revised the Corporate Governance Best Practice Principles on January 24, 2019 and disclosed it on the Market Observation Post System and the electronic bulletin board of the Company.	No material discrepancy.
II. Shareholding Structure & Shareholders' Rights (I) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		Spokesmen and deputy spokesmen are responsible for responding and the stock affair unit is responsible for summarizing and handling the proposals or disputes of shareholders.	No material discrepancy
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company reports information regarding changes in shareholding of major shareholders to TWSE monthly in accordance with Article 25 of the Securities and Exchange Act, and makes sure that the register of shareholders and the application materials are consistent when the stock transfer is stopped to keep abreast of the shareholding of major shareholders.	No material discrepancy.
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The financial operations of the Company and its affiliates operate independently, and a subsidiary supervision operation system has been established.	No material discrepancy.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		Codes of Ethical Conduct have been established to prohibit insiders trading.	No material discrepancy.
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		The Company has established a diversified policy for the composition of the Board in Corporate Governance Best Practice Principles, taken into account the gender of members, covered all professional fields, and led to a prosperous development of the operations of the Company. Please refer	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			to P.35 for III. Measures taken to strengthen the functions of the Board for the current year and the most recent year and the implementation.	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	In addition to the Remuneration Committee and the Audit Committee set up in accordance with the law, the Company will establish other functional committees if necessary.	No material discrepancy.
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The Company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. Please refer to P.48 for 8. (9) Results for Performance Evaluation of the Board of Directors in 2018.	No material discrepancy.
(IV) Does the company regularly evaluate the independence of CPAs?	✓		The Company recruits CPAs once a year and fully evaluates their independence and competency by the Board of Directors. The major evaluation items are as follows: 1.Independence (1) Does the nature and degree of non-audit services provided by the CPAs not affect the independence? (2) Is there any mutual financing or guarantee behavior between the Company and the firm, the affiliated companies of the firm and the audit service team members? (3) Has the Company not employed the personnel once served as the CPA auditor as the senior financial executives or other personnel affecting the major decision-making of the Company? 2. Competency (1) Does the accounting firm have a good reputation? (2) Do the CPAs have no legal lawsuits, or cases corrected or investigated by the competent authority? (3) Is the quality of the audit services provided by CPAs and key management personnel good? All the above projects have passed	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			verification, and the assessment results of the recent two years have been reported to the Board of Directors for approval on November 09, 2017 and November 08, 2018 respectively.	
IV. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	✓		Miao-ju Yen has served as the corporate governance supervisor upon the resolution of Board meeting held on April 25, 2019. The implementation of corporate governance is as follows: 1. Handling affairs related to the Board meetings, Audit (Remuneration) Committee meetings and shareholders' meetings in accordance with the law, and assisting the Company to comply with the relevant regulations of the Board of Directors, the Audit (Remuneration) Committee and the shareholders' meetings. 2. Producing minutes of Board meetings, Audit (Remuneration) Committee meetings and shareholders' meetings, 3. Providing Directors with the information for business and the latest regulatory developments related to the operation the Company to assist them in obeying the regulations. 4. Assisting Directors in taking office and engaging in training. 5. Handling other matters in accordance with the Articles of Association. Corporate governance supervisor engaging in the advanced studies: It is expected to complete the statutory advanced study hours in the second half of 2019.	No material discrepancy.
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		Please refer to P.45.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		✓	The Company handles its own stock affairs and has a stock affair unit to handle shareholders' problems and affairs of shareholders' meeting. Therefore, no stock affair agency has been appointed.	No material discrepancy.
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has established a designed section for investors on the website to disclose both financial standings and the status of corporate governance.	No material discrepancy.
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company has appointed designated people to handle information collection and disclosure, as well as created a spokesman system,	No material discrepancy.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing D&O liability insurance for Directors and Supervisors)?	✓		Please refer to P.46.	No material discrepancy.
IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center,	✓		1. Improvements which have been made (1) The Board of Directors has appointed a supervisor responsible for corporate governance on April 25, 2019. (2) The English version of 2018 Annual	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Taiwan Stock Exchange, and provide the priority enhancement measures. (Companies that were not evaluated need not explain.)			Report has been produced and uploaded to the Market Observation Post System. (3) Disclosure of implementation of the resolutions at the shareholders' meetings in the previous year in the annual report has been improved. 2. Priority Enhancement Measures (1) Establishing a system for the internal and external personnel of the Company to accuse illegal (including corruption) and unethical behaviors.	

V. **Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?**

Stakeholders	Important Issues	Main Responsibilities of the Company	Communication channels
Shareholders /investors/financial institutions	➢ Integrity management ➢ Economic performance ➢ Corporate governance ➢ Sustainable development of the Company ➢ Risk management	➢Commercial behaviors in a fair, honest and transparent manner ➢Providing instant, synchronized, and correct company information in a timely manner, and strive to the symmetric disclosure of investment information ➢Implementing long-term stable dividend policy and providing appropriate return on investment ➢Maintaining good corporate credit and operations with robust financial strategy ➢Following the latest laws and regulations and policy revisions of the competent authorities, and promptly responding to and adjust the information disclosure form and content of the Company to meet regulatory requirements. ➢Focusing on market demand and prosperity changes, adjusting business strategies in a timely manner, identifying the Company's financial and non-financial risks and review countermeasures	➢ Contact Person: Mr. Tsai, Operation Management Department ➢ Tel: 02-23779968#5311 ➢ Email: cape0301@cathay-red.com.tw Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Convening annual shareholders' meetings ➢ Convening Investor conferences ➢ Announcing annual reports / quarterly financial reports ➢ Simultaneously disclose the instant material news on Market Observation Post System of stock exchange and release news or convene a press conference at irregular intervals as required to explain the situation.
Employee	➢ Occupational health and safety ➢ Labor management relations ➢ Training and education ➢ Employee Welfare ➢ Sustainable development of the Company	➢Safe and healthy working environment ➢Promote employee health and physical and mental balance ➢Ensure and respect human rights ➢Establish a transparent and smooth communication mechanism ➢Legal and equitable valuation and treatment ➢Attach importance to education and training ➢Diverse employee welfare and care plan ➢Focus on talent cultivation and employee development ➢Gender equality protection	➢ Contact Person Mr. Chen, Operation Management Department Mr. Chao, Human Resources Section ➢ Tel: 02-23779968#5352 02-23779968#5110 ➢ Email:jclassic@cathay-red.com.tw hr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Holding labor management conferences ➢ Holding symposiums and publicity meetings ➢ Employee meeting
Client/consumer	➢ Customer health and safety ➢ Customer satisfaction ➢ Laws compliance ➢ Customer privacy ➢ Innovation and development	➢Provide products and services with market competitive and high quality ➢Improve customer satisfaction and establish long-term, close and trustful partnership with customers with four guarantees, including clearly-established ownership, construction in line with the drawings, timely completion and permanent service ➢Advocate all employees to comply with confidentiality agreements and employee response rules for	➢ Contact Person: Miss Chen, Technology Department ➢ Tel: 02-23779968#5740 ➢ Email: service@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Unscheduled customer satisfaction survey ➢ Direct communication

		customers ➢Focus on issues such as climate change and population aging, and invest in energy conservation and carbon reduction, full-aging, green (including smart) buildings and master the development of new building materials, new construction methods and design.	
Government agencies	➢ Integrity management ➢ Laws compliance ➢ Environmental protection ➢ Public safety	➢Good corporate citizens should follow government regulations, cooperate with government policies, and maintain good relations with the government.	➢ Contact Person: Mr. Liu, President Office ➢ Phone: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Official correspondences ➢ Irregular discussion meeting/review meeting
Media	➢ Laws compliance ➢ Economic performance ➢ Social welfare ➢ Environmental protection ➢ Public safety	➢Maintain the correctness and immediacy of external communication information, and seek to be transparent and open. ➢Maintain the brand image of the Company.	➢ Contact Person: Mr. Liu, President Office ➢ Phone: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Nonscheduled press conference ➢ Product launch conference
Community residents / adjacent houses	➢ Community participation ➢ Sewage and waste emissions ➢ Community impact ➢ Community development ➢ Community charity	➢Maintain good relationships with adjacent houses and community residents in various means (such as identification of adjacent houses and cleaning and repair of exterior walls). ➢Pay attention to site pollution prevention and control and reduce construction dust ➢Smooth communication channels reducing the adjacent loss events. ➢Invest in community libraries and other public benefit programs.	➢ Contact Person: Mr. Liu, President Office ➢ Tel: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Neighborhood visit ➢ On-site communication of responsible personnel

VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors)?

(I) Status of employee rights and employee welfare: Please refer to P.98-99 for V. (I) Employee Welfare to (IV) Labor Management Agreements and Protection of Employee Equity.

(II) Investor Relations: Please refer P.40 and P.43 for II. Shareholding Structure & Shareholders' Rights and VII. Information Disclosure.

(III) Supplier Relations: The Company cooperates with suppliers with mutual trust and mutual benefit, and maintains their rights and obligations and maintains a good supply and demand relationship.

(IV) Rights of Stakeholders: Please refer to P.45 for V. Establishment of Communication Channels for Stakeholders.

(V) Directors' and Supervisors' Training Records (statistical period: January 1, 2018-December 31, 2018):

Name	Sponsoring Organization	Course	Training Hours
Ching-Kuei Chang	Securities & Futures Institute	2018 Publicity Meeting for Prevention of Insider Trading	3
Ching-Kuei Chang	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Ching-Kuei Chang	Taiwan Corporate Governance Association	How Do Directors and Supervisors without Accounting Background Review Financial Reports	3
Ching-Kuei Chang	Taiwan Academy of Banking and Finance	Information Security Trends and Corporate Responses	3
Hung-Ming Lee	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Hung-Ming Lee	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Response	3
Chung-Yan Tsai	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Chung-Yan Tsai	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Responses	3
Daniel Tung	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Responses	3
Daniel Tung	Taiwan Stock Exchange (TWSE)	Forum for Electronic Voting and Promotion of Company Value	6
Chung-Chang Chu	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Chung-Chang Chu	Taiwan Corporate Governance Association	Global and cross-strait anti-tax avoidance policies and measures and responses	3
Chin-Liang Lin	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Response	3
Chin-Liang Lin	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Shiou-Ling Lin	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Response	3
Shiou-Ling Lin	Taiwan Corporate Governance Association	Impacts of the latest Company Act changes and response	3
Shiou-Ling Lin	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
Chih-Wei Wu	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Response	3
Chih-Wei Wu	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
James Y. Chang	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Information Security Trends and Corporate Response	3
James Y.	Taiwan Corporate	[Peak] The 14th International Forum for Corporate	3

Name	Sponsoring Organization	Course	Training Hours
Chang	Governance Association	Governance - Compliance and Supervision of obligations of directors	
James Y. Chang	Taiwan Academy of Banking and Finance	International Trends in Preventing Money Laundering and Combating Terrorism Financing	3
James Y. Chang	Taiwan Corporate Governance Association	Development trend and important norms of money laundering and terrorism financing prevention	3
James Y. Chang	Taiwan Corporate Governance Association	Analysis of key messages of annual report and obligations: opinions of Directors and Supervisors	3

(VI) The implementation of risk management policies and risk evaluation measures: Please refer to P.336-338 for VI. Risk Evaluation for the Most Recent Years and as of the Publication Date of Annual Report.

(VII) The implementation of customer relations policies: the Company has a customer service line and dedicates personnel to handle problems related to customers.

(VIII) Purchasing D&O liability insurance for Directors and Supervisors: the Company has purchased D&O insurance for Directors and Supervisors.

(IX) Results for Performance Evaluation of the Board of Directors in 2018.

The Company assesses the performance of the Board in December of each year in accordance with the Regulations for Performance Evaluation of Board of Directors passed and revised by the Board in 2017.

The assessment targets include the overall operation of the Board of Directors and the performance of individual members of the Board of Directors. The measurement indicators of the performance evaluation of the Board of Directors of the Company are divided into two parts, including quantitative measurement indicators and qualitative measurement indicators, and each of them includes the following five aspects:

1. The degree of participation in the Company’s operations
2. Improvement in the quality of decision making by the Board of Directors
3. The composition and structure of the Board of Directors.
4. The election of the Directors and their continuing professional education
5. Internal controls.

The assessment results are divided into three levels: beyond the standard, meeting the standard and to be strengthened, i.e. when the achieving rate of the quantitative measurement indicators and qualitative measurement indicators is 90% or more, the performance of the Board is beyond the standard; when it is more than 80% and less than 90%, the performance of the Board is meeting the standard; when it is less than 80%, the performance of the Board is to be strengthened.

The performance evaluation of the Board of Directors in 2018 is 100 points, which is beyond the standard and is enough to show the results of the Company in strengthening the effectiveness of the Board of Directors. The Company has disclosed the Regulations for Performance Evaluation of the Board of Directors on the Market Observation Post System and the Company’s website, as well as the results of the assessment in the annual report and the Company’s website for inquiry.

(X) The Relationship between Directors' Performance Evaluation and Remuneration

The Company's remuneration of Directors shall be within 1% of the profits of the current year according to the Articles of Association, and it shall be paid according to the operation results of the Company and their contribution degree to the performance of the Company. The remuneration of the President and Executive Vice President is measured based on the market averages, the scope of responsibilities and the contribution made to the business operation in accordance with the Company's Manager's Remuneration Payment Standards. The procedures for determining the compensation is in accordance with Directors and Managers' Performance Evaluation Standards. The reasonable compensation is determined according to the overall operational performance of the Company, the future business risks and development trends of the industry, as well as personal achievements and the contribution degree to the performance of the Company. The relevant performance and reasonable remuneration are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time according to the actual operating conditions and relevant laws and regulations to seek the balance between sustainable management and risk management of the Company.

(IV) Composition, Responsibilities and Operations of the Remuneration Committee

(1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

May 1, 2019

Identity (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	James Y. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in as a Director, Independent Director or Others.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of affiliated companies. Not applicable in cases where the person is an Independent Director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a Director, Supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Law.

(2) Operations of the Remuneration Committee

I. The 3rd Remuneration Committee is composed of 3 members. Term of office of the 3rd Remuneration Committee members: from June 30, 2017 to June 15, 2020. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows (statistical period: from January 1, 2018 to December 31, 2018)

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】(Note)	Remarks
Convener	Shiou-Ling Lin	2	0	100%	
Committee Member	Chih-Wei Wu	2	0	100%	
Committee Member	James Y. Chang	2	0	100%	

II. Important resolutions of the Remuneration Committee

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
The 2nd Meeting of the 3rd Remuneration Committee	2018.1.25	1. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2017. 2. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2017. 3. Approval of the assessment of managers' compensation in 2017. Results: the above important resolutions were approved by all Directors present without any demur. Company's Response: approved by all Directors present without any demur.
The 3rd Meeting of the 3rd Remuneration Committee	2018.3.16	1. Approval of the distribution of employee bonus and remuneration of Directors for 2017. Results: the above important resolutions were approved by all Directors present without any demur. Company's Response: approved by all Directors present without any demur.

Other required disclosure:

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g.., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Notes

(1) If any Remuneration Committee members resign from the Company before the end of the year, the date of resignation shall be stated in the remark column. The Attendance Rate (%) shall be calculated by Attendance in Person during the term of service.

(2) If any Remuneration Committee members are reelected before the end of the year, both newly elected and prior members should be filled in, and their identities and the date of re-election

shall be stated in the remark column. The Attendance Rate (%) is calculated by Attendance in Person during the term of service.

(V) Corporate Social Responsibility

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
I. Corporate Governance Implementation (I) Does the Company declare its corporate social responsibility policy and examine the results of the implementation?	✓		The Company establishes the CSR Committee according to the organization rules of the CSR Committee, and formulates the CSR policies and sets up five special groups according to the task characteristics, including corporate governance group, customer care group, employee care group, environmental protection group, and social benefit group and their functional authorities are shown as follows: 1. According to international trends, concerns of stakeholders, and specific issues in the operation regions, study the overall CSR strategies of the Company, formulate policies, and supervise the Company's adjustments. 2. Supervise the various measures of the CSR topics of each special group of the Committee and review the results regularly. 3. Externally disclose the Company's environment, society, and governance. 4. Supervise the official website to set up a platform for CSR. 5. Assist and coordinate the Company and the special groups of the Committee to handle difficult matters. 6. Review the Company's CSR report. In addition, the Board of Directors of the Company passed the 2018 CSR strategy plan resolution of the Company on March 16, 2018 as the policies for implementing the annual CSR objectives. On the same day, the Company's 2017 review report on the implementation of CSR was submitted to the Board of Directors.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(II) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company is committed to integrating CSR into corporate policy, operational management and employee education and training. In 2018, coordinated with the publication of the CSR report, the Company hired professional consultants to hold the education and training seminar on environment, society and governance issues and wrote the Company's implementation results in the report.	No material discrepancy.
(III) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	✓		In order to effectively promote the implementation of CSR, the Company establishes the CSR Committee and appoints a Chairman served by the President of the Company and the committee members are served by senior executive. In accordance with the task characteristics, the Committee has established five special groups, including corporate governance group, customer care group, employee care group, environment protection group, and social benefit group with members of different departments of the Company. The President Office of the Company is appointed as the specific promotion unit of the committee to assist in coordinating the meeting, and submit regular reports on implementation to the Board of Directors at regular intervals. The specific promotion unit submitted the implementation review report and publication report to the Board of Directors respectively in March and August, 2018.	No material discrepancy.
(IV) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		There is a reasonable salary and remuneration policy and a complete performance appraisal system stipulated for Directors, managers and employees of the Company and the overall assessment is carried out according to Code for Integrity Management and Code of Ethics stipulated by combining with the CSR and the implementing achievements of social benefits and sustainable environments.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			The Code of Personnel Management announced to all employees establishes clear and effective incentive and disincentive system.	
(V) Has the company formulated policies to properly reflect business performance or results in employee compensation and disclose the information in the annual report or on the company's website?	✓		According to the Company's Articles of Association, if there is any profit in the year, 0.1% to 1% of the profit shall be distributed as the employee bonus. However, if the Company still has accumulated losses, it shall retain the amount for loss in advance. The employee performance objective setting, tracking and assessment are carried out according to the policies and annual objectives, and the compensation and post adjustment are performed according to the assessment result, and the bonus is calculated according to the employee's performance by rule each year.	No material discrepancy.
II. Sustainable Environment Development (I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		In order to maintain the environment and care for the environment protection, the Company uses building material equipment with low impact on the environmental load. 1. Use energy-saving T5, LED lamps. 2. Set up a rainwater recovery system and use water-saving toilets, faucets and other appliances. 3. Set energy-saving sensitization control and solar power generation equipment. 4. Replace the traditional ballast with the electronic energy-saving ballast. 5. Increase window opening and light guiding in architectural planning. 6. Increase ventilation and heat convection in equipment planning, and use natural ventilation to reduce heat. 7. Use frequency conversion and energy saving host as air conditioning equipment. 8. Carry out shade tree planting green design on roof and in garden. 9. Give priority to use green building material seal for interior and exterior decoration.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			10. The new project of the building aims to obtain the green building certificate. By 2018, 10 projects have obtained the green building candidate certificate or seal. 11. Require builders to strengthen environmental maintenance on the site, including air pollution prevention, noise control and water pollution prevention.	
(II) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company perceives that the environment protection is an important issue for people all over the world to work together and faces up to the importance of global warming to the ecological impact and environmental protection. The Company is in the construction investment industry with no qualification as a construction plant and entrusts the related businesses to the professional engineering management consulting firm and sets up Technology Department to manage the supervision, coordination, and management of construction of construction companies, actively promotes actual environmental protection activities such as energy conservation and carbon reduction to fulfill the social responsibilities of enterprises.	No material discrepancy.
(III) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		Global climate change is one of the most concerned issues in the world. In the face of the increasingly severe climate such as storms and showers, the Company pays close attention to the impact of climate change on operational activities and formulates corporate energy conservation and carbon reduction and GHG reduction policies: 1. Take relevant energy conservation measures cooperating with the Autonomous Regulations for Counseling Management of Energy Conservation and Carbon Reduction of Business formulated by Industry Development Bureau of Taipei Municipal Government.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			2. Control the paper use for affairs and use of various printed materials, and introduce paperless measures. 3. Promote no tie at work, and set the office temperature to 26℃. 4. Provide the automatic power saving controller and set the mechanism for lighting off in midday rest and closing time. 5. Invite professional organizations to handle office lighting and CO2 environmental testing. 6. Continue to implement ISO 14001 environmental management and ISO 14064-1 GHG management system, establish an office water electricity consumption measurement mechanism, and establish an energy concept.	
III. Preserving Public Welfare (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company follows the relevant labor regulations and is ready to amend the Company’s Articles of Association according to the changes in laws, such as personnel management rules and employee treatment methods to protect the legitimate equity of employees. The Company respects internationally recognized basic labor human rights, and formulates the management method for extension of working hours for employees, the complaints and disciplinary measures for sexual harassment prevention measures, the labor safety and health management plans, and codes of practice according to the Labor Standard Act, the Employment Security Service Law, and the Gender Equality in Employment Act for personnel employment, man-hour and other labor conditions. Ensure that personnel will not be treated differently due to gender, age, etc., and hold labor management meetings on a regular basis to negotiate labor management to ensure the equity of both parties.	No material discrepancy.
(II) Has the company set up an employee hotline or	✓		The Company has established an appeal channel system for assessment	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
grievance mechanism to handle complaints with appropriate solutions?			performance interviews, performance assessment complaints, sexual harassment appeal lines, Chairman mailbox and internal control audit, and employee appeals can be properly handled.	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. The Company performs office environment testing every six months (June 26 and December 18, 2018), including the measurement of lamp illuminance and CO2 concentration in order to provide an excellent workplace environment with adequate illumination and good air quality with employees. 2. The Company arranges all employees to accept health check every year (March to May, 2018), and holds health and safety lectures (September 11 and September 18, 2018) to provide health information and consulting services for employees to ensure that each employee can be in best status and has physical and psychological health. 3. The Company strictly implements the automatic check plan for official vehicles every month, and completes the records of daily point inspections and monthly regular inspections to ensure the safety of official vehicles used by employees. 4. The Company arranges 6 colleagues who accepted emergency personnel training in the office spaces and prepares general standing drugs and related medical supplies, first-aid equipment (such as: ADR) to cope with the unexpected situations of employees when working in workplaces. 5. The Company does legally offer the safety and health education training courses for occupational safety and health business executives, new employees and ordinary employees, and carries out various safety measures drills or tests (building security check and fire drill)	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			coordinating with building management units in the office spaces to strengthen the occupational safety concept of employees and promote the maintenance of work environment safety, and then implement the safety management of workplace work. 6. The Company has formulated Executive Measures for Maternal Health Protection of Female Workers, Prevention Plan for Illegal Immunization in Performing Jobs, Plan for Prevention of Sexual Harm and Plan for Prevention of Diseases caused by Abnormal Workload to maintain the physical and psychological health of employees and avoid unnecessary work injuries. In 2018, there were no occupational injury cases in the whole Company.	
(IV) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (V) Does the company provide its employees with career development and training sessions? (VI) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing,	✓ ✓ ✓		The Company provides the opportunities for employees to obtain information and express opinions on the Company's operation management decisions through employee communication meets, electronic official document systems, employee email, and policy communication explanation sessions. The Company plans and implements assessment of core functions and personality traits of employee and executive function feedback assessment in the long term, establishes various career capacity databases of employees and effectively plan a series of development training plans for weaker projects of employees such as decision-making, organization, team, performance, innovation, execution, leadership and creativity. The Company follows relevant laws and regulations and various consumer protection laws and regulations, and has established strict protection methods for customer personal information confidentiality measures,	No material discrepancy. No material discrepancy. No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
producing, operating and service?			which are signed by all employees. If the consumer has any appeal about the equity, the Company can provide prompt handling and reply through the email of affiliate of the Company's website or service department.	
(VII) Does the company advertise and label its goods and services according to relevant regulations and international standards? (VIII) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? (IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓ ✓ ✓		The Company adheres to product responsibility and marketing ethics, and ensures product and service quality according to the government laws and regulations and industry-related regulations to protect consumer equity. Marketing advertisements for products or services are subject to government laws and regulations and must not be deceptive, misleading or harm consumer equity. The Company attaches great importance to maintenance of the environment and society, and focuses on integrity and environmental and social influence to assess the competence of supplier when selecting suppliers. The clause above is involved in Paragraph 3, Article 22 of the Company's Corporate Social Responsibility Code, which has been fully notified to all units and subsidiaries of the Company and incorporated into the contract with the main suppliers, subject to the strict implement and execution.	No material discrepancy. No material discrepancy. No material discrepancy.
IV. Enhancing Information Disclosure (I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		The Company publishes the Corporate Social Responsibility Report according to the regulations, and uploads the electronic report to the Market Observation Post System for disclosure. The Company also has a corporate social responsibility zone on the website for the purpose of both browsing and interaction, and uploading the electronic report to the website for downloading.	No material discrepancy.
V. If the company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any				

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
discrepancy between the Principles and their implementation: No discrepancy. Relevant operations have been implemented pursuant to the code.				
VI. Other important information to facilitate better understanding of the company's corporate social responsibility practices: Please refer to P.100 for (VIII) Corporate Responsibility and Ethical Conduct.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The reports are certified by Ernst & Young Taiwan according to the requirements of No. 1 Certainty Standard Statements published by Accounting Research and Development Foundation.				

(VI) Ethical Corporate Management

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs (I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	✓		In order to establish a corporate culture of integrity management and sound the development, and to implement a good corporate governance and risk management & control mechanism, the Company has developed the Code for Integrity Management in 2013 according to Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and reported it to the Shareholders' Meeting.	No material discrepancy.
(II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Company has established a Code of Ethics and Code for Integrity Management, forbidding the unethical conduct against the Company, the Company's Directors, Managers, employees, appointees and the material controllers of the Company such as offering or accepting bribes, providing illegal political contributions, or improper charitable donation or sponsorship, providing or accepting unreasonable gift, reception or other improper interests, disclosing the Company's trade secrets, trespassing against intellectual property rights, working on unfair competition, or providing products and services with damage to consumers or other interested parties.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
(III) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		According to the Code for Integrity Management of the Company, if the Company's Directors, managers and employees are suspected of violating the integrity management, they may be reported to the Board of Directors, manager, internal audit executive or other appropriate personnel as to the extent of their violation, and sufficient information shall be provided so that the Company can properly handle the follow-up matters.	No material discrepancy.
II. Fulfill operations integrity policy (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company conducts business activities on the basis of the principle of integrity management and in a fair and transparent manner. Before cooperation, the Company considers the legality of agents, suppliers, customers or other transaction objects and whether they involve unethical conducts, to avoid transactions with those involved in unethical conducts. The contract between the Company and its agents, suppliers, customers or other transaction objects shall include the clause where the counterpart complying with integrity management policies and transaction is involved in a unethical conduct, the contract may be terminated or rescinded at any time.	No material discrepancy.
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?		✓	The Company's Human Resources Section is a concurrent unit responsible for promoting corporate integrity.	No material discrepancy.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		According to the Company's Code for Integrity Management, Directors shall be highly self-disciplined. Where the proposal listed in the Board meeting is related to their own interests, they shall state clearly the important contents of their own interests at the Board meeting. Where there are damages to the Company's interests, they shall express their	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
			opinions and give a reply, but not participate in the discussion and voting, during which they shall avoid but not exercise the right to vote on behalf of other directors. In addition, according to the Code of Ethics, the Company's Directors and managers, in order to prevent conflicts of interest, shall handle official business in an objective and efficient manner, but not make improper benefits for themselves, their spouse, parents, children or relatives within the second degree of kinship by their positions in the Company. The Company shall pay special attention to preventing conflicts of interest, and state clearly whether there is a potential conflict of interest with the Company through official documents, meetings and internal communications when the Company lends funds to or provides guarantees for, has material asset transaction with or purchases goods from or sells goods to the company in which the aforementioned personnel works.	
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓ ✓		With respect to the Company's accounting system, the financial report is prepared in accordance with the regulations of the competent authority, and both independent audit and regular audit are conducted in normal procedures. Integrity is the core value of the Company. In the monthly executive and internal department meeting, each supervisor provides education and training for their employees according to Code for Integrity Management.	No material discrepancy. No material discrepancy.
III. Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline?	 ✓		Employees can use whistleblowing channels via Audit Department and E-mail. If employees violate the provisions of the Code for Integrity Management, they will be reviewed	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
Can the accused be reached by an appropriate person for follow-up?			by the Human Resources Assessment Meeting and accept the appeal treatment in accordance with the penalties prescribed by the Articles of Association.	
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (III) Does the company provide proper whistleblower protection?	 ✓	✓	Although there are no relevant procedures and confidential mechanisms, the Company has a Chairman Mailbox to accept all the whistleblowing matters, which is also subject to confidential mechanism. The Company has taken appropriate follow-up handling actions when accepting all the whistleblowing matters, without improper disposal.	No material discrepancy. No material discrepancy.
IV. Enhancing Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has disclosed relevant information on the website and Market Observation Post System.	No material discrepancy.
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. No material discrepancy.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): When the Company's staff at all levels perform relevant business according to their duties, they shall do the propaganda to the manufacturer, but not violate the integrity, break the law or go against the trustee obligation; meanwhile, they shall explain to the manufacturer that the Company requests the staff at all levels not to directly or indirectly ask for or receive any illegitimate benefit, with the purpose of showing the Company's determination of integrity management.				

(VII) Access to the Corporate Governance Best Practice Principles and related regulations:

The Company's relevant regulations regarding corporate governance have been disclosed on the Market Observation Post System (website: http://mops.twse.com.tw)

(VIII) Other important information: None.

(IX) Implementation of Internal Control System

1. Internal Control System Statement

Cathay Real Estate Development Co., Ltd.

Internal Control System Statement

Date: March 22, 2019

The Company's internal control system in 2018, based on the results of the self-assessment, is hereby declared as follows:

I. The Company is positive about that the establishment, implementation and maintenance of the internal control system which is the responsibility of the Board of Directors and Managers and has thus established the system. The purpose is to achieve various objectives in operation result and efficiency (including profitability, performance, and protection of assets safety); to ensure the reliability, timeliness, transparency and regulatory compliance (including relevant laws and regulations) of reporting, as well as to provide reasonable assurance.

II. The internal control system is congenitally limited. Regardless of how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; meanwhile, due to changes in the environment and conditions, the effectiveness of the internal control system may be changed. However, the Company's internal control system has a self-supervision mechanism. Once the deficiency is recognized, the Company will take corrective actions.

III. The Company judges whether the design and implementation of the internal control system are effective based on the judgment items against the effectiveness of the internal control system as stipulated in the Criteria for Establishment of Internal Control System of Public Companies (hereinafter referred to as Criteria). The judgment items of the internal control system adopted in the Criteria divide the internal control system into 5 elements in accordance with the procedure s of management control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to the provisions of the Criteria for the above items.

IV. The Company has already adopted the aforementioned ICS judgment items to evaluate the effectiveness of ICS design and implementation.

V. Based on the previous assessment results, the Company believes that the design and implementation of the internal control system (including supervision and management of subsidiaries) of the Company on December 31, 2018, including the understanding of the operation result and achievement of efficiency objectives, and reliability, timeliness, transparency and regulatory compliance (including relevant laws and regulations) of reporting, are effective and can reasonably ensure the achievement of the above objectives.

VI. This Statement will become the main content of the Company's annual report and prospectus, and will be made public. The falsehood, concealment or other illegality in the above content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.

VII. This Statement was passed by the Board Meeting held on March 21, 2019, with none of the nine Directors present expressing dissent, and the remainder all affirming the content of this Statement. Hereby declare.

Cathay Real Estate Development Co., Ltd.

Chairman: Ching-Kuei Chang

President: Hung-Ming Lee

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: None.

(X) In the most recent year as of the date of publication of Annual Report, if there are circumstances in which the Company and its personnel have been punished by law, and the Company took disincentives measures against its personnel for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Major resolutions made in the shareholders' meeting and the Board meeting in the most recent years and as of the date of publication of Annual Report:

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 5th Meeting of the 18th Board of Directors	2018.1.25	1. Approval of authorizing the Chairman to grant credit to financial institutions within NT$50 Billion. 2. Approval of the business objectives in 2018. 3. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2017. 4. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2017. 5. Approval of the assessment of managers' compensation in 2017. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.
The 6th Meeting of the 18th Board of Directors	2018.3.16	1. Approval of the 2017 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission. 2. Approval of the 2018 Corporate Social Responsibility Strategy Plan. 3. Approval of the distribution of employee bonus and remuneration of Directors for 2017. 4. Approval of the 2017 business report. 5. Approval of the 2017 parent company only financial report and consolidated financial report. 6. Approval of the matters related to stipulating the particulars, date and site of the 2018 Annual Shareholders' Meeting and receiving of shareholders' proposals. 7. Approval of amendments to the Directors and Supervisors Election Process. 8. Approval of amendments to the Rules of Procedures for Shareholders' Meetings. 9. Approval of contracting the new projects of Cathay Shuixiu and Banqiao DE structure to San Ching Engineering Co., Ltd.. 10. Approval of the appointment of new financial and accounting managers of the Company. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 7th Meeting of the 18th Board of Directors	2018.4.19	1. Approval of amendments to the Company's Articles of Association. 2. Approval of 2017 earnings distribution proposal. 3. Approval of the removal of business strife limitation on the Company's Directors. 4. Approval of the agenda of 2018 Annual Shareholders' Meeting. 5. Approval of the removal of business strife limitation on the Company's managers. 6. Approval of amendments to the Company's Rules of Implementation for Internal Control System and Internal Audit of Stock affair Units. 7. Approval of contracting the new project of Yonghua Road in Tainan, including the structure, decoration, public facilities, electromechanical engineering and landscape, to San Ching Engineering Co., Ltd.. 8. Approval of leasing the Hotel Floor of Minsheng Founding Building to Cathay Hopitality Consulting Co., Ltd.. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.
2018 Annual Shareholders' Meeting	2018.6.8	1. Approval of 2017 business report and financial statements (including consolidated financial statements). 2. Approval of 2017 earnings distribution proposal. 3. Approval of amendments to the Rules of Procedures for Shareholders' Meetings. 4. Approval of amendments to the Company's Articles of Association. 5. Approval of amendments to the Directors and Supervisors Election Process. 6. Approval of amendments to the Procedures for Acquisition and Disposal of Assets. 7. Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee. 8. Approval of the removal of business strife limitation on the Company's Directors. Note :The above matters have been approved by the Shareholders' Meeting. Implemetation of Shareholders' Meeting please refer to P.82.
The 8th Meeting of the 18th Board of Directors	2018.6.8	1. Approval of the base date of 2017 cash dividend distribution. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.
The 9th Meeting of the 18th Board of Directors	2018.8.9	1. Approval of the removal of business strife limitation on the Company's Directors. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 10th Meeting of the 18th Board of Directors	2018.11.8	1. Approval of the 2019 Audit Plan issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission of Executive Yuan. 2. Approval of the Company's 2019 certificate remuneration deliberation of CPAs. 3. Approval of selling the peimises and parking space of Cathay TWIN PARK to the affiliate. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.
The 11th Meeting of the 18th Board of Directors	2019.1.24	1. Approval of authorizing the Chairman to grant credit to financial institutions within NT$50 Billion. 2. Approval of the business objectives in 2019. 3. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2018. 4. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2018. 5. Approval of the assessment of managers' compensation in 2018. 6. Approval of amendments to the Company's Code of Best Practice for Corporate Governance. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.
The 12th Meeting of the 18th Board of Directors	2019.3.21	1. Approval of the 2018 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission. 2. Approval of the 2019 Corporate Social Responsibility Strategy Plan. 3. Approval of the 2018 business report. 4. Approval of the 2018 parent company only financial report and consolidated financial report. 5. Approval of the matters related to stipulating the particulars, date and site of the 2019 Annual Shareholders' Meeting and receiving of shareholders' proposals. 6. Approval of amendments to the Directors Remuneration Payment Standards and Manager's Remuneration Payment Standards. 7. Approval of the adjustment of partial managers' remuneration. 8. Approval of the distribution of employee bonus and remuneration of Directors for 2018. 9. Approval of contracting the new project of "Tree, River, Cathay's Home" to San-Ching Engineering Co., Ltd. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 13th Meeting of the 18th Board of Directors	2019.4.25	1. Approval of 2017 earnings distribution proposal. 2. Approval of the removal of business strife limitation on the Company's Directors. 3. Approval of amendments to the Procedures for Acquisition and Disposal of Assets. 4. Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee. 5. Approval of the agenda of 2019 Annual Shareholders' Meeting. 6. Approval of amendment to the Company's Rules of Implementation for Internal Control System and Internal Audit of Service Units. 7. Approval of the appointment of new corporate governance managers of the Company. 8. Approval of the removal of business strife limitation on the Company's managers. 9. Approval of the establishment of Standard Procedures for Disposal of Directors' Requirements. 10. Approval of acquiring the right-of-use assets of Taipei International Building from the affiliate. 11. Approval of contracting the new project of "Tree, River, Cathay's Home II"to San-Ching Engineering Co., Ltd. Note: The above major resolutions were passed by the Chairman upon consultation with all Directors present without any demur.

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year as of the Date of Publication of Annual Report: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D in the Most Recent Year as of the Date of Publication of Annual Report:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Accounting/Finance Manager	Li-Chi Liao	2008.03.20	2018.03.16	Due to regularization of employment, the Accounting/Finance Manager was changed from Li-Chi Liao to Yu-Chi Lo

IV. Information Regarding CPA Fees

Table of Audit Fee Range

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee: System of Design	Non-Audit Fee: Company Registration	Non-Audit Fee: Human Resource	Non-Audit Fee: Others (Note 2)	Non-Audit Fee: Subtotal	Period Covered by CPA's Audit (Note 1)	Remarks
Ernst & Young Taiwan	Jung-Huang Hsu	3,432	0	0	0	565	565	2018.1.1~ 2018.12.31	(1) Consolidated business report of affiliates (2) Affiliation report (3) Computer control environment assessment (4) Dividend policy (5) Review of annual report (6) Other consulting fees
	Chien-Che Huang							2018.1.1~ 2018.12.31	

Note 1: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Non-audit fees shall be annotated separately according to the service items. If the "Others" of the non-audit fees reach 25% of the total non-audit fees, the service contents shall be annotated in the column of remarks.

(I) Those who pay the CPA, the accounting firm in which the CPA works and its related companies the non-audit fees accounting for more than 1/4 of the audit fees: None.

(II) The accounting firm is replaced and the audit fee paid in the year of replacement is less than that in the previous year before replacement: None.

(III) The audit fee is more than 15% less than that in the previous year: None.

V. Information Regarding Changes in CPAs

(I) Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">January 1, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to internal restructuring at the accounting firm</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties / Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>✓</td><td></td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td></td><td></td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Remarks/specify details:</td></tr>
<tr><td>Other Revealed Matters (where Item 1-4 to Item 1-7, Paragraph 6, Article 10 of this Criterion shall be disclosed)</td><td colspan="4">None</td></tr>
</table>

(II) Regarding the successor CPA

Name of Accounting Firm	Ernst & Young Taiwan
Name of CPA	Jung-Huang Hsu
Date of Appointment	January 1, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(III) Reply of the former CPA to Item 1 and Item 2-3, Paragraph 6, Article 10 of this Criterion: None.

VI. The Company's Chairman, President and Managers in charge of finance or accounting matters who has, in the most recent year, held a position in the Company's independent auditing firm or its affiliates: None.

VII. Changes in Transfer of Equity and Pledge of Equity of Directors, Supervisors, Managers and Shareholders Holding More Than Ten Percent of Total Shares in the Most Recent years and as of the Date of Publication of Annual Report

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2018		As of May 1, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	0	0	0	0
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	0	0	0	0
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee	0	0	0	0
Director	Cathay Charity Foundation Representative: Daniel Tung	0	0	0	0
Director	Cathay Real Estate Foundation Representative：Chung-Chang Chu	0	0	0	0
Director	Employee Welfare Committee of Cathay Real Estate Development Co., Ltd. Representative: Chin-Liang Lin	0	0	0	0
Independent Director	Shiou-Ling Lin	0	0	0	0
Independent Director	Chih-Wei Wu	0	0	0	0
Independent Director	James Y. Chang	0	0	0	0
10% Major Shareholder	Cathay Life Insurance Co., Ltd. Employee Pension Fund Management Committee	0	0	0	0
10% Major Shareholder	Wan Pao Development Co., Ltd.	0	0	0	0
President	Lee Hung Ming	0	0	0	0
Executive Vice President	Chung-Yan Tsai	0	0	0	0
Executive Vice President	Daniel Tung	0	0	0	0
Senior Vice President	Chin-Liang Lin	0	0	0	0
Manager of Operation Management Department	Li-Chi Liao (position regularized on March 16, 2018)	0	0	0	0
Manager of Operation Management Department	Yu-Chi Lo (newly appointed on March 16, 2018)	0	0	0	0
Corporate Governance Executive	Miao-ju Yen (newly appointed on April 25, 2019)			0	0

(II) Shares Trading and Shares Pledge with Related Parties: None.

VIII. Information Regarding Shareholders with Top Ten Holdings Who have A Relationship of Affiliate or A Spousal Relationship or A Relationship within the Second Degree of Kinship with other Shareholders

Book closed on April 16, 2019 in share; %

<table>
<tr><th rowspan="2">Name (Note 1)</th><th colspan="2">Current Shareholding</th><th colspan="2">Spouse's/minor's Shareholding</th><th colspan="2">Shareholding by Nominee Arrangement</th><th colspan="2">Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of kinship(Note 3)</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title (or Name)</th><th>Relationship</th></tr>
<tr><td rowspan="2">Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd. Representative: Mao-Chi Chung</td><td>288,067,626</td><td>24.84%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">Cathay Life Insurance Co., Ltd.</td><td rowspan="2">Promotor of the fund</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0%</td></tr>
<tr><td rowspan="2">Wan Pao Development Co., Ltd. Representative: Weng-Chuan Lin</td><td>204,114,882</td><td>17.60%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">Lin Yuan Investment Co., Ltd.
Wan-Da Investment Co., Ltd</td><td rowspan="2">The Chairman is the same person</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai</td><td>89,250,000</td><td>7.70%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang</td><td>65,950,584</td><td>5.69%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.</td><td rowspan="2">Promotee of this company</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Lin Yuan Investment Co., Ltd. Representative: Weng-Chuan Lin</td><td>54,094,814</td><td>4.67%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">Wan Pao Development Co., Ltd.
Wan-Da Investment Co., Ltd</td><td rowspan="2">The Chairman is the same person</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">He Xin Industrial Co., Ltd. Representative: Chung-Hsin Huamg</td><td>22,000,000</td><td>1.90%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Wan-Da Investment Co., Ltd Representative: Weng-Chuan Lin</td><td>18,351,652</td><td>1.58%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">Wan Pao Development Co., Ltd.
Lin Yuan Investment Co., Ltd.</td><td rowspan="2">The Chairman is the same person</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Zhen-Sheng Industrial Co., Ltd. Representative: Cheng-Chih Chen</td><td>17,500,000</td><td>1.51%</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0</td></tr>
<tr><td>Vanguard Emerging Markets Stock Index Fund Investment Account under the custody of JP Morgan Chase</td><td>14,035,700</td><td>1.21%</td><td>0</td><td>0</td><td>0</td><td>0</td><td>None</td><td>None</td><td></td></tr>
</table>

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Bank									
Taiwan Life Insurance Co., Ltd.	13,180,000	1.14%	0	0	0	0	None	None	
Representative: Huang, Ssu-Kuo	0	0							

Note 1: All the top ten shareholders shall be listed. For shareholders who are juridical persons, their names and the name of their representatives shall be listed separately.

Note 2: The calculation of percentage refers to the calculation of the percentage in their own name or in the name of their spouse and the minor children or others.

Note 3: Relationships between the aforementioned shareholders, including juridical persons and natural persons, shall be disclosed based on the financial reporting standards used by the issuer.

IX. Investment of the Company, the Company's Directors, Supervisors, Managers and Subsidiaries Directly or Indirectly Controlled by the Company On the Re-investment business, and Total Shareholding Ratio

March 31, 2019 Unit: Share; %

Re-invested company (Note 1)	Investments of the Company		Investments of Directors, Supervisors, managers and subsidiaries directly or indirectly controlled		Comprehensive investment	
	Number of shares (Note 2)	Shareholding Ratio	Number of shares (Note 2)	Shareholding Ratio	Number of shares	Shareholding Ratio
Cathay Real Estate Management Co., Ltd.	5,000,000	100.00%	0	0	5,000,000	100.00%
Cathay Healthcare Management Co., Ltd.	46,750,000	85.00%	0	0	46,750,000	85.00%
Cathay Hospitality Managemnet Co., Ltd.	40,000,000	100.00%	0	0	40,000,000	100.00%
Cathay Hospitality Consulting Co., Ltd.	45,000,000	100.00%	0	0	45,000,000	100.00%
Cathay Real Estate Holding Corporation	21,051,891	100.00%	0	0	21,051,891	100.00%
CCH Commercial Company Limited	0	0	7,758	66.67%	7,758	66.67%
Cathay Healthcare Management Limited (BVI)	0	0	130,000	100.00%	110,500	85.00%
Cathay Healthcare Management Limited (Cayman)	0	0	130,000	100.00%	110,500	85.00%
Hangzhou Kunning Health Consulting Limited.	0	0	0	100.00%	0	85.00%

Note 1: Invested by the Company using the equity method

Note 2: This is not applicable since Hangzhou Kunning Health Consulting Limited invested by the Company is not a limited liability company.

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Source of Capital

Month/Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital	Capital Increased by Other than Cash	Others
1964.12	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash establishment	None	September 14, 1964 Jing Xin Zi No. 0731
1969.08	10	11,500,000	115,000,000	11,500,000	115,000,000	Capital increased by retained earnings 1,500,000 new shares issued	None	May 28, 1969 Zheng Guan (58) Fa Zi No. 0559
1970.12	10	11,960,000	119,600,000	11,960,000	119,600,000	Capital increased by retained earnings and capital surplus 460,000 new shares issued	None	September 29, 1970 Zheng Guan (59) Fa Zi No. 0920
1971.10	10	20,000,000	200,000,000	20,000,000	200,000,000	Capital increased by cash 8,040,000 new shares issued	None	June 4, 1971 Zheng Guan (60) Fa Zi No. 0467
1972.08	10	25,000,000	250,000,000	25,000,000	250,000,000	Capital increased by cash and capital increased by retained earnings 5,000,000 new shares issued	None	June 20, 1972 Zheng Guan (61) Fa Zi No. 0480
1973.09	10	50,000,000	500,000,000	50,000,000	500,000,000	Capital increased by cash and capital increased by retained earnings and capital surplus 25,000,000 new shares issued	None	June 2, 1973 Zheng Guan (62) Fa Zi No. 0656
1974.09	10	55,250,000	552,500,000	55,250,000	552,500,000	Capital increased by retained earnings and capital surplus 5,250,000 new shares issued	None	August 17, 1974 Zheng Guan (63) Yi Zi No. 1371
1976.11	10	70,000,000	700,000,000	70,000,000	700,000,000	Capital increased by cash and capital increased by retained earnings 14,750,000 new shares increased	None	August 9, 1976 Zheng Guan (65) Yi Zi No. 0991
1978.09	10	110,000,000	1,100,000,000	110,000,000	1,100,000,000	Capital increased by cash and capital increased by retained earnings 40,000,000 new shares issued	None	June 20, 1978 Zheng Guan (67) Yi Zi No. 0671
1979.10	10	126,200,000	1,262,000,000	126,200,000	1,262,000,000	Capital increased by retained earnings 16,200,000 new shares issued	None	September 6, 1979 Zheng Guan (68) Yi Zi No. 28893
1980.09	10	140,000,000	1,400,000,000	140,000,000	1,400,000,000	Capital increased by retained earnings 13,800,000 new shares issued	None	July 7, 1980 Zheng Guan (69) Yi Zi No. 0822
1981.10	10	161,000,000	1,610,000,000	161,000,000	1,610,000,000	Capital increased by retained earnings 21,000,000 new shares issued	None	August 10, 1981 Zheng Guan (70) Yi Zi No. 0256
1983.12	10	165,830,000	1,658,300,000	165,830,000	1,658,300,000	Capital increased by capital surplus 4,830,000 new shares issued	None	November 16, 1983 (72) Tai Cai Zheng (1) No. 2538

Month/Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital	Capital Increased by Other than Cash	Others
1984.10	10	170,804,900	1,708,049,000	170,804,900	1,708,049,000	Capital increased by capital surplus 4,974,900 new shares issued	None	October 1, 1984 (73) Tai Cai Zheng (1) No. 2778
1985.10	10	191,301,488	1,913,014,880	191,301,488	1,913,014,880	Capital increased by retained earnings 20,496,588 new shares issued	None	October 8, 1985 (74) Tai Cai Zheng (1) No. 14836
1986.12	10	210,431,636	2,104,316,360	210,431,636	2,104,316,360	Capital increased by retained earnings and capital surplus 19,130,148 new shares issued	None	October 16, 1986 (75) Tai Cai Zheng (1) No. 14881
1987.10	10	231,474,799	2,314,747,990	231,474,799	2,314,747,990	Capital increased by retained earnings 21,043,163 new shares issued	None	July 8, 1987 (76) Tai Cai Zheng (1) No. 00641
1988.09	10	266,196,018	2,661,960,180	266,196,018	2,661,960,180	Capital increased by retained earnings 34,721,219 new shares issued	None	June 30, 1988 (77) Tai Cai Zheng (1) No. 08548
1989.10	10	306,125,420	3,061,254,200	306,125,420	3,061,254,200	Capital increased by retained earnings 39,929,402 new shares issued	None	July 20, 1989 (78) Tai Cai Zheng (1) No. 25500
1991.03	10	413,025,480	4,130,254,800	413,025,480	4,130,254,800	Capital increased by cash and capital increased by surplus 106,900,060 new shares issued	None	October 19, 1990 (79) Tai Cai Zheng (1) No. 02712
1991.09	10	578,235,672	5,782,356,720	578,235,672	5,782,356,720	Capital increased by retained earnings 165,210,192 new shares issued	None	June 29, 1991 (80) Tai Cai Zheng (1) No. 01346
1992.09	10	722,794,590	7,227,945,900	722,794,590	7,227,945,900	Capital increased by retained earnings and capital surplus 144,558,918 new shares issued	None	June 30, 1992 (81) Tai Cai Zheng (1) No. 01463
1993.09	10	867,353,507	8,673,535,070	867,353,507	8,673,535,070	Capital increased by retained earnings and capital surplus 144,558,917 new shares issued	None	June 18, 1993 (82) Tai Cai Zheng (1) No. 01468
1994.09	10	1,085,918,347	10,859,183,470	1,085,918,347	10,859,183,470	Capital increased by retained earnings and capital surplus 218,564,840 new shares issued	None	June 24, 1994 (83) Tai Cai Zheng (1) No. 28893
1995.09	10	1,303,102,016	13,031,020,160	1,303,102,016	13,031,020,160	Capital increased by retained earnings and capital surplus 217,183,669 new shares issued	None	June 13, 1995 (84) Tai Cai Zheng (1) No. 35033
1996.05	10	1,433,412,217	14,334,122,170	1,433,412,217	14,334,122,170	Capital increased by retained earnings 130,310,201 new shares issued	None	June 8, 1996 (85) Tai Cai Zheng (1) No. 36644
1997.08	10	1,519,416,950	15,194,169,500	1,519,416,950	15,194,169,500	Capital increased by retained earnings 86,004,733 new shares issued	None	June 11, 1997 (86) Tai Cai Zheng (1) No. 46297
1998.08	10	1,595,387,797	15,953,877,970	1,595,387,797	15,953,877,970	Capital increased by capital surplus 75,970,847 new shares issued	None	June 15, 1998 (87) Tai Cai Zheng (1) No. 51500

Month/Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital	Capital Increased by Other than Cash	Others
1999.08	10	1,675,157,186	16,751,571,860	1,675,157,186	16,751,571,860	Capital increased by retained earnings and capital surplus 79,769,389 new shares issued	None	June 9, 1999 (88) Tai Cai Zheng (1) No. 53897
2001.04	10	1,675,157,186	16,751,571,860	1,619,823,186	16,198,231,860	The first capital decrease in treasury stock 55,334,000 shares	None	February 8, 2001 (90) Tai Cai Zheng (3) No. 105264
2001.11	10	1,619,823,186	16,198,231,860	1,606,107,186	16,061,071,860	The second capital decrease in treasury stock 13,716,000 shares	None	October 9, 2001 (90) Tai Cai Zheng (3) No. 159903
2002.01	10	1,606,107,186	16,061,071,860	1,570,971,186	15,709,711,860	The third capital decrease in treasury stock 35,136,000 shares	None	November 29, 2001 (90) Tai Cai Zheng (3) No. 172262
2002.12	10	1,570,971,186	15,709,711,860	1,567,186,186	15,671,861,860	The fourth capital decrease in treasury stock 3,785,000 shares	None	December 11, 2002 (91) Tai Cai Zheng (3) No. 0910164510
2003.09	10	1,656,515,798	16,565,157,980	1,656,515,798	16,565,157,980	Capital increased by retained earnings and capital surplus 89,329,612 new shares issued	None	July 17, 2003 (92) Tai Cai Zheng (1) No. 0920132017
2016.10	10	2,000,000,000	20,000,000,000	1,159,561,059	11,595,610,590	Capital decreased by 496,954,739 shares in cash	None	July 28, 2016 Jin Guan Zheng Fa Zi No. 1050028001

Share Type	Authorized Capital (Shares)			Remarks
	Issued Shares (Listed Company's Stock)	Un-issued Shares	Total Shares	
Common Shares	1,159,561,059	840,438,941	2,000,000,000	

Information on the shelf registration system: None.

(II) Structure of Shareholders

April 16, 2019

Status of Shareholders / Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	48	133	48,333	284	48,799
Shareholding (shares)	79	201,412,257	638,646,164	192,336,099	127,166,460	1,159,561,059
Percentage	0.00%	17.37%	55.08%	16.59%	10.96%	100.00%

(III) Shareholding Distribution Status

1. Common stock

April 16, 2019

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	28,120	9,050,045	0.78%
1,000 to 5,000	14,129	33,197,562	2.86%
5,001 to 10,000	3,118	22,977,263	1.98%
10,001 to 15,000	1,076	13,480,293	1.16%
15,001 to 20,000	571	10,064,249	0.87%
20,001 to 30,000	568	13,937,664	1.20%
30,001 to 50,000	482	18,987,395	1.64%
50,001 to 100,000	376	27,063,284	2.33%
100,001 to 200,000	184	26,376,188	2.27%
200,001 to 400,000	82	22,353,800	1.93%
400,001 to 600,000	17	8,288,115	0.72%
600,001 to 800,000	13	8,956,292	0.77%
800,001 to 1,000,000	12	10,511,222	0.91%
1,000,001 or over	51	934,317,687	80.58%
Total	48,799	1,159,561,059	100.00%

2. Preferred Stock: None

(IV) List of Major Shareholders

April 16, 2019

Share / Shareholder's Name	Shareholding (shares)	Percentage
Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.	288,067,626	24.84%
Wan-Pao Development Co., Ltd.	204,114,882	17.60%
Fubon Life Insurance Co., Ltd.	89,250,000	7.70%
Cathay Life Insurance Co., Ltd.	65,950,584	5.69%

Note 1: Note 1: Shareholders who hold more than 5% of the shares are disclosed.

Note 2: Note 2: Please refer to P.73 for the list of shareholders holding shares ranked top ten, as well as their shareholding amount and percentage.

(V) Market Price, Net Value, Earnings, and Dividends per Share

Unit: NT$

Items / Year			2017	2018	As of May 1, 2019 (Note 7)
Market Price per Share (Note 1)	Highest Market Price		22.95	21.15	25.20
	Lowest Market Price		15.95	15.15	19.20
	Average Market Price		19.57	17.56	22.20
Net Value per Share (Note 5)	Before Distribution		19.64	21.62	21.59
	After Distribution		18.44	(Note 6)	(Note 8)
Earnings per share (Note 5)	Weighted Average Shares (shares)		1,159,561,059	1,159,561,059	1,159,561,059
	Earnings per Share		1.25	3.11	0.03
Dividends per Share	Cash Dividends		1.20	(Note 6)	(Note 8)
	Stock dividend	Dividends from Retained Earnings	0	(Note 6)	(Note 8)
		Dividends from Capital Surplus	0	(Note 6)	(Note 8)
	Accumulated Undistributed Dividends		0	0	0
Return on Investment	Price / Earnings Ratio (Note 2)		14.83	5.57	(Note 8)
	Price / Dividend Ratio (Note 3)		15.45	(Note 6)	(Note 8)
	Cash Dividend Yield Rate (Note 4)		0.06	(Note 6)	(Note 8)

Note 1: List the annual highest and lowest market price of common shares, and calculate the annual average market price based on the annual transaction value and quantity.

Note 2: Price / Earnings Ratio = Average closing price per share in the year/earnings per share

Note 3: Price / Dividend Ratio = Average closing price per share in the year/Cash dividends per share

Note 4: Cash Dividend Yield Rate = Cash dividend per share / Average closing price per share in the year

Note 5: Data of 2017 and 2018 audited by CPAs, and data of Q1, 2019 reviewed by CPAs.

Note 6: Distribution of earnings for 2018 has not been approved by the shareholders' meeting yet.

Note 7: The net value per share and earnings per share are the data of Q1, 2019 reviewed by CPAs; the remaining columns are the annual data up to the date of publication of the Annual Report.

Note 8: Not applicable in specific seasons.

(VI) Dividend Policy and Implementation Status

1. If the Company earns profit for the year, 0.1% to 1% of it shall be distributed as employee compensation, and no more than 1% as Director and Supervisor compensation. However, the Company's accumulated losses, if any, shall first be covered.

2. If there is surplus after the Company's annual final accounting, besides paying taxes according to the law, the Company shall first offset its previous years' losses, and set aside legal reserve, set aside or reverse special reserve according to the law, and then allocate 30% to 100% as shareholders dividends and bonus. The remaining, together with the beginning undistributed earnings, shall be the distributable profit. The Board of Directors shall prepare earnings distribution proposal, and submit it at the shareholders' meeting for approval. The distribution ratio of the above shareholders' dividends and bonus shall be planned depending on the current year's major financial or working capital, and may be adjusted upon resolution of the shareholders' meeting against the proposal of the Board of Directors.

3. In response to the economy and market environment changes, the Company adopts a diversified investment approach to increase profitability. In consideration of long-term financial planning and future funding requirements, the residual dividend policy is adopted for dividend policy, so as to achieve steady growth and sustainable operation.

4. Based on the Company's operational planning and capital investment, as well as taking into account shareholders' cash inflow requirements and avoiding over expansion of share capital, profit is to be first distributed in a form of cash dividend, followed by stock dividend. However, cash dividend distribution ratio shall not be less than 50% of total dividend.

   The above principles have been approved by the Board meeting and shareholders' meeting and set out in the Articles of Association. The future dividends shall be allocated in accordance with the dividend policy set out in the Articles of Association.

5. Distribution of dividends proposed at the most recent shareholders' meeting

   The proposal for the distribution of 2018 profits was passed at the meeting of the Board of Directors on April 25, 2019:

   A cash dividend of NT$2.1 per share will be allocated.

6. Significant changes in the expected dividend policy: None.

(VII) Implementation of Resolutions of Shareholders' Meeting:

1. Following matters have been approved at the shareholders' meeting on June 8, 2018 and hence implemented:

   (1) 2017 business report and financial statements.

   (2) 2017 earnings distribution proposal.

   Status: July 6, 2018 was the ex-dividend base date, and a cash dividend of NT$1,391,473,271 has been allocated (NT$1.2 per share) on July 27, 2018, the payment date. The Company had completed the payment.

   (3) Approval of amendments to the Rules of Procedures for Shareholders' Meetings.

   Status: The amendments were announced on the Market Observation Post System and the Company's website on June 8, 2018, and the revised procedures have been implemented.

   (4) Approval of amendments to the Company's Articles of Association.

   Status: The amendments were announced on the Company's website on June 8, 2018, and the revised procedures have been implemented.

   (5) Approval of amendments to the Directors and Supervisors Election Process.

   Status: The amendments were announced on the Market Observation Post System and the Company's website on June 8, 2018, and the revised procedures have been implemented.

   (6) Approval of amendments to the Procedures for Acquisition and Disposal of Assets.

   Status: The revised procedures have been implemented.

   (7) Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee.

   Status: The revised procedures have been implemented.

   (8) Approval of the removal of business strife limitation on the Company's Directors.

   Status: The business strife limitation on Director Daniel Tung and Director Shiou-Ling Lin has been removed and announced on the Market Observation Post System and the Company's website on June 8, 2018.

(VIII) The impacts of issuing stock dividend in this shareholder's meeting on the Company's operational performance and earnings per share: None

(IX) Remuneration of Employees, Directors and Supervisors

1. The percentage or scope of remuneration of employees, Directors and Supervisors as set out in the Articles of Association: Please refer to the dividend policy in Article (VI) above.

2. Accounting treatment for any discrepancy between the estimate foundation of current compensation of employees, Directors and Supervisors, calculation foundation of number of shares in the compensation of employees allocated in stocks and the actual amount allocated and the number estimated: the

estimation shall be made by the after-tax net profit as of 2018 in consideration of legal reserve and other factors on the basis of the percentage set out in the Articles of Association. However, if there is discrepancy between the actual allocated amount proposed by the shareholders' meeting and the estimated number afterwards, it will be listed as the profit and loss in 2019.

3. Compensation allocation passed by the Board Meeting (March 21, 2019):

(1) Compensation of employees, directors and supervisors allocated in cash or stock: employees were paid with NT$3,841,000 and directors NT$2,400,000, both in cash.

(2) Ratio of employee compensation allocated in stock to the total of after-tax net profit in the current parent company only or individual financial report and the employee compensation: None

4. The actual distribution of employee bonus and the compensation of Directors and Supervisors in 2017:

The employee bonus of NT$1,376,000 and the compensation of Directors of NT$2,400,000 were distributed in cash in line with the resolution of the Board of Directors.

(X) Buyback of Treasury Stock: None.

II. Corporate Bonds

<table>
<tr><td colspan="2">Corporate Bond Type (Note 2)</td><td>The 1st (Period 2015-1) Secured Corporate Bonds (Note 6)</td></tr>
<tr><td colspan="2">Issue Date</td><td>July 24, 2015</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$ 1 Million</td></tr>
<tr><td colspan="2">Issuing and Transaction Location (Note 3)</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Issue Price</td><td>Issue by denomination</td></tr>
<tr><td colspan="2">Total Price</td><td>NT$ 3 Billion</td></tr>
<tr><td colspan="2">Coupon Rate</td><td>Fixed annual rate 1.40%</td></tr>
<tr><td colspan="2">Tenor</td><td>5 years Maturity: July 24, 2020</td></tr>
<tr><td colspan="2">Guarantee Agency</td><td>The Shanghai Commercial & Saving Bank, Ltd.
Hsi-Sung Branch, Chang Hwa Bank Ltd.</td></tr>
<tr><td colspan="2">Consignee</td><td>Trust Department, Far Eastern International Bank</td></tr>
<tr><td colspan="2">Underwriting Institution</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Certificated Lawyer</td><td>Lawyer Kuo, Hui-Chi, Yi Cheng Law Firm</td></tr>
<tr><td colspan="2">CPA (Note 4)</td><td>CPA Lin, Li-Huang, Ernst & Young</td></tr>
<tr><td colspan="2">Repayment Method</td><td>Repayment in lump sum upon maturity</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$ 3 Billion</td></tr>
<tr><td colspan="2">Terms of redemption or advance repayment</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Restrictive clauses (Note 5)</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, rating of corporate bonds</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities</td><td>Not Applicable</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity</td><td>Not Applicable</td></tr>
<tr><td colspan="2">Transfer agent</td><td>None</td></tr>
</table>

Note 1: The disposal of corporate bond includes the public offering and private offering of corporate bonds in the process. The public offering of corporate bond in the process refers to those going into effect upon the approval of the Meeting; and the private offering of corporate bond in the process refers to those passed upon the approval of the Board Meeting.

Note 2: The number of column is adjusted depending on the actual number of disposal.

Note 3: For overseas corporate bonds.

Note 4: Limiting the issuance of cash dividends and foreign investment or maintenance of a certain proportion of assets required.

Note 5: Private offering should be indicated in a clear manner.

Note 6: For convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued by shelf registration or corporate bonds with warrant, the information all of which shall be disclosed depending on the nature in the form of a table.

III. Preferred Stocks: None.

IV. Global Depository Receipts: None

V. Employee Stock Options: None.

VI. Issuance of New Restricted Employee Shares: None

VII. New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Financing Plans and Implementation

(I) Finance Plans

For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits: None.

(II) Implementation:

With the purpose of repaying the short-term bank loans and adjusting the financial structure, the Company issued the first secured ordinary corporate bond of NT$3 Billion for 2015 on July 24, 2015. The funds raised have been implemented completely according to the application plan in Q3, 2015.

Chapter 5 Operational Highlights

I. Business Activities

(I) Business Scope

1. Main areas of business operations
   (1) Retail sale of Medical Equipments
   (2) Department Stores
   (3) Car Rental and Leasing
   (4) Parking Garage Business
   (5) Residence and Buildings Lease Construction and Development
   (6) Industrial Factory Buildings Lease Construction and Development
   (7) Specialized Field Construction and Development
   (8) Public Works Construction and Investment
   (9) New County and Community Construction and Investment
   (10) Land Levy and Delimit
   (11) Reconstruction within the Renewal Area
   (12) Renovation, or Maintenance within the Renewal Area
   (13) Construction Management
   (14) Real Estate Commerce
   (15) Real Estate Rental and Leasing
   (16) Management Consulting Services
   (17) Other Consultancy
   (18) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue Distribution in 2018

Unit: NT$ thousands

Items	Amount	Percentage
Rental Income	642,772	4.50%
Sales of buildings and land	12,400,858	86.75%
Service Income	1,147,342	8.03%
Others	103,798	0.72%
Total	14,294,770	100.00%

3. Main Products and New Products Development

The Company's current main product is the investment in the construction of residential buildings with elevators for sales. In the first half of 2019, the Company plans to launch Banqiao "Tree, River, Cathay's Home II" , Tucheng "Cathay Uptown", Xindian "Cathay Lagom", Beitou "Cathay World-Vista Fengnian", Kaohsiung "Cathay Sigma", and Tainan "Wenfu Yen". In the next half of 2019, the Company will launch the projects such as Taichung "Mega+", and will actively prepare and launch these projects depending on the economy and market conditions.

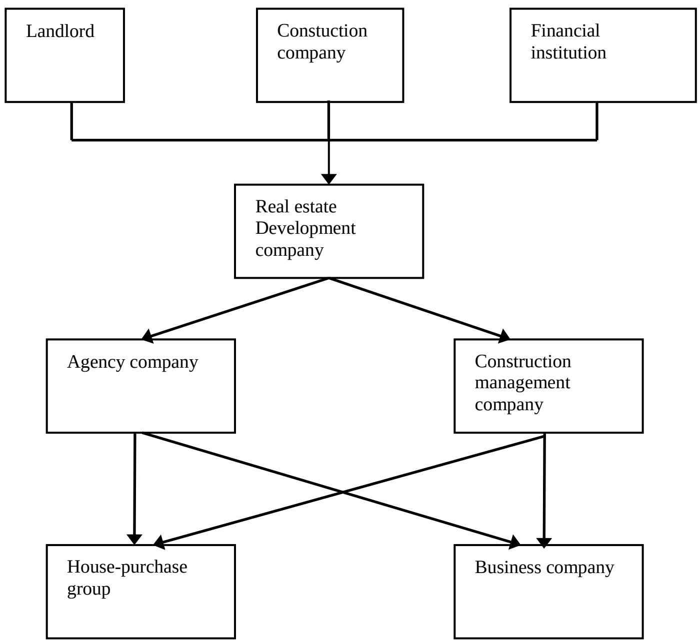
(II) Industry Overview

1. Current state and development of the industry

In recent years, the real estate market in Taiwan has caused popular discontents due to excessive housing prices. After the government implements a series of housing policies (luxury tax, real-price registration, combined building tax and land tax, etc.), the housing market has gradually returned to self-occupation market after short-term investors have left the market. In the absence of market confidence, the number of buildings for sales and transfer nationwide in 2016 reached a record low, and the overall real estate market entered a validation period. However, under the support of self-occupation demand and the seller's price correction for the trading volume, the house price is no longer unattainable. Therefore, the number of buildings sold and transferred had increased for several consecutive quarters, and the balance of construction and residential loans had also gradually increased in 2018.

Supply and demand of the overall real estate market. In the term of supply, since the overall real estate market in 2018 was more prosperous than 2017, and the developers in the same industry were more confident, it is expected that the new supply will increase in 2019 compared with that of 2018. In the term of demand, although the US restarts to raise interest rates, the interest rates are still low, which support the demands on the real estate market in a certain extent. With the price correction in recent years, most buyers believe that there is a sign of bottoming for the housing price, and the self-occupied purchase will slowly appear, which will drive the performance of purchasing houses this year continually. It is expected that demand will increase this year compared to that of 2018. Overall, the real estate market in 2019 is still mainly supported by the confidence. Under the premise of no other topics, after the economy gradually warms up, the number of wait-and-see people will decrease. It is expected that the real estate market will rise again from the bottom following the purchasing in 2018.

2. Relationship with Up-, Middle- and Downstream Companies

Items	Explanation	Schema
Upstream	Including land, construction industry (including supply industries such as building materials and raw materials) and Financial institution for capital supply.	
Midstream	Real estate companies oriented, and sales related industries (such as advertising agency companies and construction management companies).	
Downstream	General house-purchase group and business companies oriented	

3. Product Trends

(1) Architectural brand leadership

With the improvement of the standard of national lives, customers are requiring a higher standard of building facade, structure planning, construction quality and other details. Therefore, the excellent customer service and brand image catering for consumers will become one of the key points to sell products in the future.

(2) Futuristic design

Due to changes in consumer demand patterns, strengthening the product functions such as health, technology, environmental protection, leisure, safety, comfort and high quality, considering the future development, and enhancing the value of construction will become the mainstream trend in the future.

(3) Economical and environment-friendly construction

In the era where the raw materials increase gradually, how to ensure construction quality, protect the environment and save materials will become the focus of high-quality buildings in the future.

(4) Integrated community living function

In the future, the integrated living functions will be emphasized in new communities. Baby sitting, fitness, catering, conference, recreation and entertainment will be the necessary living functions in communities.

4. Product Competition

The product design of the real estate market must conform to local characteristics, but there shall be difference between regional projects. With changes in market demand, the product types shall be adjusted rapidly and timely, and market segmentation shall be done based on regional customer characteristics, in order to expand the Company's operating scale with diverse products. In recent years, the Company has been developing projects mainly in the metropolitan areas like Taipei-Keelung metropolitan area, Taoyuan, Hsinchu, Taichung, Tainan and Kaohsiung. The adamant management team, sound financial planning, professional R&D and design, and solid engineering construction are the maximum competitive condition of the Company In addition, the Company emphasizes permanent after-sales service and has established a good reputation and brand image in the market.

(III) Technology and R&D Overview

In order to strengthen the transparency of the real estate market information, sound the development of the real estate market, and fulfill the corporate social responsibility, the Company started to prepare the Cathay Real Estate Index with Taiwan Real Estate Research Center of National Chengchi University at the end of 2002 and has kept for 17 years by 2018. More than NT$3 million of budget is input in the preparation every year, and it has become one of the important reference data of domestic real estate information. In terms of R&D of product technology, we have invested lots of manpower and funds in the fields of planning, design, building materials and equipment. Therefore, the projects developed by the Company can be favored by customers and sold well in a short period of time. In recent years, with the purpose of breaking through design thinking, we also introduced foreign design teams to enable the Company's products to be more competitive.

1. Industry Trends
   (1) Changes in the real estate business cycle
   (2) Evolution of the real estate market products
   (3) Quarterly Report of Cathay Real Estate Index
2. Architectural technology
   (1) Control of architecture construction cost
   (2) Discussion on the standard construction period
   (3) Discussion on construction laws and building products
   (4) Discussion on building construction specifications
   (5) Discussion on green building design
   (6) Discussion on intelligent construction equipment
   (7) Discussion on earthquake-resistant buildings
   (8) Discussion on energy-saving and carbon-reduced equipment

(IV) Long-term and Short-term Development

1. Long-term Development
   (1) Branding

   Implement the Company’s core values, business philosophy and four guarantees, keep initiative, innovate services, and pursuit of excellence, in order to achieve the philosophy of sustainable management and sustainable service. Discuss and formulate brand optimization and implement action plan, give full play to superiority of Cathay and implement the total quality based on the new thinking of “Quality Lifetime House”, and maintain and continue brand value through sustainable services.

   (2) Land Development

   After the dominant business is stable, we will introduce the business thinking into the development of real estate and create added value to enhance the competitive energy, expand the business territory, and move towards the development vision of an integrated developer.

   (3) Product Planning

   Continue to deepen product planning and design capabilities, focus on the consumers' demands, and comply with the relevant regulations of green building, environmental protection and energy conservation, and advertise science and technology, earthquake resistance, environmental protection, safety, energy conservation and practicality to meet the future products trends.

   (4) Marketing

   Build and improve the customer database management system using high technology and big data analysis, in order to keep abreast of the marketing trend, integrate the Group's resources and effectiveness, and create a new sales strategy.

   (5) Customer Service

Use the customer database management system for data analysis and feedback, and strengthen the customer service function by combining the group resources to meet the diversified needs of customers, so as to strengthen the Company's brand value and reputation.

2. Short-term Development

(1) Branding

“Brand sustainability based on innovative thinking.” Creating brand advantage actively to gain customer recognition and avoid a price war.

(2) Project Development

In addition to the basic reserve of projects, we will develop the land in more ways, such as joint venture development and commercial urban development. On the other hand, we will prudently operate the existing new business step by step and develop the extension plan of the existing business actively to increase the service capacity and expand the territory. In addition, we will actively evaluate the layout of blue-sea new business in order to move towards the diversified operations.

(3) Product Planning

With sophisticated and practical planning and design concepts, combined with technology, environmental protection and energy-saving technologies, we will increase the intimate and added value of products in line with the needs of various target customers to enhance the product competitiveness.

(4) Marketing

Innovate marketing strategies, and break through market competition by combining the professional resources of architects, designers, consignors and related fields, and integrating the Group’s comprehensive effectiveness.

(5) Customer Service

Combine the resources of the Group with the application of S&T APP to strengthen customer service functions and improve service quality and efficiency.

II. Market and Sales Overview

(I) Market Analysis

1. Sales (Service) Region

The Company has business points in Taipei, Taichung, Tainan and Kaohsiung, and its business area includes the main metropolitan area of Taiwan. The supply and demand of the major metropolitan areas in Taiwan in the past two years are shown in the table below.

	2017		2018	
	Launched amount (100 Million)	30-day sales rate (%)	Launched amount (100 Million)	30-day sales rate (%)
Taipei	1,098	12.47	2,424	12.90
New Taipei	2,037	11.92	2,792	12.25
Taoyuan & Hsinchu	1,154	11.65	1,679	11.63
Taichung	1,023	13.53	1,511	13.24
Tainan	415	8.55	490	13.62
Kaohsiung	938	11.30	1,387	15.84
Nationwide	6,668	11.75	10,282	13.18

Data source: Quarterly Report of Cathay Real Estate Index. 30-day sales rate refers to the sales situation in the month of launch, excluding subsequent sales.

2. Market Share

The Company's market share in the last two years is detailed in the table below.

Unit: NT$ thousands

Company Name	2017 revenue		2018 revenue	
	Amount	Rank	Amount	Rank
Highwealth	12,252,697	2	30,717,971	1
Radium	10,211,226	5	28,119,062	2
Farglory	16,208,879	1	22,316,785	3
Cathay	10,610,084	4	12,812,525	4
Chonghong	6,534,865	9	11,449,588	5
Goldsun	10,765,477	3	11,402,464	6
Gedge	8,359,822	8	11,318,212	7
Kingdom	4,779,614	11	7,502,772	8
Xinya	8,570,547	7	7,471,526	9
Prince	5,734,056	10	6,485,290	10
Huaku	9,704,543	6	4,588,530	11
ASE	39,850	20	4,384,582	12
Hwang Chang	3,836,660	12	4,295,020	13
Chien Kuo	3,778,110	13	3,932,756	14
Crowell	2,685,328	15	3,918,034	15
Sweeten	1,075,929	18	3,739,865	16
Huang Hsiang	2,833,119	14	2,848,737	17
Shining Group	2,615,349	16	2,738,252	18
Long Da	1,973,718	17	2,577,520	19
Pacific	609,064	19	1,046,442	20

Data source: Market Observation Post System

3. Future supply & demand and growth of the market

According to the Quarterly Report of the Cathay Real Estate Index, the trend of the Cathay Real Estate Index in 2018 shows a corrective pattern of nationwide new project market with steady price and increasing quantity throughout the year. The overall performance of real estate market was better than that in 2017. Looking into the market trend in 2019, although the overall economy shows signs of improvement, the transaction volume is still low, and it is expected to be consolidated.

In terms of supply of real estate market, we will get rid of the low-level consolidation pattern in the last year, and it is expected that more projects will be supplied; in terms of demands, as there are more and more self-occupation house buyers, the buying will rebound slowly, and it is expected that demand will gradually increase.

On the whole, the growth of real estate this year is affected by international political and economic factors and domestic policy factors. However, with the gradual recovery of buying, the supply and demand are expected to increase slightly. The important factors affecting the operation of the real estate market this year are summarized as follows:

(1) Politics and policy

The nine-in-one election has ended, and the relevant real estate market policies of candidates may also have an impact on the real estate market.

It is expected that the policies of the real estate market with respect to tax reform will affect the subsequent supply and demand. However, it is observed that there was no explosion in application for construction license last year, and the builders have adjusted the supply by themselves, not affecting the recovery of the real estate market at this stage.

(2) Economic growth rate

The Office of Accounting and Statistics estimates that the economic growth rate in 2019 will be 2.27%.

(3) Interest rate and price

The interest rate will remain low. In the term of price, the Office of Accounting and Statistics estimates that the Consumer Price Index (CPI) in 2019 will increase slightly by 0.73%.

4. Competitive Niches

(1) Excellent brand image

(2) Steady financial situation

(3) Professional R&D and design

(4) Solid engineering construction

(5) Permanent after-sales service

5. Favorable and Unfavorable Factors in the Long Term and Strategies

(1) Favorable Factors

a. The domestic economy continues to rebound, and the current interest rate is still low. Under the mentality of “land bringing wealth” and the expected price increase, real estate is still a general investment and hedging tool.

b. In recent years, the government has positively promoted various economic revitalization programs and major constructions to drive industrial development and provide many opportunities for construction, which will stimulate the real estate market.

(2) Unfavorable Factors

a. With the decreased land resources and increased land price, the land acquisition costs are increased in Great Taipei Essence Zone.

b. The US-China trade war goes against global economic growth, which may affect consumers' confidence in buying houses.

(3) Strategies

a. Evaluate development projects prudently and strengthen product planning to increase added value and to reduce the impact of increasing costs.

b. In addition to the downtown essence zone, the potential suburb lands shall be actively evaluated and purchased and the diversified land development methods shall be expanded, such as joint construction or urban renewal business.

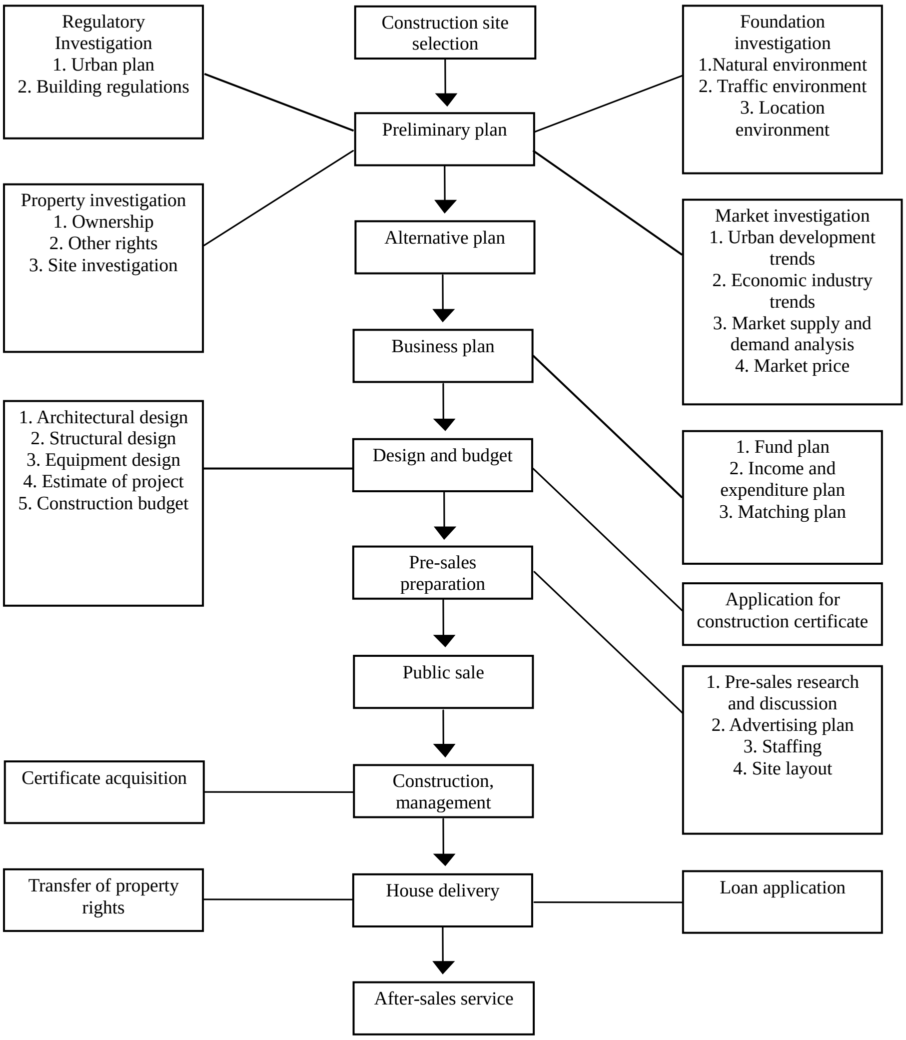
c. Make effective use of the advantages of the Group’s value chain and properly deploy new business investments to strengthen diversified operations and achieve overall effectiveness.

(II) Production Procedures of Main Products

1. Major Products and Their Main Uses

The Company invests in and constructs various types of products in the major metropolitan areas of North, Central and South Taiwan based on the different demands of customers in each region. The main products can, depending on their functions, be divided into two categories, residential buildings and commercial buildings. The residential buildings are residence-purposed, including open-air villas and high-quality residential buildings with elevator; and the commercial buildings are commerce-purposed, such as shopping malls, high-end office buildings and integrated commercial buildings.

2. Production Procedures of Main Products



(III) Supply Status of Main Materials

The main raw materials of the Company are lands. In addition to the methods of obtaining land through purchasing National Property Administration and other government units, the raw materials of land are mainly obtained through the introduction of land intermediators. In addition, the project evaluations are conducted for related development methods such as private landlord co-construction, urban renewal, Metro joint-development, state-owned land superficies right setting and BOT, in order to increase the breadth of the Company’s development projects.

At present, in consideration of acquisition of raw materials of land, the Company mainly purchases the urban high-quality section, supplemented by the land with improved life functions in the suburbs. At present, in addition to actively participating in the public auction of land by government units, the Company understands the location, property rights and quantity of relevant land materials in specific areas through the open space survey method, and actively requires the land intermediator for broking to obtain raw materials of land in good time for the Company's operations.

(IV) Major Suppliers Commanding 10%-plus Share of Annual Order Volume in the Most Recent Two Years

Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Items	2017				2018				2019 (As of the end of the previous quarter)			
	Company Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage to the total net purchases up to the end of the previous quarter of the current year (%)	Relation with Issuer
1	San Ching Engineering Co., Ltd.	2,664,862	38.29	Affiliated enterprises	San Ching Engineering Co., Ltd.	2,430,896	38.11	Affiliated enterprises	San Ching Engineering Co., Ltd.	412,444	24.2	Affiliated enterprises
2												
	Others	4,294,850	61.71		Others	3,947,057	61.89		Others	1,292,019	75.8	
	Net purchases	6,959,713	100.00		Net purchases	6,377,954	100		Net purchases	1,704,463	100.00	
Reasons for Changes	Fund of project under construction				Fund of project under construction				Fund of project under construction			

Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

Items	2017				2018				2019 (As of the end of the previous quarter)			
	Company Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage to the total net sales up to the end of the previous quarter of the current year (%)	Relation with Issuer
1	None				None				None			
	Others	10,610,084	100.00		Others	12,812,825	100.00		Others	1,470,772	100.00	
	Net sales	10,610,084	100.00		Net sales	12,812,825	100.00		Net sales	1,470,772	100.00	
Reasons for Changes	None				None				None			

(V) Production in the Last Two Years

Unit: NT$ thousands

Production Year / Output / Major Products (or by department)	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Apartments, shops, buildings	-	A batch	7,930,117	-	A batch	9,225,088
Rental and Leasing	-	-	325,390	-	-	318,934
Total	-	A batch	8,255,507	-	A batch	9,544,022

(VI) Sales in the Last Two Years

Unit: NT$ thousands

Sales Year / Output / Major Products (or by department)	2017				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Apartments, shops, buildings	327	10,191,672	-	-	478	12,400,858	-	-
Rental and Leasing	-	418,412	-	-	-	411,667	-	-
Others	-	-	-	-	-	-	-	-
Total	327	10,610,084	-	-	478	12,812,525	-	-

III. Information on Employees in the Most Recent Two Years and As of the Date of Publication of The Annual Report

Year		2017	2018	2019 (As of April 30)
Number of Employees	Office clerk	143	143	145
	Total	143	143	145
Average Age		43.28	42.80	43.00
Average Year of Services		12.98	12.71	12.88
Education	Ph.D.	0.7%	0%	0%
	Masters	32.9%	32.2%	33.1%
	Bachelor’s Degree	58.7%	61.5%	60.7%
	Senior High School	7.7%	6.3%	6.2%
	Below Senior High School	0%	0%	0%

IV. Environmental Protection Expenditure

(I) The Company is in the construction investment industry but not a building company. We entrust the professional engineering companies in the building industry to be responsible for the building and construction of the houses and do not cause immediate and direct environmental protection problems. The construction industry is prone to producing dust, waste soil and noise which only impact the environment near the construction site during the construction period, and does not cause material pollution to the ecology like the manufacturing industry. Nonetheless, the Company still attaches great importance to environmental protection, and strongly urges the contractors to pay more attention to the waste soil dumping according to the management method of the building management unit of the government and manages various matters such as waste disposal, construction time and volume control and strictly takes site safety and health measures to meet standards.

(II) The Company adheres to the care of environmental protection work and implements the goal of environment beautifying and prosperity promotion. In terms of specific actions, the Company establishes the dedicated service units to assist in beautifying and managing the community environment. In the face of the increasing public attention to environmental protection issues, the Company will continue to strengthen its efforts in this direction.

(III) The Company has adopted the design of green building and energy saving and carbon reduction in the architectural design as much as possible to make efforts to the environmental protection of the earth and also to give building vitality.

V. Labor Relations

(I) Employee Welfare

The Company has always attached great importance to harmonious labor management relations, and has established the Employees' Welfare Committee, in addition to reasonable treatments and various on-the-job educations, to promote employee benefits including subsidies for marriage, childbirth, children, education, birthday, language training, leisure and entertainment, as well as hiking activities, health examination and family day so as to ensure the physical and mental protection of employees. In 2018, the accumulated expenditure on employees' welfare was NT$36,447,000.

(II) Advanced studies and trainings of employees

The implementation of Company's education and training:

In 2018, besides continuing to intensifying the core and management functions such as accountability and cultivation, the Company held the general courses such as market research and house delivery acceptance to comprehensively increase the basic professional knowledge of colleagues. The total training hours were 5,365 and the total cost was NT$739,000.

Course items	Number of Trainee	Total hours
Professional training	674	2,875
General training	427	1,105
Function development	242	1,385
Total	1,343	5,365

(III) Retirement System and Implementation

After the implementation of the Labor Pension Act, the regulations of pension in the Labor Standard Law applicable to the employees who are employed before the implementation (July 1, 2005), or the pension system applicable to this Act shall be selected, and the working seniority before the applicable Act shall be retained. For the employees who are employed after the implementation (July 1, 2015) of the Labor Pension Act, the pension system of the Labor Pension Act is applicable. After the implementation of the Labor Pension Act, the Labor Retirement Reserves Supervision Committee established by the Company in accordance with the law still operates as usual, and 2% of the total salary of employees is drawn as the retirement reserves according to the regulations of the Labor Standard Law, until the Labor Standard Law is applicable to no employee. For the employees who the Labor Pension Act is applicable to, the funded rate of pension borne by the Company for the employees monthly shall not be lower than 6% of the monthly salary of the employees.

(IV) Labor management agreements and protection of employee’s rights/interests

In respect of the protection of employee’s rights/interests, the Company provides retirement allowance, severance pay, and pension for employee pension in addition to various perfect benefit measures, and the measures are clearly stated in the Articles of Association and there are preferential measures for employees to buy house, so as to stabilize and care for the lives of employees.

Important labor agreement: None.

(V) Names and number of employees holding professional licenses

License type	Sponsor	Number of people
Architect	Examination Yuan	8
CPA	Examination Yuan	1
Real estate broker	Examination Yuan	10
Land administration agent	Examination Yuan	4
Appraiser	Examination Yuan	2
Civil engineer	Examination Yuan	1
British Royal Chartered Surveyor	Royal Institution of Chartered Surveyors (RICS)	1
Test of securities investment analyst	Securities & Futures Institute	1
Test of sales representive in stock company	Securities & Futures Institute	2
Test of high level sales representive in stock company	Securities & Futures Institute	3
Professional test for stock affair specialist	Securities & Futures Institute	13

(VI) Employee behavior or ethics code

In order to standardize employees to follow the same codes of conduct, the Company makes the Personnel Management Rules in the Articles of Associations to define the service codes for employees. It is stipulated that the employees shall follow the laws and regulations, strictly abide by the discipline, and be devoted to their duties and they shall not engage in improper acquisition or transaction, or make a profit for themselves or others using official post convenience.

The management rules also specify incentives and disincentives to encourage outstanding employees or those who are meritorious；and to prevent wrongdoing or to punish those who violate discipline and neglect their duties.

Accordingly, the communication between management and employees is based on consensus, which is beneficial to the promotion of the Company’s business and the management of the organization.

(VII) Protective measures for the working environment and personal safety of employees

The Company's office space is designed in accordance with relevant building regulations and labor health and safety regulations. The relevant measures are as follows:

1. According to Article 34 of Occupational Health and Safety Act, the Code of Practice of Health and Safety of the Company is formulated to prevent occupational disasters and ensure the safety and health of employees.
2. Set up key points for emergency relief for employees affected by natural disasters, and assist employees who encounter natural disasters to solve difficulties and overcome difficulties.
3. Formulate the emergency response plan for material accidents of the Company, set up a emergency response team and take urgent and necessary measures for casualties and material accidents to minimize the injury. The daily safety maintenance and building management are all handled by the building management company in accordance with the management standard specifications formulated by itself. Except for connecting with the police security units, it allocates the security personnel to guard the office space.

In order to protect the work rights and interests of employees, and to ensure the physical and mental health of female colleagues after pregnancy, childbirth and breastfeeding, as well as to prevent employees against unlawful infringements from the behaviors of others due to the performance of their duties, the Company has established “Sexual Harassment Prevention Measures”, “Appeal and Punishment, Executive Measures for Maternal Health Protection of Women Workers”, “Plan on Prevention of Unlawful Infringement during Performance of Duties”, “Plan on Prevention of Sexual Damages Due to Human Factors” and “Plan on Prevention of Diseases caused by Abnormal Workload” to eliminate sexual discrimination and maintain the equal job opportunities for both men and women, prevent the employees form sexual harassment, workplace violence and achieve the purpose of maternal health protection and avoid the work environment in which the employees will be attacked by illness due to abnormal workload or repetitive operations.

(VIII) Corporate responsibility and ethical behavior

Society is the land on which enterprises can grow. The success of a enterprise depends on a stable society. Enterprises should take care of society with practical actions to fulfill social functions and responsibilities. Therefore, since the establishment of the Company, we have adhered to the concept of taking it from the society and using it in society and operating the enterprise for giving back to the society, so that the value of the Company is doubled.

Over the years, the Company has often sponsored various public benefit activities, made donation for disaster relief, and undertaken the social responsibility of corporate citizens. In 1982, we established Cathay Real Estate Foundation which has long held cultural and educational activities, passed on local culture, and subsidized the disadvantaged. We also set up 9 libraries in Taiwan to hold cultural activities. The

Foundation has sponsored the Cathay Excellence Awards Plan, Teach For Taiwan and other activities and hopes to continue to sponsor education and learning to cultivate young people for the future. We support the public benefit in the long term and assist in holding new resident care activities, summer blood donation, children's growth camp, Christmas warming and other activities to give back to the society with action.

1. Lin Yuan Libraries

   Cathay Cultural Foundation has set up 9 libraries in Taiwan. The internal open area is more than 500 m^2, and each library has more than 2,000 books. Various newspapers and magazines can be subscribed and free teaching activities are held regularly to provide a good reading environment for the public to freely learn and live in deep culture and promote neighborhood friendship and community harmony.

2. Joint activities of public benefit group

   (1) New immigrant care activities in Taiwan of Cathay

   Assist Taiwan's new residents and their next generation to adapt to life in Taiwan, eliminate barriers in adaptation, organize a series of courses on new resident care plan, hammer at deepening education, provide channels for the mutual support of new residents, and inspire the new generation to accept multi-culture and face self-worth and construct a positive communication bridge between two generations.

   (2) Summer Blood Donation Activities

   Establish a number of blood donation points in the summer time, and make about 217 promotions to ease the summer time blood shortage, and lead the prevailing blood donation benevolences.

   (3) Children's Growth Camp and Dream Realization Plan

   Hold one - step growth camp for the disadvantaged children in rural place during each summer vacation to learn the diversification courses and expand diversification view, and inspire children to explore themselves, have future ambitions and chase their dreams.

   (4) Christmas Warming

   Cathay Public Benefit Group has long been caring for the indigenous people, the elder and the new immigrants’ children and collected love supplies from December to January and sent them to the rural places, continuously providing warmth and support in every corner in winter.

3. Activities related to talent teaching

   Hold 18-step teaching activities to provide people with the opportunities to learn various talents, discover pleasure in new life, and harmonize neighborhoods by learning and interacting. Teach through lively activities, cultivate second expertise, and enrich daily life.

4. Sponsorship Activities

   (1) Cathay Excellence Awards Plan

   Provide the scholarship and grants for the economically poor but excellent high school students, and the young students who have special merits, can win glory for the country, or are keen on cultural education, community management, environmental friendliness, and financial technology development. It is hoped to encourage the young students to develop various talents, and exert their unique creativity and enthusiasm with the substantial support. NT$400,000 was invested in this activity.

(2) Teach For Taiwan (TFT) Cooperation Scheme

Care for Students in rural places is one of the strategies of Cathay Charity Group. In order to effectively extend the influence of public benefit, Care for Students in rural places has become a long-term strategic partner of TFT to promote the rural place education together. Cathay Public Benefit Group Foundation invests NT$4,000,000 each year from 2017 in three years as the teaching appropriation for teachers. A total of NT$500,000 is spent.

(3) Rock in Love

With the purpose of showing loving care for the disadvantaged, concert was held by Heng-Shan Social Welfare Foundation sponsored by the Foundation. The concert surplus was invested in the establishment of the Heng-Shan Home and housing repair services for the physically and mentally handicapped and low-income families to jointly contribute to the Taiwan society.

In 2018, the Foundation assessed the benefits of various public benefit activities, integrated the existing resources of the Group, and gradually transformed.

(IX) The current and future possible estimate amount for the losses caused by labor management disputes as of the date of publication of the annual report and the corresponding measures:

In the most recent two years, the Company has not suffered losses due to labor management disputes. Based on the concept that employees and employers are coexisting, the Company will work harder to maintain the harmony of labor management relations and hope to promote the unity and harmony of the whole society to create a glorious future.

VI. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Construction contract	Chengzhongheng Construction Co., Ltd.	2018.03.13~2020.06.30	New Construction Contract for Land 447 and Other Two Lands in Changping Section, Beitun District, Taichung City	None
	San-Ching Engineering Co., Ltd.	2018.03.16~2023.08.01	New Construction Contract for Land 144 and Another Land in Jiangcui Section, Banqiao District, New Taipei City	None
	San-Ching Engineering Co., Ltd.	2018.03.16~2020.05.05	New Construction Contract for Land 95 and Other Two Lands in Section 2, Middle Road, Taoyuan City	None
	San-Ching Engineering Co., Ltd.	2018.04.20~2021.05.15	New Construction Contract for Land 0080-0005 in New South Section, Anping District, Tainan City	None
	Chien-Kuo Construction Co., Ltd.	2018.12.19~2022.01.04	New Construction Contract for Land 361 and Other 13 Lands in Wuguwang Section, Sanchong District, New Taipei City	None
Real estate transaction	New Taipei City Government	2018.05.17	Acquisition of the construction contract for the Sixin Section, Xindian District, New Taipei City	None
	Tainan City Government	2018.05.29	Acquisition of the construction contract for the Pingshi Section, East District, Tainan City	None
	Natural person	2018.11.22	Acquisition of the construction contract for the Zhuxing Section, Beitun District, Taichung City	None

Chapter 6 Financial Information

I. Five-Year Condensed Balance Sheet and Condensed Statement of Comprehensive Income

(I) Condensed Balance Sheet

1. Based on International Financial Reporting Standards (Parent Company Only)

Unit: NT$ thousands

Items \ Year		Financial Summary for The Last Five Years (Note 1)				
		2014 (Note 3)	2015	2016	2017	2018
Current assets		$38,549,472	$40,344,785	$34,049,676	$32,827,177	$30,748,510
Property, plant and equipment		105,921	89,720	84,896	65,471	66,611
Intangible assets		5,269	2,511	786	1,124	778
Other assets		13,773,252	14,651,330	14,582,738	13,793,973	15,876,202
Total assets		52,433,914	55,088,346	48,718,096	46,687,745	46,692,101
Current liabilities	Before distribution	20,613,727	21,212,301	11,064,521	11,487,107	17,372,072
	After distribution	22,270,243	21,212,301	12,803,863	12,878,580	(Note 2)
Non-current liabilities		6,993,903	8,613,055	14,675,016	12,432,136	4,245,293
Total liabilities	Before distribution	27,607,630	29,825,356	25,739,537	23,919,243	21,617,365
	After distribution	29,264,146	29,825,356	27,478,879	25,310,716	(Note 2)
Equity attributable to shareholders of the parent		24,826,284	25,262,990	22,978,559	22,768,502	25,074,736
Capital stock		16,565,158	16,565,158	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	10,407	10,407	18,063	25,783
Retained earnings	Before distribution	7,376,423	8,046,960	11,064,867	10,770,163	13,373,271
	After distribution	5,719,907	8,046,960	9,325,525	9,378,690	(Note 2)
Other equity		874,296	640,465	307,674	384,665	80,071
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	24,826,284	25,262,990	22,978,559	22,768,502	25,074,736
	After distribution	23,169,768	25,262,990	21,239,217	21,377,029	(Note 2)

Note 1: No relevant information in Q1, 2019.

Note 2: The 2018 earnings distribution proposal has not been approved by the shareholders' meeting.

Note 3: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits .

2. Based on International Financial Reporting Standards (Consolidated)

Unit: NT$ thousands

Items / Year		2014 (Note 3)	2015	2016	2017	2018	Current year as of March 31, 2019 (Note 1)
		Financial Summary for The Last Five Years					
Current assets		$39,642,732	$41,645,933	$34,984,049	$34,083,427	$32,529,906	$32,337,482
Property, plant and equipment		941,906	1,168,913	1,131,539	1,136,419	1,858,494	4,572,591
Intangible assets		20,342	39,214	30,936	33,008	20,416	23,242
Other assets		16,527,383	19,079,215	19,283,152	18,508,334	14,362,572	16,224,624
Total assets		57,132,363	61,933,275	55,429,676	53,761,188	48,771,388	53,157,939
Current liabilities	Before distribution	21,350,989	24,109,194	12,716,135	12,729,074	18,777,777	18,693,020
	After distribution	23,007,505	24,109,194	14,455,477	14,120,547	(Note 2)	(Note 2)
Non-current liabilities		10,053,953	11,764,974	19,134,014	17,807,952	4,652,062	9,232,149
Total liabilities	Before distribution	31,404,942	35,874,168	31,850,149	30,537,026	23,429,839	27,925,169
	After distribution	33,061,458	35,874,168	33,589,491	31,928,499	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent		24,826,284	25,262,990	22,978,559	22,768,502	25,074,736	25,029,770
Capital stock		16,565,158	16,565,158	11,595,611	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	10,407	10,407	18,063	25,783	25,745
Retained earnings	Before distribution	7,376,423	8,046,960	11,064,867	10,770,163	13,373,271	13,412,848
	After distribution	5,719,907	8,046,960	9,325,525	9,378,690	(Note 2)	(Note 2)
Other equity		874,296	640,465	307,674	384,665	80,071	(4,434)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		901,137	796,117	600,968	455,660	266,813	203,000
Total equity	Before distribution	25,727,421	26,059,107	23,579,527	23,224,162	25,341,549	25,232,770
	After distribution	24,070,905	26,059,107	21,840,185	21,832,689	(Note 2)	(Note 2)

Note 1: Reviewed by CPAs in Q1, 2019.

Note 2: The 2018 earnings distribution proposal has not been approved by the shareholders' meeting.

Note 3: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits.

(II) Condensed Statement of Comprehensive Income

1. Based on International Financial Reporting Standards (Parent Company Only)

Unit: NT$ thousands (earnings per share: NT$)

Year / Items	Financial Summary for The Last Five Years (Note 1)				
	2014 (Note 2)	2015	2016	2017	2018
Operating revenue	$8,956,001	$8,709,076	$17,408,316	$10,610,084	$12,812,525
Gross profit	4,199,029	3,354,083	4,467,141	2,354,577	3,268,503
Income from operations	3,263,742	2,733,028	3,880,079	1,667,343	2,340,979
Non-operating income and expenses	(12,361)	(143,763)	(340,346)	(295,471)	1,493,829
Income before tax	3,251,381	2,589,265	3,539,733	1,371,872	3,834,808
Income from operations of continued segments - after tax	2,952,136	2,327,053	3,017,907	1,444,638	3,609,611
Income from discontinued operations	0	0	0	0	0
Net income (Loss)	2,952,136	2,327,053	3,017,907	1,444,638	3,609,611
Other comprehensive income (income after tax)	32,774	(233,831)	(332,791)	76,991	(335,754)
Total comprehensive income	2,984,910	2,093,222	2,685,116	1,521,629	3,273,857
Net income attributable to shareholders of the parent	2,952,136	2,327,053	3,017,907	1,444,638	3,609,611
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	2,984,910	2,093,222	2,685,116	1,521,629	3,273,857
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.78	1.40	2.06	1.25	3.11

Note 1: No relevant information in Q1, 2019.

Note 2: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits.

2. Based on International Financial Reporting Standards (Consolidated)

Unit: Thousand NT$ (earnings per share: NT$)

Items \ Year	Financial Summary for The Last Five Years					Current year as of March 31, 2019 (Note 1)
	2014 (Note 2)	2015	2016	2017	2018	
Operating revenue	$9,892,378	$9,848,217	$18,695,526	$12,270,182	$14,294,770	$1,856,337
Gross profit	4,320,852	3,480,391	4,509,997	2,586,811	3,718,199	416,337
Income from operations	2,996,879	2,395,435	3,402,230	1,341,775	2,228,233	56,585
Non-operating income and expenses	150,156	40,919	(69,222)	(150,297)	2,280,747	17,372
Income before tax	3,147,035	2,436,354	3,333,008	1,191,478	4,508,980	73,957
Income from operations of continued segments - after tax	2,860,249	2,194,124	2,838,245	1,241,625	4,241,797	49,574
Income from discontinued operations	0	0	0	0	0	0
Net income (Loss)	2,860,249	2,194,124	2,838,245	1,241,625	4,241,797	49,574
Other comprehensive income (income after tax)	56,275	(258,877)	(423,429)	103,720	(260,946)	(81,245)
Total comprehensive income	2,916,524	1,935,247	2,414,816	1,345,345	3,980,851	(31,671)
Net income attributable to shareholders of the parent	2,952,136	2,327,053	3,017,907	1,444,638	3,609,611	36,329
Net income attributable to non-controlling interests	(91,887)	(132,929)	(179,662)	(203,013)	632,186	13,245
Comprehensive income attributable to Shareholders of the parent	2,984,910	2,093,222	2,685,116	1,521,629	3,273,857	(44,928)
Comprehensive income attributable to non-controlling interest	(68,386)	(157,975)	(270,300)	(176,284)	706,994	13,257
Earnings per share	1.78	1.40	2.06	1.25	3.11	0.03

Note 1: Reviewed by CPAs in Q1, 2019.

Note 2: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits.

(III) Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2014	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang (Note 1)	Standard unqualified opinion
2015	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2016	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2017	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2018	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang (Note 2)	Standard unqualified opinion

Note 1: In 2014, due to the internal regularization of employment of the firm, the CPA was changed from Wen-Fang Fu to Chien-Che Huang.

Note 2: In 2018, due to the internal regularization of employment of the firm, the CPA was changed from Li-Huang Lin to Jung-Huang Hsu.

II. Five-Year Financial Analysis

1. Based on International Financial Reporting Standards (Parent company only)

Items	Year	Financial Summary for The Last Five Years (Note 1)				
		2014 (Note 2)	2015	2016	2017	2018
Financial structure (%)	Debt ratio	52.65	54.14	52.83	51.23	46.30
	Ratio of long-term capital to property, plant and equipment	30,041.41	37,757.55	44,352.61	53,765.36	44,016.68
Solvency (%)	Current ratio	187.01	190.20	307.74	285.77	177.00
	Quick ratio	26.08	25.53	37.00	33.11	26.70
	Interest Coverage ratio	12.72	8.16	13.23	5.85	16.48
Operating performance	Accounts receivable turnover (times)	70.75	107.38	372.16	168.80	76.78
	Average collection Days	5.15	3.39	0.98	2.16	4.75
	Inventory turnover (times)	0.16	0.16	0.40	0.28	0.35
	Accounts payable turnover (times)	11.17	12.23	18.07	10.16	11.20
	Average days in sales	2,281.25	2,281.25	912.50	1,303.57	1,042.85
	Property, plant and equipment turnover (times)	77.53	89.03	199.39	141.12	194.01
	Total assets turnover (times)	0.18	0.16	0.34	0.22	0.27
Profitability	Return on total assets (%)	6.16	4.38	5.84	3.04	7.73
	Return on stockholders' equity (%)	12.23	9.29	12.51	6.32	15.09
	Pre-tax income to paid-in capital (%)	19.63	15.63	30.53	11.83	33.07
	Profit ratio (%)	32.96	26.72	17.34	13.62	28.17
	Earnings per share (NT$)	1.78	1.40	2.06	1.25	3.11
Cash flow (%)	Cash flow ratio	(9.29)	2.65	60.83	12.03	14.48
	Cash flow adequacy ratio	19.35	19.18	54.67	67.36	70.74
	Cash reinvestment ratio	(15.78)	(4.41)	24.08	(1.39)	6.29
Leverage	Operating leverage	1.11	1.12	1.11	1.22	1.15
	Financial leverage	1.02	1.01	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The current ratio decreased by 38% due to the increase in current liabilities of the period.
2. The interest earned ratio increased by 182% due to the increase in net profit before income tax and interest expenses of the period.
3. The accounts receivable turnover decreased by 55% due to the increase in the average receivable balance of the period.
4. The average collection period increased by 120% due to the decrease in the accounts receivable turnover of the period.
5. The inventory turnover increased by 25% due to the increase in the cost of sales of the period.
6. The average days in sales decreased by 20% due to the increase in the inventory turnover of the period.
7. The property, plant and equipment turnover increased by 37% due to the increase in net sales of the period.
8. The total assets turnover increased by 23% due to the increase in net sales of the period.
9. The return on total assets increased by 154% due to the increase in net income of the period.
10. The return on stockholders' equity increased by 139% due to the increase in net income of the period.
11. The ratio of pre-tax income to paid-in capital increased by 180% due to the increase in the pre-tax income of the period.
12. The profit ratio increased by 107% due to the increase in net income after tax of the period.
13. Earnings per share increased by 149% due to the increase in net income attributable to shareholders of the parent of the period.
14. The cash flow ratio increased by 20% due to the increase in net cash inflow from operating activities of the period.
15. The cash reinvestment ratio increased by 553% due to the increase in net cash inflow from operating activities of the period.

Note 1: No relevant information in Q1, 2019.

Note 2: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits.

1. Financial Structure
   (1) Debt Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Earned Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operating Performance
   (1) Accounts Receivable Turnover (including bills receivable resulting from business operations and accounts receivable) = Net sales / Average accounts receivable balance in various periods (including bills receivable resulting from business operations and accounts receivable).
   (2) Average Collection Period = 365 / Accounts Receivable Turnover.

(3) Inventory Turnover = Cost of Sales / Average Inventory.

(4) Accounts Payable Turnover (including bills payable resulting from business operations and accounts payable) = Cost of sales / Average accounts payable balance in various periods (including bills payable resulting from business operations and accounts payable).

(5) Average Days in Sales = 365 / Inventory Turnover.

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant, and Equipment.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Total Assets = Net Income (Loss) + Interest Expenses x (1 - interest rates)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income (Loss) / Average Total Equity.

(3) Profit Ratio = Net Income (Loss) / Net Sales.

(4) Earnings per Share = [Net Income (Loss) Attributable to Shareholders of the Parent – Dividends on Preferred Stock] / Weighted Average Number of Shares Issued.

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities in the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) in the Most Recent Five Years.

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital).

6. Leverage

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

2. Based on International Financial Reporting Standards (Consolidated)

Analysis Items \ Year		Financial Summary for The Last Five Years					Current year as of March 31, 2019
		2014 (Note)	2015	2016	2017	2018	
Financial structure (%)	Debt ratio	54.97	57.92	57.46	56.80	48.04	52.53
	Ratio of long-term capital to property, plant and equipment	3,798.83	3,235.83	3,774.82	3,610.65	1,613.87	753.73
Solvency (%)	Current ratio	185.67	172.74	275.12	267.76	173.24	172.99
	Quick ratio	29.02	26.52	36.83	36.39	32.03	27.66
	Interest Coverage ratio	8.34	5.55	7.51	3.02	12.73	1.25
Operating performance	Accounts receivable turnover (times)	47.19	50.17	91.32	47.94	36.74	22.46
	Average collection Days	7.73	7.27	3.99	7.61	9.93	16.25
	Inventory turnover (times)	0.19	0.19	0.44	0.33	0.39	0.22
	Accounts payable turnover (times)	6.37	8.89	11.56	8.08	10.34	7.10
	Average days in sales	1,921.05	1,921.05	829.54	1,106.06	935.89	1,659.09
	Property, plant and equipment turnover (times)	11.88	9.33	16.25	10.82	9.55	2.31
	Total assets turnover (times)	0.18	0.17	0.32	0.22	0.28	0.15
Profitability	Return on total assets (%)	5.65	3.94	5.15	2.65	8.48	0.60
	Return on stockholders' equity (%)	11.41	8.47	11.44	5.31	17.47	0.78
	Pre-tax income to paid-in capital (%)	19.00	14.71	28.74	10.28	38.89	2.55
	Profit ratio (%)	28.91	22.28	15.18	10.12	29.67	2.67
	Earnings per share (NT$)	1.78	1.40	2.06	1.25	3.11	0.03
Cash flow (%)	Cash flow ratio	(13.95)	4.01	49.82	7.55	13.47	1.00
	Cash flow adequacy ratio	18.65	18.82	45.40	52.00	57.56	101.94
	Cash reinvestment ratio	(19.32)	(2.77)	21.74	(2.78)	5.95	0.85
Leverage	Operating leverage	1.25	1.33	1.27	1.68	1.40	5.37
	Financial leverage	1.08	1.08	1.07	1.22	1.06	2.50

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The ratio of long-term capital to property, plant and equipment decreased by 55% due to the decrease in the non-current liabilities of the period.
2. The current ratio decreased by 35% due to the increase in current liabilities of the period.
3. The interest earned ratio increased by 322% due to the increase in net profit before income tax and interest expenses of the period.
4. The accounts receivable turnover decreased by 23% due to the increase in the average receivable balance of the period.
5. The average collection period increased by 30% due to the decrease in the accounts receivable turnover of the period.
6. The accounts payable turnover increased by 28% due to the increase in the cost of sales of the period.
7. The total assets turnover increased by 27% due to the increase in net sales of the period.
8. The return on total assets increased by 220% due to the increase in net income of the period.
9. The return on stockholders' equity increased by 229% due to the increase in net income of the period.
10. The ratio of pre-tax income to paid-in capital increased by 278% due to the increase in the pre-tax income of the period.
11. The profit ratio increased by 193% due to the increase in net income after tax of the period.
12. Earnings per share increased by 149% due to the increase in net income attributable to shareholders of the parent of the period.
13. The cash flow ratio increased by 78% due to the increase in net cash inflow from operating activities of the period.
14. The cash reinvestment ratio increased by 314% due to the increase in net cash inflow from operating activities of the period.

Note: The amount in 2014 is adjusted according to amendments to IAS 19 Employee Benefits.

1. Financial Structure
   (1) Debt Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Earned Ratio = Net Profit before Tax and Interest / Interest Expenses.
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   (1) Accounts Receivable Turnover (including bills receivable resulting from business operations and accounts receivable) = Net sales / Average accounts receivable balance in various periods (including bills receivable resulting from business operations and accounts receivable).
   (2) Average Collection Period = 365 / Accounts Receivable Turnover.
   (3) Inventory Turnover = Cost of Sales / Average Inventory.
   (4) Accounts Payable Turnover (including bills payable resulting from business operations and accounts payable) = Cost of sales / Average accounts payable balance in various periods

(including bills payable resulting from business operations and accounts payable).

(5) Average Days in Sales = 365 / Inventory Turnover.

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant, and Equipment.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Total Assets = Net Income (Loss) + Interest Expenses x (1 - interest rates)] / Average Total Assets.

(2) Return on Stockholders' Equity = Net Income (Loss) / Average Total Equity.

(3) Profit Ratio = Net Income (Loss) / Net Sales.

(4) Earnings per Share = [Net Income (Loss) Attributable to Shareholders of the Parent – Dividends on Preferred Stock] / Weighted Average Number of Shares Issued.

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities in the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) in the Most Recent Five Years.

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital).

6. Leverage

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

III. Audit Committee's Review Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors prepared the Company's 2018 Business Report, Financial Statements and Earnings Distribution, where the Financial Statements were audited and certificated by the CPAs of Ernst & Young Taiwan, Jung-Huang Hsu, and Chien-Che Huang, and an audit report was issued.

The above table has been audited by the CPAs of Ernst & Young Taiwan, Cheng-Dao Chang, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act under the commission of the Audit Committee, and there is no inconformity. Meanwhile, the report has been prepared as required. Please check and approve.

Regards

Cathay Real Estate Development Co., Ltd.

Audit Committee

Convener: Shiou-Ling Lin

April 25, 2019

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company only Financial Statements

For The Years Ended

December 31, 2018 And 2017

Report of Independent Auditors

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Cathay Real Estate Development Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Cathay Real Estate Development Co., Ltd. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and their parent company only financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company is primarily engaged in entrusting construction company in construction and planning of public housing and commercial offices for sale and rental. Since the company's construction income is classified as operating revenue based on sale of goods, the relevant profit and loss are recognized when the ownership transferred. Due to the significance of the construction income in the parent company only financial statements, with respect to a significant proportion within operating revenue,and need to judge and determine performance obligation and the timing of satisfaction, the construction revenue is determined to be a key audit matter.

The audit procedures we performed regarding construction revenue recognition included but not limited to: evaluate the appropriateness of the construction income recognition policies; realize the transaction process and perform the tests of control on the effectiveness of control points during internal control audit; select samples to perform transaction test of details and verify major clauses and conditions in the construction contract; review the transaction conditions and confirm the appropriateness of the timing the performance obligation is recognized.

We also assess whether the the company properly disclose information relating the construction income of financial statement. Please refer note 4(17) and note 6(21).

Valuation of inventories

The construction land of the Company shall be measured at the lower of cost and net realized value, and the net realizable value of the construction land is determined based on the management's judgement and estimation. Due to the significance of construction land in the parent company only financial statements, the valuation of construction land is determined to be a key audit matter.

The audit procedures we performed regarding construction land valuation included but not limited to: evaluate the appropriateness of the construction land accounting policies; realize the transaction process and perform tests of control on the effectiveness of control points during internal control audit; select samples to analyze the management valuation process and the key valuation parameters, and evaluate the reasonableness on the basis of working paper and relevant documentation corresponding to construction land valuation which included in inventories.

We also assess whether the the company properly disclose information relating the construction land valuation of financial statement. Please refer note 4(9),note 5(2)E and note 6(7).

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 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 parent company only 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 parent company only 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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor’s 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.

Hsu, Jung Huang
Huang, Chien Che
Ernst & Young, Taiwan
March 21,2019

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheet

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31,2018		December 31,2017	
Code	Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and Cash equivalents	4 & 6(1) & 7	$925,462	2	$662,729	2
1120	Financial Assets At Fair Value Through Other Comprehensive Income-Current	3 & 4 & 6(2)	2,620,886	6	-	-
1125	Financial assets in available-for-sale-Current	3 & 4 & 6(3)	-	-	2,983,349	6
1150	Notes Receivable(Net)	4 & 6(5)	23,164	-	24,121	-
1170	Accounts Receivable(Net)	4 & 6(6)	230,089	-	56,357	-
1200	Others Receivable		2,195	-	2,545	-
1220	Current Tax Assets	4 & 6(27)	59	-	-	-
130x	Inventories	4 & 6(7) & 7	25,991,144	56	28,838,278	62
1410	Prepayments		119,074	-	185,637	-
1470	Others Current-Assets		354,840	1	74,161	-
1480	Revenue from Contracts with Customers	3 & 6(7),(21)	481,597	1	-	-
11xx	Total Current-Assets		30,748,510	66	32,827,177	70
	Non-Currents Assets					
1517	Financial Assets At Fair Value Through Other Comprehensive Income-Non-Current	3 & 4 & 6(2)	1,637,651	3	-	-
1523	Financial assets in available-for-sale-Non-Current	3 & 4 & 6(3)	-	-	1,525,265	3
1543	Financial Assets measured at Cost-Non-Current	3 & 4 & 6(4)	-	-	211,885	1
1550	Investment Accounted for Using Equity Method	3 & 4 & 6(8)	1,652,433	4	1,505,488	3
1600	Property,Plant and Equipment	4 & 6(9)	66,611	-	65,471	-
1760	Investment property(Net)	4 & 6(10)	11,122,684	24	9,026,310	20
1780	Intangible Assets	4 & 6(11)	778	-	1,124	-
1840	Deferred Tax Assets	4 & 6(27)	408,941	1	578,403	1
1990	Other Non-Currents Assets	6(12) & 7	1,054,493	2	946,622	2
15xx	Total Non-Currents Assets		15,943,591	34	13,860,568	30
1xxx	Total Assets		$46,692,101	100	$46,687,745	100

(The accompanying notes are an integral part of these parent company only financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheet(Continue)

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31,2018		December 31,2017	
Code	Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term Loans	4 & 6(13)	$8,150,000	18	$5,469,000	12
2110	Short-term Notes Payable	4 & 6(14)	-	-	579,744	1
2130	Contract Liability	3 & 4 & 6(21)	3,626,329	8	-	-
2150	Notes Payable	4	90,385	-	28,554	-
2170	Accounts Payable	4	392,450	1	338,120	1
2180	Accounts Payable－Related Parties	4 & 7	590,534	1	263,853	1
2200	Others Payable		207,715	-	196,961	-
2230	Current Tax Liabilities	4 & 6(27)	-	-	91,815	-
2300	Other-Current Liabilities		114,659	-	45,403	-
2310	Advance Receipts	3 & 4	-	-	4,473,657	9
2320	Long-Term Liabilities-Current Portion	4&6(16)	4,200,000	9	-	-
21xx	Total Current-Liabilities		17,372,072	37	11,487,107	24
	Non-Current Liabilities					
2530	Corporate Bonds	4 & 6(15)	3,000,000	6	3,000,000	6
2540	Long-term Loans	4 & 6(16)	998,050	2	9,163,501	20
2570	Deferred Tax Liabilities	4 & 6(27)	10,049	-	8,542	-
2600	Other Non-Current Liabilities	4 & 6(17) & 7	237,194	1	260,093	1
25xx	Total Non-Current Liabilities		4,245,293	9	12,432,136	27
2xxx	Total Liabilities		21,617,365	46	23,919,243	51
	Equity	4				
3100	Capital stock					
3110	Common Stock	6(18)	11,595,611	25	11,595,611	25
3200	Capital Surplus	6(19)	25,783	-	18,063	-
3300	Retained earnings	6(20)				
3310	Legal Capital Reserve		3,991,496	9	3,847,032	8
3320	Special Capital Reserve		504,189	1	504,189	1
3350	Unappropriated Retained Earnings		8,877,586	19	6,418,942	14
	Total Retained Earnings		13,373,271	29	10,770,163	23
3400	Other Equity		80,071	-	384,665	1
3xxx	Total Equity		25,074,736	54	22,768,502	49
	Total Liabilities and Equity		$46,692,101	100	$46,687,745	100

(The accompanying notes are an integral part of these parent company only financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Income Statement

For the years ended 31 December, 2018 and 2017

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

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	Operating Revenue	4 & 6(10),(21) & 7	$12,812,525	100	$10,610,084	100
5000	Operating Cost	4 & 6(7),(9),(10),(24) & 7	(9,544,022)	(75)	(8,255,507)	(78)
5900	Gross Margin		3,268,503	25	2,354,577	22
5920	Realized sales profit		41	-	41	-
5950	Gross Margin(net)		3,268,544	25	2,354,618	22
6000	Operating Expense	4 & 6(9),(23),(24) & 7				
6200	Administrative Expense		(927,553)	(7)	(687,275)	(6)
6450	Expected credit loss	4 & 6(22)	(12)	-	-	-
	Total Operating Expense		(927,565)	(7)	(687,275)	(6)
6900	Operating Income		2,340,979	18	1,667,343	16
7000	Non-Operating Income and Expenses	4 & 6(25) & 7				
7010	Other Revenues		274,338	2	227,821	2
7020	Other Gain or Loss		2,514	-	(7,799)	-
7050	Finance Costs		(1,906)	-	(5,342)	-
7070	Investment Income on Equity-Method Investees	4 & 6(8)	1,218,883	10	(510,151)	(5)
	Total Non-Operating Income and Expenses		1,493,829	12	(295,471)	(3)
7900	Income before Income Tax		3,834,808	30	1,371,872	13
7950	Income Tax (Expense) Benefit	4 & 6(27)	(225,197)	(2)	72,766	1
8200	Net income		3,609,611	28	1,444,638	14
8300	Other Comprehensive Income	6(26),(27)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		5,630	-	(5,004)	-
8316	Valuation losses on equity instruments at fair value through other comprehensive income		(493,136)	(3)	-	-
8330	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – not to be reclassified to profit or loss in subsequent periods		(486)	-	(613)	-
8349	Income taxes relating to not to be reclassified to profit or loss in subsequent periods		(1,525)	-	851	-
8360	To be reclassified to profit or loss in subsequent periods					-
8362	Unrealized valuation gains from available-for-sale financial assets		-	-	34,807	-
8380	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods		153,763	1	46,950	-
	Other comprehensive (losses) income, net of tax		(335,754)	(2)	76,991	-
8500	Total comprehensive (losses) income		$3,273,857	26	$1,521,629	14
	Basic Earnings Per Share (In dollars)	6(28)	After Taxes		After Taxes	
9750	Basic Earnings Per Share		$3.11		$1.25	

(The accompanying notes are an integral part of these parent company only financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Statements of Changes In Equity

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

				Retained Earnings				Other Equity				
	Items	Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Total	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (losses) gains from financial assets at fair value through other comprehensive income	Unrealized valuation (losses) gains from available-for-sale financial assets	Remeasurements of defined benefit plans	Total
Code		3100	3200	3310	3320	3350		3410	3420	3425	3445	3XXX
A1	Balance on 1 January 2017	$11,595,611	$10,407	$3,545,241	$504,189	$7,015,437	$11,064,867	$(110,975)	$-	$393,562	$25,087	$22,978,559
	Appropriation and distribution of earnings for the year 2016											
B1	Legal Capital Reserve	-	-	301,791	-	(301,791)	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,739,342)	(1,739,342)	-	-	-	-	(1,739,342)
C17	Changes in other capital surplus	-	7,656	-	-	-	-	-	-	-	-	7,656
D1	Net income for the year ended 31 December 2017	-	-	-	-	1,444,638	1,444,638	-	-	-	-	1,444,638
D3	Other comprehensive income for the year ended 31 December 2017	-	-	-	-	-	-	46,950	-	34,807	(4,766)	76,991
D5	Total comprehensive income for the year ended 31 December 2017	-	-	-	-	1,444,638	1,444,638	46,950	-	34,807	(4,766)	1,521,629
Z1	Balance on 31 December 2017	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$10,770,163	$(64,025)	$-	$428,369	$20,321	$22,768,502
A1	Balance on 1 January 2018	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$10,770,163	$(64,025)	$-	$428,369	$20,321	$22,768,502
A3	Effects on retrospective application and restatement	-	-	-	-	384,970	384,970	-	459,529	(428,369)	-	416,130
A5	Balance on 1 January 2018 (Adjusted)	11,595,611	18,063	3,847,032	504,189	6,803,912	11,155,133	(64,025)	459,529	-	20,321	23,184,632
	Appropriation and distribution of earnings for the year 2017											
B1	Legal Capital Reserve	-	-	144,464	-	(144,464)	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,391,473)	(1,391,473)	-	-	-	-	(1,391,473)
C17	Changes in other capital surplus	-	7,720	-	-	-	-	-	-	-	-	7,720
D1	Net income for the year ended 31 December 2018	-	-	-	-	3,609,611	3,609,611	-	-	-	-	3,609,611
D3	Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	-	153,763	(493,136)	-	3,619	(335,754)
D5	Total comprehensive income for the year ended 31 December 2018	-	-	-	-	3,609,611	3,609,611	153,763	(493,136)	-	3,619	3,273,857
Z1	Balance on 31 December 2018	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$13,373,271	$89,738	$(33,607)	$-	$23,940	$25,074,736

The actual distribution of employees in the 2018 and 2017 was NT$3,841 thousand and NT$1,376 thousand respectively;

the compensation for the Board of Directors was NT$2,400 thousand and was deducted from the consolidated income statement.

(The accompanying notes are an integral part of these parent company only financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Statements of Cash Flows

For the years ended 31 December, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2018 Amount	2017 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	$3,834,808	$1,371,872
A20000	Adjustments:		
A20100	Depreciation	190,843	195,348
A20200	Amortization	486	1,043
A20300	Provision for bad debt expenses	12	-
A20900	Interest Expenses	1,906	5,342
A21200	Interest Income	(734)	(1,557)
A21300	Dividend Income	(152,719)	(119,656)
A22400	Share of other comprehensive income of subsidiaries, associates and joint ventures	(1,218,883)	510,151
A22500	Loss (gain) on disposal of property, plant and equipment	(4,363)	(680)
A23100	Loss(gain) on disposal of investments	-	847
A29900	Gain on disposal of investment property	173,324	275,552
	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	957	2,273
A31150	Decrease (increase) in account receivable	(173,743)	(37,518)
A31180	Decrease (increase) in other receivable	350	4,133
A31200	Decrease (increase) in inventories	635,488	1,200,476
A31230	Decrease (increase) in prepayments	66,563	(38,010)
A31240	Decrease (increase) in other current assets	(280,679)	(1,309)
A31270	Decrease (increase) in revenue from contracts with customers	(27,087)	-
A32125	Increase (decrease) in contract liability	(847,328)	-
A32130	Increase (decrease) in notes payable	61,831	(15,484)
A32150	Increase (decrease) in accounts payable	54,330	(261,462)
A32160	Increase (decrease) in accounts payable to related parties	326,681	(86,658)
A32180	Increase (decrease) in other payables	19,971	(4,002)
A32210	Increase (decrease) in advances receipts	-	(1,285,137)
A32230	Increase (decrease) in other current liabilities	69,256	(6,694)
A33000	Cash inflow (outflow) generated from operations	2,731,270	1,708,870
A33100	Interested received	734	1,559
A33500	Income taxes paid	(217,167)	(328,546)
AAAA	Net cash flows from (used in) operating activities	2,514,837	1,381,883
BBBB	Cash flow from investing activities		
B00400	Proceeds from disposal of available-for-sale financial assets	-	4,001
B01800	Acquired an investment using the equity method	(650,000)	(276,637)
B02400	Returns the shares from investments using the equity method	1,785,698	-
B02700	Acquisition of property, plant and equipment	(22,269)	(5,237)
B02800	Disposal of property, plant and equipment	7,456	5,353
B04500	Acquisition of intangible assets	(140)	(1,381)
B06700	Increase in other non-current assets	(107,871)	-
B06800	Decrease in other non-current assets	-	104,048
B07600	Dividends received	242,220	183,231
BBBB	Net cash flows from (used in) investing activities	1,255,094	13,378
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	2,681,000	2,279,000
C00600	Decrease in short-term notes payable	(579,744)	(70,111)
C01700	Decrease in long-term loans	(3,965,451)	(2,225,319)
C04400	Decrease in other non-current liabilities	(17,269)	(22,565)
C04500	Payment of cash dividends	(1,391,473)	(1,739,342)
C05600	Interest paid	(234,261)	(234,994)
CCCC	Net cash flows from (used in) financing activities	(3,507,198)	(2,013,331)
EEEE	Net increase (decrease) in cash and cash equivalents	262,733	(618,070)
E00100	Cash and cash equivalents, beginning of period	662,729	1,280,799
E00200	Cash and cash equivalents, end of period	$925,462	$662,729

(The accompanying notes are an integral part of these parent company only financial statements)

English Translation of I Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.
Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2018 and 2017
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Audited)

1. HISTORY AND ORGANIZATION

Cathay Real Estate Development Co., Ltd. (the “Company”) was incorporated on December 1, 1964. The main businesses of the company are entrusted the manufacturer to build residential and commercial buildings for leasing or selling.

The Company is located at 2F., No. 218, Sec. 2, Dunhua S. Rd., Da-an Dist., Taipei City 106, Taiwan (R.O.C.) and has been listed on Taiwan Stock Exchange (TWSE) since October 1967.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company (“the Company”) for the years ended December 31, 2018 and 2017 were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2019.

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)：

Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect from 2018 by the Financial Supervisory Commission (FSC) did not have a significant effect on the Company except below:

A. *IFRS 15“Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

(a) Please refer to Note 4.17 for the accounting policies before or after January 1, 2018.

(b) Before January 1, 2018, the Company's presold house transaction contracts of buyer only have the limited influence on the design of the real property, or to specify only minor changes to the basic design. In accordance with IAS 18, the Company's presold house transaction contracts, a merchandise sales agreement, were recognized when the product is delivered; after January 1, 2018, the income is recognized when the Company transfers the promised merchandise to the customer and fulfill the performance obligation in accordance with IFRS 15. For part of presold house contracts, the company charges a part of the consideration at the time of signing and has obligation to provide the goods in the follow-up. Before January 1, 2018, the previous consideration was recognized as other current liabilities; after January 1, 2018, the consideration is recognized as a contractual liability in accordance with IFRS 15. On 1 January 2018, the amount of the Company reclassification from other current liabilities to contract liabilities was $4,473,657 thousand. Compared with the requirements of IAS 18, other current liabilities decrease $3,626,329 thousand and contract liabilities increase $3,626,329 thousand as of 31 December 2018.

(c) Before January 1, 2018, the Company's sales commission for construction was recognized as a current expense when the customer signed a presold house contract; after January 1, 2018, the income is recognized when the Company transfers the promised commodities to the customer and fulfills the performance obligations in accordance with IFRS 15. For some contracts applied IFRS 15, the sales commission for the construction is the incremental cost of the expected recoverable contract, the Company recognize the incremental contract cost. The Company's reclassification from retained earnings and deferred income tax assets to the incremental contract costs on 1 January 2018, was NT$454,510 thousand.

(d) Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. *IFRS 9"Financial Instruments"*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

(a) The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications and carrying amounts of financial assets as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income	$4,751,673
Available-for-sale financial assets (including $211,885 thousand measured at cost)	4,720,499		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivable, accounts receivables, other receivables)	745,421
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable and other receivables)	745,421		
Total	$5,465,920	Total	$5,497,094

(c) The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follows:

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings adjusted amounts	Other components of equity adjusted amounts
Available-for-sale financial assets — Stocks (including$211,885 thousand measured at cost) (Note 1)	$4,720,499	Measured at fair value through other comprehensive income (equity instruments)	$4,751,673	$(31,174)	$-	$(31,174)
Loans and receivables (Note 2)						
Cash and cash equivalents	662,398	Cash and cash equivalents	662,398	-	-	-
Notes receivables, net	24,121	Notes receivables, net	24,121	-	-	-
Accounts receivables, net	56,357	Accounts receivables, net	56,357			
Other receivables	2,545	Other receivables	2,545	-	-	-
Subtotal	745,421	Subtotal	745,421			
Total	$5,465,920	/Total	$5,497,094		$-	$(31,174)

Notes:

(1) In accordance with of IAS 39, available-for-sale financial assets include investments in funds, stocks of listed companies and stocks of unlisted companies. Details are described as follows:

a. Stocks (including listed and unlisted companies)

Based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$4,751,673 thousand. Other related adjustments are described as follows:

(a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39. However, in accordance with IFRS 9, there is not only no need to recognize the loss on impairment, but also the stocks of unlisted companies must be measured at fair value. The fair value of the stocks of unlisted companies was NT$1,768,324 thousand as at January 1, 2018. The Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income by NT$1,737,150 thousand and adjusted other equity by NT$31,174 thousand.

(b) The stocks of listed companies of NT$2,983,349 thousand were measured at fair value. As at January 1, 2018, they were reclassified from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income and the fair value changes were adjusted within other equity accounts.

(2) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

(d) Other influence

The Company adopted the requirements of IFRS 9 since January 1,2018. The adjustments for investment using equity method and other equity were NT$14 thousand, respectively.

(e) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Company originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Company elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Company's recognition and measurement.

D. Disclosure Initiative (Amendment to IAS7 "Statements of Cash Flows")

Add the reconciliation information of beginning and ending balance of the Company's financing activities related to liabilities. Please refer to Note 12 for more details.

(2) Standards or interpretations issued, revised or amended, by IASB and endorsed by FSC but not yet adopted at the date of issuance of the Company's financial statements are listed below.

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	IFRS 16"Leases"	January 1, 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
c	IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement(Amendments to IAS 19)	January 1, 2019

A. *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. *IFRIC 23 "Uncertainty Over Income Tax Treatments"*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

C. *IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. *Prepayment Features with Negative Compensation* (*Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Company is still currently determining the potential impact of the standards and interpretations listed under (A), it is not practicable to estimate their impact on the Company now. All other standards and interpretations have no material impact on the Company.

A. IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and is exempt from the lease option for leases and low-value leases that are ended within 12 months of the initial application date. The choice of short-term leases is applicable and should be based on the underlying asset class related to the right to use. The underlying asset class is the grouping of assets with similar nature and purpose in the operation of the enterprise. The selection of low-value underlying assets applies and can be based on individual leases.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

A. *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures,* in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity."

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (A) and (D), it is not practicable to estimate their impact on the Company now. The remaining standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

The Company prepares parent company only financial reports based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. According to the provisions of Article 21, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investment of subsidiaries is expressed as "investment using the equity method" and adjusted for necessary evaluation.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Company holds the asset primarily for trading
C. The Company expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with maturing of less than 12 months).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 is as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income based on both:

(a) the Company’s business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue calculated by using the effective interest method (effective interest rate times the carrying amount of the financial asset) or the method stated below should be recognized in profit or loss.
    (i) For purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
    (ii) For financial assets that are not purchased or originated credit-impaired financial assets but subsequently become credit-impaired financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from January 1, 2018 is as follows:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 is as follows:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment because of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced using an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor
(b) a breach of contract, such as a default or delinquency in interest or principal payments
(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization
(d) the disappearance of an active market for that financial asset because of financial difficulties

For loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. However, if the loan using floating rate, the discount rate used to measure the impairment loss is the effective interest rate. Interest income is based on the reduced carrying amount of the asset and is continuously estimated using the same discount rate to measure the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the accumulation loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in gain or loss. Future interest income is based on the reduced carrying amount of the asset, using the effective interest rate method to measure the impairment loss. The interest income is recognized in gain or loss. If the fair value of a debt instrument increases in a subsequent year, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is recovered through profit or loss.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process of the effective interest rate method.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

A. in the principal market for the asset or liability; or
B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The main or the most advantageous market must enter by the Company to conduct transaction.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company adopts the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs.

(9) Inventories

Inventories, including construction land, construction in progress and property for sale, are stated at the cost in the basis of the account. The construction land transfer to property under construction during actively developed and capitalize financial cost during actively developed or construction period.

Inventories are valued at lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Company's contract incremental cost is the commission generated by the acquisition of the presold house contract. The customer's signing of the presold contract has not fulfilled the performance obligation because the goods promised to have not been transferred to the customer. According IFRS 15, the sales commission is the incremental cost of acquisition the presold house contract. When the house is transferred to the customer and fulfill the performance obligation, the incremental cost of obtaining the contract is be amortized.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(10) Construction Contract

The Company's presold house transaction contracts of buyer only have the limited influence on the design of the real property, or to specify only minor changes to the basic design. In accordance with IFRS 15 "Revenue of Customer Contracts", the Company's presold house contract is a commodity sales agreement and the is recognized as sales revenue.

(11) Investments accounted for using the equity method

The Company's investment in subsidiaries is based on the provisions of Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and is expressed in the equity method of investment and adjusted as necessary. The profit or loss during the period and other comprehensive income presented in the parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. These adjustments mainly consider the difference arised from the accounting of investment subsidiaries in accordance with IFRS 10 <Consolidated Financial Statements> and the applicable IFRS at different levels of parent company only reporting. These adjustments are recognized in the following subjects: Investments accounted for using the equity method, share of profit of associates and joint ventures, Share of other comprehensive income of associates and joint ventures. The Company's investment in related companies using equity method excluding the assets held for sale. The company is an associates company if it has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Company disposes of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.

B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. The Company recognizes its interest in the jointly controlled entities using the equity method continuously.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as parent company only assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in gain or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings: 5~50 years
Leased assets: 5 years
Other equipment:3~10 years
Leasehold improvements: The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. After initial recognition, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal company that is classified as held for sale) in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5～50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decide to transfer properties to or from investment properties according to actual use.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight-line method. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 6 years).

(16) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an parent company only asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The accounting policy from January 1, 2018 is as follows:

The Company's revenue arising from contracts with customers mainly include sale of buildings and land. The accounting policies for the Company's types of revenue are explained as follows:

Construction income

As explained in Note 4 (10) construction contracts, the Company entrusts construction companies in construction and planning of public housing is recognized as sales revenue in accordance with the IFRS 15 about the regulation of sales of goods. Therefore, the Company recognize profit and loss when the ownership transferred.

Before the recognition of the income, the down payment and installment received for the sale of the premises are recognized as contract liabilities in the current liabilities of the balance sheet.

The accounting policy from January 1, 2017 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Construction income

As explained in Note 4 (10) construction contracts, the entrusting construction company in construction and planning of public housing is recognized as sales revenue in accordance with the IAS18 about the regulation of sales of goods. Therefore, the Company recognize profit and loss when the ownership transferred.

Before the recognition of the income, the down payment and installment received for the sale of the premises are recognized as prepayments in the current liabilities of the balance sheet.

Dividends

Revenue is recognized when the Company has the right to receive the payment.

Rental income

Revenue generated by operating leasing is recognized on a straight-line basis over the leasing period.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs relating to the borrowing of funds.

(19) Retirement benefits plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employee's subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to other equity in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Company recognizes restructuring-related costs or termination benefits costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period because of contribution and benefit payment.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Financing lease commitment－Company as the lessor

The Company has signed real estate leases for investment property portfolios. Based on the assessment of its agreed terms, the Company still retains the significant risks and rewards of ownership of these properties and treats them as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

C. Retirement benefits plans

The cost of retirement employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2018, the deferred income tax assets that the Company has not recognize, please refer to Note 6 for more details.

E. Inventory evaluation

The Company must use the judgment and estimate to determine the net realizable value of the inventory at the balance sheet date, as the inventories are measured at the lower of the cost and the net realizable value. The Company assesses the amount of inventory at the balance sheet date due to market changes or no market sales value and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in the specific period in the future, so it may cause significant changes. Please refer to Note 6 for more details.

F. Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Cash on hand and petty cash	$292	$431
Checking accounts and demand deposit	925,170	662,298
Total	$925,462	$662,729

As of 31 December 2018, and 2017, cash and cash equivalents were not pledged as collateral or restricted for uses.

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

	As of	
	December 31, 2018	December 31, 2017(Note)
	NTD	NTD
Equity instruments investments measured at fair value through other comprehensive income － current:		
Listed company's stocks	$2,620,886	
Equity instruments investments measured at fair value through other comprehensive income － non-current:		
Unlisted company's stocks	$1,637,951	
Current	$2,620,886	
Non-current	$1,637,951	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

As of 31 December 2018, financial assets at fair value through over comprehensive income were not pledged.

(3) Financial assets in available-for-sale

	As of	
	December 31, 2018 (Note)	December 31, 2017
	NTD	NTD
Stocks		$4,080,246
Add: Valuation adjustments		428,368
Total		$4,508,614

	As of	
	December 31, 2018 (Note)	December 31, 2017
	NTD	NTD
Current		$2,983,349
Non-current		1,525,265
Total		$4,508,614

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as available-for-sale financial assets.

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost － Non-current

	As of	
	December 31, 2018 (Note)	December 31, 2017
	NTD	NTD
Stocks		$211,885

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before 1 January 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable since the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(5) Notes receivable

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Notes receivable arising from operating activities	$23,164	$24,121
Less: Loss allowance	-	-
Notes receivable, net	$23,164	$24,121

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6.22 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(6) Accounts receivable and Accounts receivable － related parties

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Accounts receivable	$226,712	$56,357
Less: Loss allowance	(12)	-
Subtotal	226,700	56,357
Accounts receivable － related parties	3,389	-
Less: Loss allowance	-	-
Subtotal	-	-
Total	$230,089	$56,357

Accounts receivables and accounts receivables – related parties were not pledged.

Accounts receivable are generally on 30-365-day terms. The Company adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6.22 for more details on impairment of accounts receivable. The Company adopted IAS 39 for impairment assessment before 1 January 2018. The ageing analysis of accounts receivable and accounts receivable-related parties for the year ended 31 December 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

The Company's trade receivables mainly consist of housing loans from the bank, the rental of buildings and equipment, and the credit card payments for hotel accommodation. The Trading partners are mainly creditworthy financial institutions and customers with good credit rating.

Accounts receivable and accounts receivable from related parties, net － the aging analysis is as follows:

		Past due					
	Neither past due	Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	Total
2017.12.31	$56,357	$-	$-	$-	$-	$-	$56,357

(7) Inventories

	As of December 31, 2018	As of December 31, 2017
	NTD	NTD
Land held for construction site	$8,154,901	$8,895,746
Construction in progress	15,058,866	16,032,714
Buildings and land held for sale	2,052,299	3,572,983
Subtotal	25,266,066	28,501,443
Prepayment for land purchases	725,078	336,835
Total	$25,991,144	$28,838,278

A. Some of the construction in progress above was contracted by the related company San-Ching Engineering Co., Ltd., and the relevant transactions are detailed in Note 7.

B. The net realizable value of the construction land held by the Company is based on the land development analysis method. The the land profit is calculated by the legal use and intensity of the land, and the total sales amount after development or construction is estimated, deducting the direct costs, indirect costs, capital interest during the development period.

C. Significant Construction project as follow:

Construction Project	Amount	Percentage of Completion
Minsheng Jingguo Building	3,840,098	100.00%
Landmark Twin Towers	1,486,551	99.00%
Cathay Fu Tu	1,989,160	90.00%
Chief Executive Officer	1,535,800	78.00%
Cathay O2 Fu Building	1,149,124	42.00%
Cathay Ho	1,441,749	17.00%
Yung Hua Road	1,315,905	9.00%

Park Beautiful Mansion	1,010,000	0.00%

D. The total interest capitalizes of the inventories mentioned above was found to be NT$ 230,859 thousand and NT$230,071 thousand for the year ended December 31, 2018 and 2017, respectively. The interest expense before capitalizing were NT$232,765 thousand and NT$235,413 thousand, respectively.

The interest rate of capitalized loan for inventories were 0.0859 %~0.1902% in 2018 and 0.0915%~0.1766% in 2017.

E. To successfully construct and deliver the building and housing to the customers, the company using trust accounts for the construction in progress are as follows:

Project (Amount)	Trustee	Period
Chief Executive Officer (NT$1,710 thousand)	Cathay United Bank	From April 8, 2014 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Fu Tu (NT$17,075 thousand)	China Trust Commercial Bank	From February 12, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay O2 Fu Building (NT$5,811 thousand)	Cathay United Bank	From December 9, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay New Village (NT$1,961 thousand)	Cathay United Bank	From April 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Ho (NT$144,189 thousand)	Cathay United Bank	From April 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Shui Hsiu (NT$844 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Plus+ (NT$226,161 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Park Beautiful Mansion (NT$95,657 thousand)	Cathay United Bank	From June 6, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
TREE. RIVER. CATHAY’S HOME I (NT$144,431 thousand)	Cathay United Bank	From June 13, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
HYGGE (NT$92,420 thousand)	Cathay United Bank	From July 30, 2018 to the completion of the project, the license was obtained, and the first

Project (Amount)	Trustee	Period
		registration of the ownership was completed.

As of December 31, 2018, the Company has established a deed of trust with the bank for the construction of the case, and has handled the fund management of the presold customers. The trust period ended until the project is completed and the first time the ownership registration of the completed property is completed. The balance of the funds managed by the Company in accordance with the above trust deed is NT$730,259 thousand, which is equal to the price of the presold contract. There is no delay in the delivery of the trust account.

F. The cost of inventories recognized in expenses amounts to NT$9,225,088 thousand and NT$7,930,117 thousand for the years ended to December 31, 2018 and 2017, including the loss of inventory price falling NT$132,671 thousand for the years ended to December 31, 2018.

G. Please refer to note 8 for more details on inventory under pledged.

H. Incremental cost of the contract

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract fulfills its obligation when the house hand over the the customers, and the incremental cost of the contract is amortized.

(8) Investments accounted for using the equity method

The following table lists the investments for using the equity method of the Company:

	2018.12.31		2017.12.31	
Investee	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
Cathay Real Estate Management Co., Ltd	$119,792	100%	$111,642	100%
Cathay Healthcare Management Co., Ltd	553,758	85%	537,656	85%
Cathay Hospitality Management Co., Ltd	239,895	100%	115,531	100%
Cathay Hospitality Consulting Co., Ltd	403,074	100%	-	-
Cathay Real Estate Holding Corporation	335,914	100%	740,659	100%
Total	$1,652,433		$1,505,488	

The investment of subsidiaries is expressed by "Investment using the equity method" in the parent company only financial statements and adjusted their evaluation if necessary.

(9) Property, plant and equipment

	Land	Buildings	Leased assets	Leasehold Improvement	Other equipment	Total
Cost						
2018.1.1	$1,346	$1,829	$106,260	$19,449	$15,713	$144,597
Additions	-	-	22,269	-	-	22,269
Disposals	-	-	(20,853)	-	-	(20,853)
2018.12.31	$1,346	$1,829	$107,676	$19,449	$15,713	$146,013
2017.1.1	$1,346	$1,829	$114,327	$19,449	$15,529	$152,480
Additions	-	-	4,761	-	476	5,237
Disposals	-	-	(12,828)	-	(292)	(13,120)
2017.12.31	$1,346	$1,829	$106,260	$19,449	$15,713	$144,597
Depreciation and impairment:						
2018.1.1	$-	$305	$48,523	$19,355	$10,943	$79,126
Depreciation	-	36	16,202	94	1,704	18,036
Disposals	-	-	(17,760)	-	-	(17,760)
2018.12.31	$-	$341	$46,965	$19,449	$12,647	$79,402
2017.1.1	$-	$269	$40,543	$17,495	$9,277	$67,584
Depreciation	-	36	16,135	1,860	1,958	19,989
Disposals	-	-	(8,155)	-	(292)	(8,447)
2017.12.31	$-	$305	$48,523	$19,355	$10,943	$79,126
Net carrying amount as of: 2018.12.31	$1,346	$1,488	$60,711	$-	$3,066	$66,611
Net carrying amount as of: 2017.12.31	$1,346	$1,524	$57,737	$94	$4,770	$65,471

A. The major components of the Company's buildings are mainly buildings, air-conditioning equipment and elevators, and are depreciated according to their durability years of 50, 5 and 15 years respectively.

B. The Company's Property, plant and equipment are not capitalized from financial costs.

C. No Property, plant and equipment were pledged.

(10) Investment property

	Land	Buildings	Total
Cost:			
As at 1 Jan. 2018	$5,582,028	$5,673,743	$11,255,771
Additions from subsequent expenditure	-	-	-
Transfers	1,656,326	786,179	2,442,505
Disposals	(61,876)	(192,350)	(254,226)
As at 31 Dec. 2018	$7,176,478	$6,267,572	$13,444,050
As at 1 Jan. 2017	$5,659,509	$5,988,259	$11,647,768
Additions from subsequent expenditure	-	-	-
Transfers	-	-	-
Disposals	(77,481)	(314,516)	(391,997)
As at 31 Dec. 2017	$5,582,028	$5,673,743	$11,255,771
Depreciation and impairment:			
As at 1 Jan. 2018	$-	$2,229,461	$2,229,461
Depreciation	-	172,807	172,807
Disposals	-	(80,902)	(80,902)
As at 31 Dec. 2018	$-	$2,321,366	$2,321,366
As at 1 Jan. 2017	$-	$2,170,547	$2,170,547
Depreciation	-	175,359	175,359
Disposals	-	(116,445)	(116,445)
As at 31 Dec. 2017	$-	$2,229,461	$2,229,461
Net carrying amount as at:			
31 Dec. 2018	$7,176,478	$3,946,206	$11,122,684
31 Dec. 2017	$5,582,028	$3,444,282	$9,026,310

	December 31, 2018	December 31, 2017
Rental income from investment property	$321,127	$418,412
Less:		
Direct operating expenses from investment property	(116,678)	(117,046)

generating rental income		
Direct operating expenses from investment property not generating rental income	(10,006)	(13,200)
Total	$194,443	$288,166

The fair value of the investment properties held by the Company were NT$19,147,650 thousand and NT$14,058,903 thousand as of December 31, 2018 and 2017, respectively. The fair value in 2018 was valued by the company and determined based on the market evidence. In 2017, the fair value was valued by an independent external appraisal expert and based on the actual deal price or the market transaction price of the real estate nearby.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(11) Intangible assets

	Computer software
Cost:	
As at 1 Jan. 2018	$34,636
Addition-acquired separately	140
Disposals	-
As at 31 Dec. 2018	$34,776
As at 1 Jan. 2017	$35,359
Addition-acquired separately	1,381
Disposals	(2,104)
As at 31 Dec. 2017	$34,636
Amortization and impairment:	
As at 1 Jan. 2018	$33,512
Amortization	486
Disposals	-
As at 31 Mar. 2018	$33,998
As at 1 Jan. 2017	$34,573
Amortization	1,043
Disposals	(2,104)
As at 31 Mar. 2017	$33,512
Net carrying amount as at:	
31 Dec. 2018	$778
31 Dec. 2017	$1,124

Amortization expense of intangible assets were as follow:

	December 31, 2018	December 31, 2017
Operating expenses	$486	$1,043

(12) Other non-current assets

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Land Held for Construction Site	$18,425	$18,425
Prepaid expense-equipment and investment	19,795	-
Refundable deposits	1,000,009	911,933
Other non-current assets- other	16,264	16,264
Total	$1,054,493	$946,622

A. As of December 31, 2018, and 2017, the above land was temporarily registered under a third party's name, both at cost amounting to NT$18,425 thousand:

Items	2018.12.31	2017.12.31	Type	Purpose	Securities
NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	$18,425	$18,425	Purchases / Sales	Development	Mortgage setting and Commitment

(13) Short-term loans

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Unsecured bank loans	$8,715,000	$5,469,000
Interest Rate	0.78%~1.20%	0.89%~1.15%

The Company's unused short-term lines of credits amounted to NT$14,470,580 thousand, and NT$14,266,020 thousand as of December 31, 2018 and 2017, respectively.

(14) Short-term notes payable

	As of	
	December 31, 2018	December 31, 2017

	NTD	NTD
Short-term notes and bills payable	$-	$580,000
Less: unamortized discount	-	(256)
Short-term notes and bills payable	$-	$579,744
Interest rate	-	0.43%~0.58%

(15) Bonds payable

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Domestic secured bonds	$3,000,000	$3,000,000
Less: current portion	-	-
Long-term bonds payable	$3,000,000	$3,000,000

On July 24, 2015 the company issued the first domestic guaranteed corporate bonds with a total denomination of NT$3,000,000 thousand. The issuance period is five-year. The interest on this corporate bond is a fixed annual interest rate of 1.4%, paying interest once a year, and repaying the loan due day.

(16) Long-term loans

As of December 31, 2018and 2017, details of long-term loans are as follows:

	As at December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$4,700,000	1.15%~1.2%	From October 2016 to April 2020, repayments due day.
Long-term notes and bills payable	498,050	0.62%	From August 2018 to April 2020, repayments due day.
Subtotal	5,198,050		
Less: current portion	(4,200,000)		
Total	$998,050		

	As at December 31, 2017	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$8,350,000	1.15%~1.31%	From December 2015 to April 2020, repayment due day.
Bank secured loans	316,000	1.2%	From May 2017 to July 2019, repayments due day.

Long-term notes and bills payable	497,501	0.622%	From August 2017 to April 2020, repayments due day.
Total	$9,163,501		

The mortgage first order is the partial inventories. Please refer to Note 8 of the pledged assets.

(17) Retirement employment benefits

A. Defined contribution plan

The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Company makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

For the years ended December 31, 2018 and 2017, the expenses related to defined contribution plan amounted to NT$3,572 thousand and NT$3,389 thousand respectively.

B. Defined benefits plan

The defined benefit plan of the Company's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Company contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2018, the amount of contribution expected to be made in the following accounting year is NT$9,748 thousand.

As at December 31, 2018 and 2017, the defined benefit plan of the Company was expected to be expired in 2028.

Amounts to be recognized in profit or loss for the years ended 2018 and 2017 are summarized as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current period service cost	$7,389	$8,203
Net interest on the net defined benefit liability (asset)	1,209	1,653
Subtotal	$8,598	$9,856

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Present value of defined benefit obligation	$167,520	$196,400	$192,508
Fair value of plan assets	(82,081)	(79,733)	(63,986)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$85,439	$116,667	$128,522

Reconciliation of net defined benefit liabilities(assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2017.01.01	$192,508	$(63,986)	$128,522
Current service cost	8,203	-	8,203
Interest expense (income)	2,296	(643)	1,653
Subtotal	10,499	(643)	9,856
Premeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	5,106	-	5,106
Experience adjustment	(741)	-	(741)
Return on plan assets	-	639	639
Subtotal	4,365	639	5,004
Payments from the plan	(10,972)	6,224	(4,748)
Contributions by employer	-	(21,967)	(21,967)
2017.12.31	196,400	(79,733)	116,667
Current service cost	7,389	-	7,389
Interest expense (income)	1,963	(754)	1,209
Subtotal	9,352	(754)	8,598
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	2,030	-	2,030

Experience adjustment	279	-	279
Return on plan assets	-	(7,939)	(7,939)
Subtotal	2,309	(7,939)	(5,630)
Payments from the plan	(40,541)	16,087	(24,454)
Contributions by employer	-	(9,742)	(9,742)
2018.12.31	$167,520	$(82,081)	$85,439

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2018	December 31, 2017
Discount rate	0.92%	1.04%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at December 31, 2018 and 2017 is, as shown below:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$8,208	$-	$9,820
Discount rate decrease by 0.5%	8,711	-	10,606	-
Future salary increase by 0.5%	8,376	-	10,016	-
Future salary decrease by 0.5%	-	7,873	-	9,427

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) Common stock

The Company had NT$2,000,000 thousand authorized shares of which NT$1,159,561 thousand shares were both issued as of December 31,2018 and 2017, respectively, at par value of NT$10. Each share has one vote and the right to receive dividends.

(19) Capital surplus

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Treasury share transactions	$10,407	$10,407
Others － Overdue dividends	15,376	7,656
Total	$25,783	$18,063

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(20) Retained earnings

A. Legal reserve

According to the Company Act, the Company needs to set aside 10%amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

B. Special reserve

After the adoption of International Financial Reporting Standards, in accordance with Letter FSC No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment.

At the first-time adoption of IFRSs, special reverse set aside by the company was NT$504,189 thousand. As of 31 December 2018, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

(a) Payments of all taxes, if any
(b) To offset prior year's deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a)

(d) To set aside special reserve, if required
(e) The remaining amount (the "appropriable after-dividend earnings"), if any, combination with prior year's accumulated unappropriated earnings is appropriated based on the appropriation of shareholders' bonuses plan drafted by the board of directors under the ordinary shareholders' meeting.

In response to the changes in the economy and the markets, the company is developing towards diversified investment to increase profitability. Considering long-term financial planning and cash flows, the dividend policy adopts the residual dividend policy for stable growth and sustainable operation. According to the company's operating plan, capital investment and the shareholders' demand for cash inflows, and avoiding excessive inflationary capital, the surplus distribution is given priority by cash dividends, and the stock dividends are also issued, but the cash dividend distribution ratio cannot less than 50% of the total dividend.

D. For the years ended 2017 and 2016, the details of earnings distribution and dividends per share as proposed by the board meeting on June 8, 2018 and resolved by the shareholder's meeting on June 16, 2017, were as follows:

	Appropriation of earnings		Dividend per share	
	2017	2016	2017	2016
Legal reserve	$144,464	$301,791		
Common stock － cash dividend	1,391,473	1,739,342	$1.2	$1.5

E. Please refer to Note 6.24 for details of bonus to employees and directors.

(21) Operating revenues

	For the year ended December 31, 2018 (Note)	For the year ended December 31, 2017
	NTD	NTD
Revenue from contracts with customers		
Rental income	$411,667	$418,412

Sales of buildings and land	12,400,858	10,191,672
Total	$12,812,525	$10,610,084

Note: The Company has adopted IFRS 15 from 1 January 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Company has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2018

	Property and real estate Investment development department
Rental income	$411,667
Sales of buildings and land	12,400,858
Total	$12,812,525
Revenue recognition point:	
At a point in time	$12,400,858
Over time	411,667
	$12,812,525

B. Contract balances

Contract liabilities － current

	Amount at beginning of period	Amount at end of period	Difference
Sales of goods	$4,473,657	$3,626,329	$(847,328)

During the period, contract liabilities significantly decreased as performance obligations are partially satisfied and NT$11,452,554 thousand included in the contract liability balance at the beginning of the period was recognized as revenue during the period, the remaining changing was the increase of unearned revenue during the period.

C. Assets recognized from the revenue from contracts with customers

	Amount at beginning of period	Amount at end of period	Difference
Sales of goods	$454,510	$481,597	$27,087

The amortized amount of the incremental cost of the Company's acquisition of the contract on December 31, 2018 was NT$213,332 thousand.

(22) Expected credit losses/ (gains)

	For the year ended December 31, 2018	For the year ended December 31, 2017(Note)
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$12	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for information of credit risks.

The Company measures the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the the year ended December 31, 2018 is as follows:

The Company considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

Group 1	Neither past due (Note 1)	Past due: Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$235,883	$4,377	$3,474	$9,531	$-	$-	$253,265
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	10	-	-	12
Total	$235,883	$4,377	$3,472	$9,521	$-	$-	$253,253

Note 1: The Company's notes receivable is not overdue.

For the year ended December 31, 2018, the movement in the provision for impairment of notes receivable and accounts receivable is as follows:

	Receivables
Beginning balance (in accordance with IAS 39)	$-
Beginning adjusted retained earnings	-
Beginning balance (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	12
Write off	-
Ending balance	$12

(23) Operating lease

A. Operating lease commitments – Company as lessee

The Company has rent an office by operating lease.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018, and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Not later than one year	$8,447	$15,777
Later than one year and not later than five years	-	8,447
Total	$8,447	$24,224

Operating lease expenses recognized are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Minimum lease payments	$16,496	$16,683

B. Operating lease commitments – Company as lessor

The Company has entered commercial property leases with remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Not later than one year	$220,161	$245,568
Later than one year and not later than five years	843,432	853,556
Later than five years	507,812	717,849
Total	$1,571,405	$1,816,973

(24) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Description	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	$37,932	$149,798	$187,730	$29,980	$136,503	$166,483
Labor and health insurance	-	11,963	11,963	-	12,019	12,019
Pension	-	12,170	12,170	-	13,245	13,245
Director’s remuneration	-	2,400	2,400	-	2,400	2,400
Other employee benefits expense	-	5,310	5,310	-	4,680	4,680
Depreciation and depletion	189,010	1,833	190,843	191,493	3,855	195,348
Amortization	-	486	486	-	1,043	1,043

Note: The employees of the Company were 148 and 147 for the year ended 2018 and 2017, respectively, both number of directors who have not served as employees is 4.

According to the Company’s Articles of Incorporation, 0.1% to 1% and lower than 1% of the profit of the period should be distributed as compensation for employees and directors’ remuneration. However, if there is accumulated deficit, the deficit should be covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition, there to a report of such distribution is submitted to the shareholders’ meeting. Information on the board of directors’ resolution regarding the employee compensation can be obtained from the “Market Observation Post System” on the website of the TWSE.

The Company’s employees’ compensation and directors’ remuneration was NTD$3,841 thousand and NTD$2,400 thousand, estimated as 0.1% and lower than 1% of the Company’s net profit and recognized as compensation for employees and directors’ remuneration for the year ended December 31, 2018. The Company's the board of director's meeting on March 21, 2019, resolved to distribute NTD$3,841 thousand and NTD$2,400 thousand of employee's and director's compensation in cash.

The actual distribution of the employee compensation and remuneration to directors were NT$1,376 thousand and NT$2,400 thousand for the year ended 31 December 2017. There are no material differences exist between the estimated amount and the actual distribution.

(25) Non-operating income and expenses

A. Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income	$734	$1,557
Dividend income	152,719	119,656
Others	120,885	106,608
Total	$274,338	$227,821

B. Other gains and losses

	For the year ended December 31, 2018	For the year ended December 31, 2017
Gains (losses) on disposal and abandon of property, plant and equipment	$4,363	$680
Gains (losses) on disposal of investment	-	(847)
Other	(1,849)	(7,632)
Total	$2,514	$(7,799)

C. Finance costs

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest on borrowings from bank	$1,906	$5,342

(26) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$5,630	$-	$5,630	$(1,525)	$4,105
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive	(493,136)	-	(493,136)	-	(493,136)

income					
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(486)		(486)		(486)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates and joint ventures accounted for using equity method	153,763	-	153,763	-	153,763
Total of other comprehensive income	$(334,229)	$-	$(334,229)	$(1,525)	$(335,754)

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$(5,004)	$-	$(5,004)	$851	$(4,153)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(613)	-	(613)	-	(613)
Items that may be reclassified subsequently to profit or loss:					
Unrealized gains (losses) from financial assets in available-for-sale	35,156	(349)	34,807	-	34,807
Share of other comprehensive income of associates and joint ventures accounted for using equity method	46,950	-	46,950	-	46,950
Total of other comprehensive income	$76,489	$(349)	$76,140	$851	$76,991

(27) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company’s applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	$-	$97,678
Current land value increment tax charge	125,252	108,589

Adjustments in respect of current income tax of prior periods	41	2,650
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	188,595	(281,683)
Deferred tax expense (income) relating to changes in tax rate	(88,691)	-
Total income tax expense (income)	$225,197	$(72,766)

Income tax relating to components of other comprehensive income

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(1,126)	$851
Deferred tax expense (income) relating to changes in tax rate	(399)	-
Total	$(1,525)	$851

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	$3,834,808	$1,371,872
The parent company statutory income tax rate (tax rate of 20% per in 2018；tax rate of 17% per in 2017)	$766,962	$233,218
Tax effect of revenues exempt from taxation	(798,111)	(372,498)
Tax effect of non-deductible expense	20,022	15,268
Tax effect of deferred tax assets/liabilities	199,722	(157,671)
10% surtax on undistributed retain earnings	-	97,678
Adjustments in respect of current income tax of	41	2,650

prior periods		
Current land value increment tax	125,252	108,589
Deferred tax expense (income) relating to changes in tax rate	(88,691)	-
Total income tax expense (income) recognized in profit or loss	$225,197	$(72,766)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as at 1 Jan. 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2018
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$(1,507)	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	74,011	22,735	-	96,746
Depreciation difference for tax purpose － investment property	77,677	23,862	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,933	497	-	2,430
Investments Accounted for Using Equity Method	241,286	(171,270)	-	70,016
Unrealized intragroup profits and losses	98	22	-	120
Allowance for loss	1,071	329	-	1,400
Allowance for loss of inventories price falling	1,630	27,035	-	28,665
Non-current liability – Defined benefit Liability	14,318	(27)	(1,525)	12,766
Accrued expenses over two years transfer to revenue	5	2	-	7
Unrealized advertising fee	84,658	10,594	-	95,252
Unrealized commission fee (Note)	12,176	(12,176)	-	-
Deferred tax expense/ (income)		$(99,904)	$(1,525)	
Net deferred tax assets/(liabilities)	$500,321			$398,892

Reflected in balance sheet as follows:		
Deferred tax assets	$508,863	$408,941
Deferred tax liabilities	$(8,542)	$(10,049)

Note: The Company has applied the IFRS 15 from January 1, 2018 to adjust the beginning balance of deferred income tax assets of NT$ 69,540 thousand. Please refer to Note 3 for details.

For the year ended December 31, 2017

	Beginning balance as at 1 Jan. 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2017
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$-	$-	$(8,542)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	41,117	32,894	-	74,011
Depreciation difference for tax purpose － investment property	43,154	34,523	-	77,677
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,116	817	-	1,933
Investments Accounted for Using Equity Method	97,191	144,095	-	241,286
Unrealized intragroup profits and losses	58	40	-	98
Allowance for loss	595	476	-	1,071
Allowance for loss of inventories price falling	905	725	-	1,630
Non-current liability – Defined benefit Liability	7,531	5,936	851	14,318
Accrued expenses over two years transfer to revenue	3	2	-	5
Unrealized advertising fee	45,573	39,085	-	84,658
Unrealized commission fee	58,626	23,090	-	81,716
Deferred tax income/ (expense)		$281,683	$851	
Net deferred tax assets/(liabilities)	$287,327			$569,861
Reflected in balance sheet as follows:				
Deferred tax assets	$295,869			$578,403
Deferred tax liabilities	$(8,542)			$(8,542)

The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as of December 31, 2018 NTD	Unused tax losses as of December 31, 2017 NTD	Expiration year
2017	$268,489	$268,489	$268,489	2027
2018	1,090,463	1,090,463	-	2028
		$1,358,952	$268,489	

Unrecognized deferred tax assets

As of 31 December 2018, and 2017, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$271,790 thousand and NT$110,162 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2018, and 2017, the Company didn't have the taxable temporary differences associated with unrecognized deferred tax liabilities relating to the investment in subsidiaries.

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2016

(28) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

In view of the company did not issue a potential ordinary share with dilution, the combined company doesn't have to dilute the amount of the basic earnings per share.

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$3,609,611	$1,444,638
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	1,159,561	1,159,561
Basic earnings per share	$3.11	$1.25

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Cathay Hospitality Management Co., Ltd. (Cathay Hospitality)	Subsidiary
Cathay Real Estate Management Co., Ltd. (Cathay Real Estate Management)	Subsidiary
Cathay Hospitality Consulting Co., Ltd. (Cathay Hospitality Consulting)	Subsidiary
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Others
Cathay Culture Organization (Cathay Culture)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others
Individual	Others

Significant transactions with the related parties

The Company's related party transactions amount, less than 3 million, don’t be disclosed.

(1) Cash in banks and short-term loan

		As of December 31, 2018			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Cathay United Bank	Demand deposit	$2,954,915	$555,128	0.05%	$147
	Checking accounts	1,423,306	97,966	-	-
	Securities accounts	1,170,662	52,269	0.01%	7
	Short-term loan	400,000	210,000	1.00%	-

		As of December 31, 2017			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Cathay United Bank	Demand deposit	$1,899,493	$416,384	0.05%	$193
	Checking accounts	1,127,405	40,203	-	-
	Securities accounts	770,609	46,322	0.01%	8
	Short-term loan	130,000	-	0.02%	(36)

(2) Purchase

		As of	
Name of the related parties	Type	December 31, 2018	December 31, 2017
San Ching Engineering	Building constructing or expansion	$2,430,896	$2,664,862
Cathay United Bank	Management fee of trust service	2,856	11,227
		$2,433,752	$2,676,089

A. The sales price to the above related parties was determined through agreement based on the market rates.

B. The total price of the commissioned construction and consultancy contracts signed by The Company and San Ching Engineering was NT$11,899,255 thousand and NT$ 11,069,132 thousand, respectively, for the year ended of 2018 and 2017.

(3) Sales

A. Sales revenue

Name of the related parties	Type	As of December 31, 2018	As of December 31, 2017
Individual	Sales of buildings and land	$36,851	$-

The transaction price and collection conditions above don't have significantly different from those of the general customers.

B. Rental Income

Name of the related parties	Type	As of December 31, 2018	As of December 31, 2017
Cathay Life Insurance	Office and vehicles rental	$8,057	$8,739
Cathay United Bank	Office and vehicles rental	18,813	19,236
Cathay Hospitality	Office rental	25,041	23,677
Total		$51,911	$51,652

The rental period is 2 to 5 years and collect rent monthly which were ruled by the contract.

(4) Accounts payable – related parties

The debt between the Company and the related parties (Both uninterested) are as follows:

Name of the related parties	As of December 31, 2018	As of December 31, 2017
San-Ching Engineering	$590,101	$263,394

(5) Others

A. Refundable deposits

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Cathay Life Insurance	Rent deposit	$3,803	$3,773

B. Guarantee deposit received

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Cathay United Bank	Rent deposit	$4,608	$4,549

C. Construction in progress

As of December 31, 2018, the case for the Minsheng Jingguo Building, the payment to the Cathay Life Insurance Co., Ltd. is NT$67,486 thousand, the account is listed under the inventory construction in progress.

(6) Other income

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Cathay Life Insurance	Management fee and planning fee	$3,688	$3,927
Cathay United Bank	Management fee and planning fee	4,839	4,909
Nangang One	Consultancy service	14,080	7,040
Nangang Two	Consultancy service	17,920	8,960
Total		$40,527	$24,836

(7) Lease costs

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Lin Yuan Property	Management and repairing fee	$45,976	$41,100
Cathay Century	Insurance fee	6,383	4,313
Cathay Real Estate Management	Management fee	4,200	3,150
Total		$56,559	$48,563

(8) Rental expenses

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Cathay Life Insurance	Office renting	$15,814	$15,844

(9) Operating expenses

Name of the related parties	Items	As of December 31, 2018	As of December 31, 2017
Cathay Architecture Agency	Commission	$-	$5,038
San Ching Engineering	Service fee	6,172	381
Total		$6,172	$5,419

(10) Key management personnel compensation

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Short-term employee benefits	$24,163	$25,929
Post-employment benefits	108	108
	$24,271	$26,037

8. PLEDGED ASSETS

The following assets were pledged to banks as collaterals for bank loans:

Items	As of December 31, 2018 NTD	As of December 31, 2017 NTD	Secured liabilities
Inventories	$5,320,359	$7,053,639	Long-term loan
Investment property	8,057,172	7,372,770	Long-term loan
Total	$13,377,531	$14,426,409	

Pledged or mortgaged assets are expressed in dollars.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

Except for Note 7.2. as of December 31, 2018, the total contract price of the construction contracts signed by the Company and non-related parties was NT$6,808,888 thousand, and the total amount of NT$3,567,761 thousand was not paid.

(2) Others

Guarantee notes issued for borrowings (financing) were NT$39,936,890 thousand as of December31,2018.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial Assets	As of December 31, 2018	As of December 31, 2017
	NTD	NTD
Financial assets at fair value through other comprehensive income	$4,258,537	(Note 1)
Available-for-sale financial assets (Note 2)	(Note 1)	$4,720,499
Financial assets at amortised cost (Note 3)	1,180,718	(Note 1)
Loans and receivables (Note 4)	(Note 1)	745,421
Total	$5,439,255	$5,465,920

Financial Liabilities	As of December 31, 2018	As of December 31, 2017
	NTD	NTD
Financial liabilities at amortized cost:		
Short-term borrowings	$8,150,000	$5,469,000
Short-term notes and bills payable	-	579,744
Accounts payables	1,281,084	827,488
Bonds payable	3,000,000	3,000,000
Long-term borrowings (including current portion)	5,198,050	9,163,501
Guarantee deposit received	138,340	129,970
Total	$17,767,474	$19,169,703

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balances as at December 31, 2017 both include financial assets measured at cost.
3. Including cash and cash equivalents, notes receivable, accounts receivable and other receivables.
4. Including cash and cash equivalents, notes receivable, accounts receivable and other receivables.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the above-mentioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Company's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market price. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments with bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$8,150 thousand and NT$6,049 thousand for the years ended December 31, 2018 and 2017, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. (available-for-sale financial assets as of December 31, 2017) The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT$101,834 thousand for the year ended December 31, 2018, on the profit/loss or equity attributable to the Company. When the price of the unlisted equity securities at fair value through other comprehensive income increases/decreases 10%, it could have impacts of NT$5,262 thousand for the year ended December 31, 2018, on the equity attributable to the Company.

When the price of the unlisted equity securities classified as available-for-sale decreases 10%, it could have impacts of NT$4,424 thousand for the year ended December 31, 2017, on the equity attributable to the Company. When the price of the listed equity securities classified as available-for-sale decrease 5%, it could have impacts of NT$101,834 thousand for the year ended December 31, 2017, on the profit/loss or equity attributable to the Company. An increase of 5% in the value of the listed securities would only impact equity but would not influence profit or loss.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018, and 2017, accounts receivable from top ten customers represented low percentage of the total accounts receivable of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury department in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility using cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2018					
Borrowings	$12,399,350	$1,003,925	$-	$-	$13,403,275
Accounts payable	1,281,084	-	-	-	1,281,084
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	31,057	29,716	16,980	60,587	138,340

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2017					
Borrowings	$6,048,744	$9,270,093	$-	$-	$15,318,837
Accounts payable	827,488	-	-	-	827,488
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	41,061	21,395	16,174	51,340	129,970

(6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2018:

Changes in liabilities from financing activities are derived from changes in cash flows.

Reconciliations of the liabilities for the year ended December 31, 2017:

Not applicable.

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) Equity instruments that are not actively traded in the market (for example, private placement of stocks in the market, shares of publicly issued companies in an inactive market, and shares of undisclosed companies) are estimated by market method and are derived from market transactions of the same or comparable company equity instruments. The fair value is derived from the price and other relevant information (such as lack of liquidity discount factor, similar company stock price-to-earnings ratio, like the company's stock price-to-equity ratio).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets (including loans and receivables) and liabilities measured at amortized cost approximate their fair value:

C. Fair value hierarchy

The following table provides financial instrument analysis information measured at fair value after the original recognition, and divide the fair value into the following three levels of disclosure:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liabilities.

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,620,886	$1,318,200	$319,451	$4,258,537

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stocks	$2,983,349	$1,516,019	$9,246	$4,508,614

The company had no recurring assets and liabilities transfer between level 1 input and level 2 input for the year ended December 31, 2018 and 2017.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset At fair value through other comprehensive income Stocks
2018.1.1	$342,874
Amount recognized in OCI	(23,423)
Transfer from the level 3	-
2018.12.31	$319,451

	Asset Available-for-sale Stocks
2017.1.1	$8,337
Amount recognized in OCI	909
Transfer from the level 3	-
2017.12.31	$9,246

Total gains and losses recognized in profit or loss for the year ended 31 December 2018 and 2017 is the amount of NT$(23,423) thousand and NT$909 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2018:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$22,309 thousand

Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Company's equity by NT$16,371 thousand

As at December 31, 2017:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Available for-sale					
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Company's equity by NT$925 thousand

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$10,877	30.838	$335,914	$24,715	29.968	$740,659

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Company manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to schedule 1.

C. Securities held as of December 31, 2018 (not including subsidiaries, associates and joint ventures): Please refer to schedule 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the the Company's capital stock: None.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital: Please refer to schedule 3.

F. Disposal of property with amount exceeding NT$300 million or 20% of the Company's paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the Company's paid-in capital or more: Please refer to schedule 4.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the Company's paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Significant intercompany transactions between consolidated entities: Please refer to schedule 5.

(2) Investee information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to schedule 1.

C. Securities held as of December 31, 2018 (not including subsidiaries, associates and joint ventures): Please refer to schedule 6.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the Company's capital stock: Please refer to schedule 7.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital: None.

F. Disposal of property with amount exceeding NT$300 million or 20% of the Company's paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the Company's paid-in capital or more: None.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the Company's paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Names, locations and related information of investee companies: Please refer to schedule 8.

(3) Investment in Mainland China as of December 31, 2018

Please refer to schedule 9.

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Schedule1: Endorsement/guarantee provided to others

Unit：NT$1,000

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage	Limit on the Endorsement/ Guarantee Amount	Parent Company Endorsed / Guaranteed for the Subsidiaries	Subsidiaries Endorsed/ Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
		Company Name	Relationship (Note2)										
0	The company	Golden Gate Pacific Company Limited	3	$7,522,421	$1,714,465	$-	$-	$-	-	$15,044,842	Y	N	N
0	The company	Shanghai Lujing Real Estate Limited	3	7,522,421	880,372	-	-	-	-	15,044,842	Y	N	Y
1	Cathay healthcare management co.,Ltd	Hangzhou Kunning Health Consulting Limited	3	7,522,421	61,466	61,466	-	-	0.25%	15,044,842	Y	N	Y
Note	A. Limit of the Endorsement / Guarantee Amount for Receiving Party：NT$25,074,736 thousand *30% B. Limit on the Endorsement/Guarantee Amount：NT$25,074,736 thousand*60%												

Note1： The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note2： Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 50% voting shares by the company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2018 and 2017
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Schedule2: Securities held as of December 31, 2018 (not including subsidiaries, associates and joint ventures)

Shares: In thousand

Company	Type and Name of the Securities (Note1)	Relationship	Financial Statement Account	As of December 31, 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock － Cathay Financial holdings Co., Ltd	Others	Financial assets at fair value through other comprehensive income–current	55,763,541	$2,620,886	0.44%	$2,620,886	
〃	Stock － Lin Yuan Property Management Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	300,000	8,904	10.00%	8,904	
〃	Stock － Symphox Information Co., Ltd	Others	〃	5,489,000	90,733	11.00%	90,733	
〃	Stock － Taiwan Star Telecom Co., Ltd	None	〃	195,000,000	1,318,200	4.63%	1,318,200	
〃	Stock － Gong Cheng Industrial Co., Ltd	None	〃	1,580,083	-	3.23%	-	
〃	Stock － Gian Feng Investment Co., Ltd.	None	〃	2,000,000	9,040	10.00%	9,040	
〃	Stock － MetroWalk internatinal Co., Ltd	None	〃	3,448,276	55,966	1.72%	55,966	
〃	Stock － Budworth Investments Limited	None	〃	191,880	4,977	3.33%	4,977	
〃	Stock － Nangang International One Co., Ltd.	Others	〃	7,485,000	74,973	4.99%	74,973	
〃	Stock － Nangang International Two Co., Ltd.	Others	〃	7,485,000	74,858	4.99%	74,858	

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 “Financial Instruments”.

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

Schedule3: Acquisition of property with the amount exceeding NT$300 million or 20% of the Company’s paid-in capital

Unit：NT$1,000

Company	Property Name	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	No. 106, SihXin Section, Xindian District, New Taipei City	2018.05.17	$1,763,914	Installment by agreement	New Taipei City Government	None	-	-	-	$-	Internal assessment and approved by chairman	Construction	None
The Company	No. 25, Pingshi Section, Eastern District, Tainan City	2018.05.29	928,396	Installment by agreement	Tainan City Government	None	-	-	-	-	Internal assessment and approved by chairman	Construction	None
The Company	No. 212, Zhuxing Section, Beitun District, Taichung City	2018.11.22	844,083	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None

Schedule4: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit：NT$1,000

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts payable	
The Company	San Ching Engineering Co., Ltd	Associate	Construnction-in-progress	$2,430,896	27.56%	N/A	$-	-	$590,101	54.98% (Note)	Resdential building

Note：The Notes/accounts payable of parent company only financial statements.

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

Schedule 5: Significant intercompany transactions between consolidated entities

Unit：NT$1,000

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Catahy Real Estate Management Co., Ltd	1	Deferred Credits-Gains on Inter-Affiliate Accounts	$13,415	Regular	0.03%
0	The Company	Catahy Real Estate Management Co., Ltd	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	The Company	Catahy Real Estate Management Co., Ltd	1	Cost of rental sales	4,200	Regular	0.03%
0	The Company	Catahy Healthcare Management Co., Ltd	1	Rent income	385	Regular	-
0	The Company	Catahy Healthcare Management Co., Ltd	1	Advertisement	49	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd	1	Rent income	25,041	Regular	0.18%
0	The Company	Cathay Hospitality Management Co., Ltd	1	Entertainment	309	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd	1	Rent income	49	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd	1	Accounts receivable－related parties	9	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Investment property－land	12,813	Regular	0.03%
1	Catahy Real Estate Management Co., Ltd	The Company	2	Investment property－buildings	847	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Accumulated Depreciation－Investment property	245	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Cost of rental sales	41	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Service income	4,200	Regular	0.03%
2	Catahy Healthcare Management Co., Ltd	The Company	2	Rent	385	Regular	-
2	Catahy Healthcare Management Co., Ltd	The Company	2	Service income	49	Regular	-
3	Cathay Hospitality Management Co., Ltd	The Company	2	Rent	4,580	Regular	0.03%
3	Cathay Hospitality Management Co., Ltd	The Company	2	Service income	309	Regular	-
3	Cathay Hospitality Management Co., Ltd	The Company	2	Guest room costs	20,461	Regular	0.15%
4	Cathay Hospitality Consulting Co., Ltd	The Company	2	Rent	49	Regular	-
4	Cathay Hospitality Consulting Co., Ltd	The Company	2	Other accrued expenses	9	Regular	-
3	Cathay Hospitality Management Co., Ltd	Cathay Hospitality Consulting Co., Ltd	3	Accounts receivable	874	Regular	-
4	Cathay Hospitality Consulting Co., Ltd	Cathay Hospitality Management Co., Ltd	3	Other accrued expenses	874	Regular	-

Note1：The Company and its subsidiaries are coded as follows：

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:

(1) The Company to subsidiaries is coded "1".

(2) Subsidiaries to The Company is coded "2".

(3) Subsidiaries to Subsidiaries is coded "3".

Note3： The caculation for the Percentage of consolidated total operating revenues or total assets, if it recognized to assets or liabilities and it should be calualted by the ending balance for the consolidated assets. If it recoginzed to profit or loss and it should be caculated by the ending balance for the consolidated revenue.

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

Schedule6: Securities held as of December 31, 2018 (Investee information)

Unit：NT$1,000

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December,31 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay hospitality management Co., Ltd	Stocks Nangang International One Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	15,000	$150	0.01%	$150	
〃	Stocks Nangang International Two Co., Ltd.	Others	〃	15,000	150	0.01%	150	

Note：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 “Financial Instruments”.

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

Schedule7: Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of paid-in capital

Unit：NT$1,000

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As January 1, 2018		Purchase (Note 3)		Sell(Note 3)				As December 31, 2018	
					Shares	Amount	Shares(In thousand)	Amount	Shares	Price	Book Cost	Gain / Loss	Shares	Amount
CCH Commercial Company Limited	Lotus Investment Company Limited/ Stocks	Investments Accounted for Using Equity Method	New Oriental Retail Holdings Limited	None.	5	$295,996 (USD 9,877)	-	$-	5	$3,403,779	$202,778	$2,128,213	-	$-
	Golden Gate Investment Company Limited/ Stocks				5	783,477 USD 26,144)	-	-	5		706,888		-	-

Note 1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other relatedderivative securities.

Note 2：If the securities listed above are investments accounted for using the equity method, fill in the second column.

Note 3：The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4：The Company' s paid-in capital means the parent's paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

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

Schedule8: Names, locations and related information of investee companies as of December 31, 2018 (excluding Mainland China)

Unit：NT$1,000 ; USD$1,000

Investor	Investee	Region	Main Business	Original cost		At the end of period			Investees company net income	Share of Profits/Losses	Note
				Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$597,409 (USD 21,052)	$2,383,107 (USD 79,052)	21,051,891	100.00%	$335,914	$1,226,952	$1,226,952	Subsidiary
The Company	Catahy Real Estate Management Co., Ltd	ROC	Construction management	50,000	50,000	5,000,000	100.00%	119,792	40,552	40,552	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	553,758	86,972	73,927	Subsidiary
The Company	Cathay Hospitality Management Co., Ltd	ROC	Service industry	400,000	800,000	40,000,000	100.00%	239,895	(75,622)	(75,622)	Subsidiary
The Company	Cathay Hospitality Consulting Co., Ltd	ROC	Service industry	450,000	-	45,000,000	100.00%	403,074	(46,926)	(46,926)	Subsidiary
Cathay healthcare Management Co., Ltd	Cathay Healthcare Management Limited(BVI)	British Virgin Islands	General trade and investing	78,469 (USD 2,600)	63,115 (USD 2,100)	130,000	100.00%	14,156 (USD 459)	(40,892) USD (1,355)	-	Sub-subsidiary
Cathay Real Estate Holding Corporation	CCH REIM Company Limited	Cayman Islands	Investing	20,120 (USD 687)	20,120 (USD 687)	100,000	50.00%	(2,138) USD (69)	(26,116) USD (865)	-	Joint venture
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	574,206 (USD 19,580)	2,355,734 (USD 77,580)	7,758	66.67%	338,233 (USD 10,968)	1,857,607 (USD 61,553)	-	Sub-subsidiary
CCH Commercial Company Limited	Lotus Investment Company Limited	Cayman Islands	Investing	- (USD -)	1,198,888 (USD 40,331)	-	0.00%	- (USD -)	(107,583) USD (3,565)	-	Third-tier subsidiary
CCH Commercial Company Limited	Golden Gate Investment Company Limited	Cayman Islands	Investing	- (USD -)	1,817,517 (USD 60,900)	-	0.00%	- (USD -)	(97,663) USD (3,236)	-	Third-tier subsidiary
Golden Gate Investment Company Limited	Golden Gate Pacific Company Limited	Hong Kong	Business management	- (USD -)	1,817,414 (USD 60,897)	-	0.00%	- (USD -)	(97,593) USD (3,234)	-	Fourth-tier subsidiary
CCH REIM Company Limited	CCH REIM (HK) Company Limited	Hong Kong	Investing	474,138 (USD 15,187)	452,164 (USD 14,437)	10,722,620	100.00%	(4,874) USD (158)	(40,482) USD (1,341)	-	Joint venture
Lotus Investment Company Limited	Lotus Pacific Company Limited	Hong Kong	Business management	- (USD -)	1,196,804 (USD 40,301)	-	0.00%	- (USD -)	(107,510) USD (3,562)	-	Fourth-tier subsidiary
Cathay Healthcare Management Limited(BVI)	Cathay Healthcare Management Limited(Cayman)	Cayman Islands	Business management	78,469 (USD 2,600)	63,115 (USD 2,100)	130,000	100.00%	14,154 (USD 459)	(40,892) USD (1,355)	-	Third-tier subsidiary

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company’s relevant information.

Note 2: If not belong to Note 1, filled in by the following rules:

(1) In “Investee”, “Region”, “Main Business”, “Original cost” and “At the end of period” columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in “Note” column.

(2) In“Investees company net income” column should filled in each investee net income.

(3) In“Share of Profits/Losses”column only need to filled in the company recognized each subsidiaries and the company under equity method’s profits or loss.
Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

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

Schedule9: Investment in Mainland China as of December 31, 2018

Unit：NT$1,000；USD$1,000

Investee company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow(Note3)						
Tailin Management Consulting (Shanghai) Limited	Business management	$225,604 (USD 7,300)	(2) CCH REIM (HK) Company Limited	$8,945 (USD 300)	$-	$-	$8,945 (USD 300)	$(40,023)	50%	$(20,012) (b).(2)	$(114,036)	$-
Jiaheng (Shanghai) Real Estate Limited	Investing	1,971,132 (USD 66,628)	(2) Lotus Pacific Company Limited	1,314,088 (USD 44,419)	-	1,156,397 (USD 39,089)	157,691 (USD 5,330)	(101,368)	66.67%	(67,582) (b).(2)	-	-
Shanghai Lujing Real Estate Limited	Investing	2,064,902 (USD 69,057)	(2) Golden Gate Pacific Company Limited	2,370,121 (USD 79,583)	-	2,085,706 (USD 70,033)	284,415 (USD 9,550)	(63,326)	66.67%	(42,219) (b).(2)	-	-
Hangzhou Kunning Health Consulting Limited	Consultancy	78,469 (USD 2,600)	(2) Cathay Healthcare Management Limited(Cayman)	63,115 (USD 2,100)	15,354 (USD 500)	-	78,469 (USD 2,600)	(40,892)	85%	(34,758) (b).(2)	12,031	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$529,520 (USD17,780)	$4,746,030 (USD 153,902)	$15,044,842

Note1: The methods for engaging in investment in Mainland China include the following:

(1) Directly invested in China

(2) Investment in Mainland China companies through a company invested and established in a third region

(3) Other method

Note2: Investees company net income:

(a) If the investees is uder preparation, should take note.

(b) If the investees' net income is base on these three condition, should take note.

(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.

(2) The investes' finance statement has certification by the parenent company in Taiwan.

(3) Others.

Note3: Jiaheng (Shanghai) Real Estate Limited and Shanghai Lujing Real Estate Limited was loss of control due to the disposal of Lotus Investment Company Limited and Golden Gate Investment Company Limited by CCH Commercial Company Limited. Please refer 6.(29) for more details.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

1.Detail List of Cash and Cash Equivalents

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Cash on Hand and Petty Cash		$292	
Bank Deposits		925,170	
Total		$925,462	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

2. Detail List of Financial asset measured at fair value through other comprehensive income

As at 31 December 2018

(Expressed in thousands of NT and USD)

Type and Name of the Securities	Summary	Shares (in thousand)	Par Value (NTD)	Amount	Interest Rate	Acquisition Cost	Accumulated impairment	Fair Value		Note
								Price	Amount	
Financial assets at fair value through other comprehensive income–current										
Cathay Financial holdings Co., Ltd	Listed stock	55,763,541	$10	$557,635	-	$2,036,677	Not applicable	$47.00	$2,620,886	
Add：Financial assets at fair value through other comprehensive income–current						584,209				
Net						$2,620,886				
Financial assets at fair value through other comprehensive income–non-current										
Gong Cheng Industrial Co.	Unlisted stock	1,580,083	10	15,801	-	$9,852	Not applicable	0.00	$-	
MetroWalk internatinal Co., Ltd	Unlisted stock	3,448,276	10	34,483	-	24,850	Not applicable	16.23	55,966	
Gian Feng Investment Co., Ltd.	Unlisted stock	2,000,000	10	20,000	-	18,551	Not applicable	4.52	9,040	
Budworth Investment Limited	Unlisted stock	191,880	USD 1	USD 192	-	1,772	Not applicable	25.94	4,977	
Nangang International One Co., Ltd.	Unlisted stock	7,485,000	10	74,850	-	78,462	Not applicable	10.02	74,973	
Nangang International Two Co., Ltd.	Unlisted stock	7,485,000	10	74,850	-	78,399	Not applicable	10.00	74,858	
Lin Yuan Property Management Co., Ltd.	Unlisted stock	300,000	10	3,000	-	3,000	Not applicable	29.68	8,904	
Symphox Information Co., Ltd	Unlisted stock	5,489,000	10	54,890	-	90,568	Not applicable	16.53	90,733	
Taiwan Star Telecom Co., Ltd	Unlisted stock	195,000,000	10	1,950,000	-	1,950,000	Not applicable	6.76	1,318,200	
Subtotal						2,255,454			$1,637,651	
Add：Financial assets at fair value through other comprehensive income–non-current						(617,803)				
Net Amount						$1,637,651				

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

3. Detail List of Notes Receivable Detail List

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Chief Executive Officer	Premises ticket of buildings and land	$3,420	
HYGGE	Premises ticket of buildings and land	4,020	
Cathay Mu Shan	Premises ticket of buildings and land	2,588	
Cathay Shiu Hsiu	Premises ticket of buildings and land	600	
Others	Premises ticket of buildings , land and rent	12,536	The individual balance does not reach 5% of the balance of the subject
Subtotal		23,164	
Less: Allowance Loss		-	
Net Amount		$23,164	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

4. Detail List of Accounts Receivable

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
House sales		$218,860	
Others		11,241	The individual balance does not reach 5% of the balance of the subject
Subtotal		230,101	
Less：Allowance loss		(12)	
Net Amount		$230,089	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5. Detail of List Inventories

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount		Notes
		Cost	Net Realizable Value	
Construction Land		$8,154,901	$11,150,061	Lower cost and net realizable value
Construction In Progress	house and land	15,058,866	16,947,480	Lower cost and net realizable value
				Please refer schedule 5-1
Land Held for Construction Site		2,052,299	2,488,677	Lower cost and net realizable value
Subtotal		25,266,066		
Prepayment for Land Purchases		725,078		
Net Amount		$25,991,144		

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5-1. Detail List of Inventories —Construction In Progress—Buildings and land

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Project name	Beginning Balance at 1 Jan, 2018	Addition Cost of Construction	Reduction (Transfer to Building and land held for sale)	Ending balance as at 31 Dec. 2018	Note
TREE. RIVER. CATHAY'S HOME I	$13,656	$966,196	$-	$979,852	
Cathay Fu Tu	1,349,304	641,865	-	1,991,169	
Taoyuan city central road section2	27,650	1,905,286	-	1,932,936	
Cathay Ho	1,401,883	260,644	-	1,662,527	
Chief Executive Officer	2,273,597	493,776	-	2,767,373	
Cathay Plus+	14,813	1,172,259	-	1,187,072	
The Royal Gallery	1,385,818	533,547	1,919,365	-	
Landmark Twin Towers	1,854,772	400,634	2,255,406	-	
Cathay Double A	1,313,517	526,367	1,839,884	-	
KaoHsiung Ersheng 1st Rd.	999,986	92,879	-	1,092,865	
Cathay O2 Fu Building	1,707,845	204,051	-	1,911,896	
Others	3,689,873	3,153,448	5,310,145	1,533,176	
Total	$16,032,714	$10,350,952	$11,324,800	$15,058,866	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

6. Detail List of Investments accounted for using the equity method

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance at 1 Jan, 2018			Addition			Disposal			Beginning Balance at 31 Dec, 2018			Market Value		Guarantee or pledged	Notes
	Shares	Percentage of Ownership (%)	Amount	Shares	Amount		Shares	Amount		Shares	Percentage of Ownership (%)	Amount	Unit Price	Amount		
Catahy Architecture Agency Co., Ltd	5,000,000	100.00%	$111,642	-	$40,551	(Note1)	-	$32,401	(Note2&5)	5,000,000	100.00%	$119,792	$23.96	$119,792	N/A	
Cathay healthcare Management Co., Ltd	46,750,000	85.00%	537,656	-	73,927	(Note1)	-	57,825	(Note2&3&5)	46,750,000	85.00%	553,758	11.85	553,758	N/A	
Cathay hospitality management Co., Ltd	80,000,000	100.00%	115,531	20,000,000	200,000	(Note4)	60,000,000	75,636	(Note1&6)	40,000,000	100.00%	239,895	6.00	239,895	N/A	
Cathay hospitality consulting Co., Ltd	-	-	-	45,000,000	450,000	(Note4)	-	46,926	(Note1)	45,000,000	100.00%	403,074	8.96	403,074	N/A	
Cathay Real Estate Holding Corporation	79,051,891	100.00%	740,659	-	1,380,953	(Note1&3)	58,000,000	1,785,698	(Note7)	21,051,891	100.00%	335,914	16.43	335,914	N/A	
Total			$1,505,488		$2,145,431			$1,998,486				$1,652,433				

NOTE 1：Profit or loss of the investment accounted for using equity method.

NOTE 2：Cash dividend from Investee.

NOTE 3：Recognition of Cumulative translation adjustment of Investee.

NOTE 4：Increase of the invesetment in the current period.

NOTE 5：Pension adjustment in the current period.

NOTE 6：Adjustment of adoption to IFRS 9 in the current period.

NOTE 7：Capital reduction in the current period.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

7. Detail List of Property, Pland and Equipment changing

As at 31 December 2018

Related information of Property, Pland and Equipment, please refer Notes 6.9.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

8. Detail List of Investment property changing

As at 31 December 2018

Related information of Property, Pland and Equipment, please refer Notes 6.10.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

9. Detail List of Intangible assets changing

As at 31 December 2018

Related information of Intangible assets, pleas refer Notes 6.11.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

10. Detail List of Other non-current assets

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Guarantee Deposits Paid			
Xindian (I)	Deposit	$100,981	
Xindian (II)	Deposit	131,890	
Taoyuan Wuling	Contract security deposit	356,461	
Beitou	Deposit	217,900	
Others		188,974	The individual balance does not reach 5% of the balance of the subject
Subtotal		996,206	
Guarantee Deposits Paid － related parties			
Cathay Life Insurance	Deposit for rent	3,803	Please refer Note 7
Total		1,000,009	
Land held for construction site	Farm acquired in the name of a third party	18,425	
Prepayments for equipment		9,813	
Prepayments for investment		9,982	
Other non-current assets －		16,264	
Total		$1,054,493	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

11. Detail List of Short-Term Loans

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Type	Bank	Ending Balance	Priod	Interest rate	Limited	Guarantee or pledged	Notes
Credit loan	First Bank	$390,000	2018/11~2019/01	0.78%~1.20%	$390,000	N/A	Association guarantor is the Chairman of the Company
	Mizuho Bank	1,450,000	2018/07~2019/01	0.78%~1.20%	1,450,000	N/A	Association guarantor is the Chairman of the Company
	Agricultural Bank of Taiwan	200,000	2018/12~2019/03	0.78%~1.20%	200,000	N/A	Association guarantor is the Chairman of the Company
	Cathay United Bank	210,000	2018/12~2019/01	0.78%~1.20%	210,000	N/A	Association guarantor is the Chairman of the Company
	China Construction Bank	2,900,000	2018/07~2019/02	0.78%~1.20%	2,900,000	N/A	Association guarantor is the Chairman of the Company
	Hua Nan Bank	800,000	2018/07~2019/01	0.78%~1.20%	800,000	N/A	Association guarantor is the Chairman of the Company
	Chang Hwa Bank	2,200,000	2016/10~2019/02	0.78%~1.20%	2,200,000	N/A	Association guarantor is the Chairman of the Company
	Total	$8,150,000					

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

12. Detail List of Notes Payable

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Chen Hao-Yi Architects Firm		$6,990	
Shin Nan Natural Gas Co., Ltd		8,892	
Others		74,503	The individual balance does not reach 5% of the balance of the subject.
Total		$90,385	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

13. Detail List of Accounts Payable

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
(1)General transaction			
Cathay Mu Shan	Final cost payable	$50,586	
Cathay Golden City	Final cost payable	38,291	
The Royal Gallery	Final cost payable	56,155	
Wen Lin Yuan	Final cost payable	44,304	
YOO Fu Building	Final cost payable	29,112	
Cathay Double A Fu Building	Final cost payable	64,413	
Others		109,589	The individual balance does not reach 5% of the balance of the subject
Total		$392,450	
(2)Trancsaction with related parties			
San Ching Engineering	Final cost payable and warranty payable	$590,101	
Others		433	The individual balance does not reach 5% of the balance of the subject
Total		$590,534	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

14. Detail List of Other Payablse Detail List

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Payroll and bonus payable		$70,237	
Interest payable		23,400	
Cost of rental sales		20,099	
Dividend payable		41,027	
Divedend refundable		35,373	
Others		17,579	The individual balance does not reach 5% of the balance of the subject
Total		$207,715	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

15. Detail List of Contract Liability

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Advance Real Estate Receipts			
Cathay Fu Tu		$568,163	
Cathay Ho		394,332	
Cathay New Village		204,166	
Chief Executive Officer		788,779	
Cathay Plus+		266,246	
Cathay DoubleA Fu Building		184,620	
Cathay O2 Fu Building		357,163	
Others	Advance Real Estate Receipts and rent	862,860	The individual balance does not reach 5% of the balance of the subject
Total		$3,626,329	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

16. Detail List of Bonds payable

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee	Issued date	Date of interest payment	Interest rate	Amount					Repayment method	Guarantee
					Issued amount	Repaid	Ending Balance	Unamortized premium(discount)	Book Value		
104-1	Far Eastern International Bank	104.7.24~109.7.24	Yearly	1.40%	$2,000,000	$-	$2,000,000	$-	$2,000,000	Repayment at maturity	N/A
104-1	Far Eastern International Bank	104.7.24~109.7.24	Yearly	1.40%	1,000,000	-	1,000,000	-	1,000,000	Repayment at maturity	N/A
					$3,000,000	$-	$3,000,000	$-	$3,000,000		

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

17. Detail List of Long-term loans

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Creditor	Summary	Amount	Period	Interest Rate	Guarantee or pledged	Note
ShangHai Commercial & Savining Bank		$500,000	2017/08~2020/04	1.15%~1.20%	N/A	Association guarantor is the Chairman of the Company.
Hua Nan Bank		3,000,000	2016/10~2019/11	1.15%~1.20%	N/A	Association guarantor is the Chairman of the Company.
Far Eastern International Bank		1,200,000	2016/10~2019/12	1.15%~1.20%	N/A	Association guarantor is the Chairman of the Company.
ShangHai Commercial & Savining Bank		498,050	2018/8~2019/8	0.62%	N/A	Association guarantor is the Chairman of the Company.
Subtotal		5,198,050				
Less : Current portion		4,200,000				
Total		$998,050				

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

18. Detail List of Other Non-Current Liabilities

As at 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Net defined benefit liability		$85,439	
Guarantee Deposits Received			
The Landis	Housing deposit	46,153	
HOME MEDIA Group Ltd.	Housing deposit	12,237	
Others	Housing deposit	79,950	The individual balance does not reach 5% of the balance of the subject
Subtotal		138,340	
Other liabilities	Deferred Credits-Unrealized Gains on Inter-Afffiliate Accounts	13,415	
Total		$237,194	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

19. Detail List of Operating Income Detail List

For the year-ended 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Rental Income		$411,667	
Land Income		7,704,902	
Building Income		4,695,956	
Total		$12,812,525	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

20. Detail List of Operating Cost

For the year-ended 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Lease Costs		$318,934	
Land Costs		3,999,460	
Building Costs		5,225,628	
Total		$9,544,022	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

21. Detail List of Operating Expense

For the year-ended 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Selling Expenses		$559,190	
Salary and Wages		171,014	
Taxes		73,476	
Provision for bad debt expenses		12	
Other Expense		123,873	The expenses are less than 5% of the balance of the subject.
Total		$927,565	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

22.Non-Operating Income and Expenses Detail List

For the year-ended 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Other Income			
Interest Revenue	Deposit interest, short-term notes receivable, etc.	$734	
Dividends Received		152,719	
Other Income	Building management fees, planning and default income, etc.	120,885	
Total		$274,338	
Other Gain or Loss			
Loss (gain) on disposal of property, plant and equipment		$4,363	
Others		(1,849)	
Total		$2,514	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD
AND SUBSIDIARIES

Consolidated Financial Statements

For The Years Ended

December 31, 2018 And 2017

Report of Independent Auditors

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Cathay Real Estate Development Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Cathay Real Estate Development Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. 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.

<u>Revenue recognition</u>

The Company and its subsidiaries is primarily engaged in entrusting construction company in construction and planning of public housing and commercial offices for sale. Since the company's construction income is classified as operating revenue based on sale of goods, the relevant profit and loss are recognized when the ownership transferred. Due to the significance of the construction income in the financial statements, with respect to a significant proportion within operating revenue, and need to judge and determine performance obligation and the timing of satisfaction, the construction revenue is determined to be a key audit matter.

The audit procedures we performed regarding construction revenue recognition included but not limited to: evaluate the appropriateness of the construction income recognition policies; realize the transaction process and perform the tests of control on the effectiveness of control points during internal control audit; select samples to perform transaction test of details and verify major clauses and conditions in the construction contract; review the transaction conditions and confirm the appropriateness of the timing the performance obligation is recognized.

We also assess whether the the company properly disclose information relating the construction income of financial statement. Please refer note 4(18) and note 6(21).

<u>Valuation of inventories</u>

The construction land of the Company and its subsidiaries shall be measured at the lower of cost and net realized value, and the net realizable value of the construction land is determined based on the management's judgement and estimation. Due to the significance of construction land in the financial statements, the valuation of construction land is determined to be a key audit matter.

The audit procedures we performed regarding construction land valuation included but not limited to: evaluate the appropriateness of the construction land accounting policies; realize the transaction process and perform tests of control on the effectiveness of control points during internal control audit; select samples to analyze the management valuation process and the key valuation parameters, and evaluate the reasonableness on the basis of working paper and relevant documentation corresponding to construction land valuation which included in inventories.

We also assess whether the the company properly disclose information relating the construction land valuation of financial statement. Please refer note 4(10), note 5.2(E) and note 6(7).

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

We have audited and expressed an unqualified opinion on financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

Hsu, Jung Huang
Huang, Chien Che
Ernst & Young, Taiwan
March 21,2019

<u>Notice to Readers</u>

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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.
Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Balance Sheet

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31,2018		December 31,2017	
Code	Items	Notes	Amounts	%	Amounts	%
	Current assets					
1100	Cash and Cash equivalents	4 & 6(1),(29) &7	$1,620,157	3	$1,227,465	2
1120	Financial Assets At Fair Value Through Other Comprehensive Income-Current	3 & 4 & 6(2)	2,620,886	6	-	-
1125	Financial assets in available-for-sale-Current	4 & 6(3)	-	-	2,983,349	6
1150	Notes Receivable(Net)	4 & 6(5),(22)	24,209	-	24,121	-
1170	Accounts Receivable(Net)	4 & 6(6),(22),(29)	461,933	1	267,884	-
1200	Others Receivable	6(29)	424,397	1	23,988	-
1220	Current Tax Assets	4 & 6(27)	105	-	4	-
130x	Inventories	4 & 6(7) & 7	26,003,437	53	28,850,643	54
1410	Prepayments	6(12),(29)	511,030	1	600,779	1
1470	Others Current-Assets		382,155	1	105,194	-
1480	Revenue from Contracts with Customers	3 & 6(7),(21)	481,597	1	-	-
11xx	Total Current-Assets		32,529,906	67	34,083,427	63
	Non-Current Assets					
1517	Financial Assets At Fair Value Through Other Comprehensive Income-Non-Current	3 & 4 & 6(2)	1,637,951	3	-	-
1523	Financial assets in available-for-sale-Non-Current	4 & 6(3)	-	-	1,525,265	3
1543	Financial Assets measured at Cost - Non-Current	4 & 6(4)	-	-	212,200	-
1550	Investment Accounted for Using Equity Method	4 & 6(8)	-	-	11,088	-
1600	Property,Plant and Equipment	4 & 6(9),(29)	1,858,494	4	1,136,419	2
1760	Investment property(Net)	4 & 6(10),(29)	11,132,166	23	12,983,381	24
1780	Intangible Assets	4 & 6(11)	20,416	-	33,008	-
1840	Deferred Tax Assets	4 & 6(27)	516,233	1	687,765	2
1900	Other Non-Current Assets	6(12),(29) & 7	1,076,222	2	3,088,635	6
15xx	Total Non-Current Assets		16,241,482	33	19,677,761	37
1xxx	Total Assets		$48,771,388	100	$53,761,188	100

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Balance Sheet(Continue)

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31,2018		December 31,2017	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Liabilities					
2100	Short-term Loans	4 & 6(13) & 7	$8,715,000	18	$5,779,000	11
2110	Short-term Notes Payable	4 & 6(14)	260,000	1	879,529	2
2130	Contract Liability	3 & 6(21)	3,651,612	8	-	-
2150	Notes Payable		90,385	-	28,554	-
2170	Accounts Payable	6(29)	461,385	1	604,318	1
2180	Accounts Payable-Related Parties	7	595,710	1	265,555	-
2200	Others Payable	6(29)	653,898	1	444,793	1
2230	Current Tax Liabilities	4 & 6(27)	27,056	-	108,513	-
2300	Other-Current Liabilities	4 & 6(29)	122,731	-	54,360	-
2310	Advance Receipts	3 & 4	-	-	4,504,886	9
2320	Long-Term Liabilities-Current Portion	4 & 6(16),(29)	4,200,000	9	59,566	-
21xx	Total Current-Liabilities		18,777,777	39	12,729,074	24
	Non-Current Liabilities					
2530	Corporate Bonds	4 & 6(15)	3,000,000	6	3,000,000	6
2540	Long-term Loans	4 & 6(16),(29)	1,405,285	3	14,475,709	27
2570	Deferred Tax Liabilities	4 & 6(27)	10,049	-	8,542	-
2600	Other Non-Current Liabilities	4 & 6(17),(29) & 7	234,590	-	323,701	-
2650	Investment Accounted for Using Equity Method(Credit)	4 & 6(8)	2,138	-	-	-
25xx	Total Non-Current Liabilities		4,652,062	9	17,807,952	33
2xxx	Total Liabilities		23,429,839	48	30,537,026	57
	Equity	4				
3100	Capital stock					
3110	Common Stock	6(18)	11,595,611	24	11,595,611	21
3200	Capital Surplus	6(19)	25,783	-	18,063	-
3300	Retained earnings	6(20)				
3310	Legal Capital Reserve		3,991,496	8	3,847,032	7
3320	Special Capital Reserve		504,189	1	504,189	1
3350	Unappropriated Retained Earnings		8,877,586	18	6,418,942	12
	Total Retained Earnings		13,373,271	27	10,770,163	20
3400	Other Equity		80,071	-	384,665	1
31xx	Total Controlling Interests		25,074,736	51	22,768,502	42
36xx	Non-controlling Interests	6(20)	266,813	1	455,660	1
3xxx	Total Equity		25,341,549	52	23,224,162	43
	Total Liabilities and Equity		$48,771,388	100	$53,761,188	100

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.
Consolidated Income Statement
For the years ended 31 December 2018 and 2017
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2018		2017	
			Amount	%	Amount	%
4000	Operating Revenue	4 & 6(10),(21) &7	$14,294,770	100	$12,270,182	100
5000	Operating Cost	4 & 6(7),(9),(10),(23),(24) &7	(10,576,571)	(74)	(9,683,371)	(79)
5900	Gross Margin		3,718,199	26	2,586,811	21
6000	Operating Expense	4 & 6(9),(10),(23),(24) &7				
6200	Administrative Expense		(1,485,484)	(10)	(1,245,036)	(10)
6450	Expected credit loss	4 & 6(22)	(4,482)	-	-	-
	Total Operating Expense		(1,489,966)	(10)	(1,245,036)	(10)
6900	Operating Income		2,228,233	16	1,341,775	11
7000	Non-Operating Income and Expenses	4 & 6(25) & 7				
7010	Other Revenues		281,597	2	231,578	2
7020	Other Gain or Loss	6(29)	2,146,096	15	(133,588)	(1)
7050	Finance Costs		(133,801)	(1)	(245,368)	(2)
7060	Investment Income on Equity-Method Investees	4 & 6(8)	(13,145)	-	(2,919)	-
	Total Non-Operating Income and Expenses		2,280,747	16	(150,297)	(1)
7900	Income before Income Tax		4,508,980	32	1,191,478	10
7950	Income Tax (Expense) Benefit	4 & 6(27)	(267,183)	(2)	50,147	-
8200	Net income		4,241,797	30	1,241,625	10
8300	Other Comprehensive Income	6(26),(27)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		5,369	-	(5,717)	-
8316	Unrealized losses on equity instruments at fair value through other comprehensive income		(493,136)	(4)	-	-
8349	Income taxes relating to not to be reclassified to profit or loss in subsequent periods		(1,766)	-	972	-
8360	To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of foreign operations		228,874	2	76,162	1
8362	Unrealized valuation gains from available-for-sale financial assets		-	-	34,807	-
8370	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods		(287)	-	(2,504)	-
	Other comprehensive (losses) income, net of tax		(260,946)	(2)	103,720	1
8500	Total comprehensive (losses) income		$3,980,851	28	$1,345,345	11
8600	Net income (losses) attributable to:					
8610	Equity holders of the parent		$3,609,611	25	$1,444,638	12
8620	Non-controlling interests		632,186	5	(203,013)	(2)
			$4,241,797	30	$1,241,625	10
8700	Total comprehensive income (losses) attributable to:					
8710	Equity holders of the parent		$3,273,857	23	$1,521,629	12
8720	Non-controlling interests		706,994	5	(176,284)	(1)
			$3,980,851	28	$1,345,345	11
	Basic Earnings Per Share (In dollars)	6(28)	After Taxes		After Taxes	
9750	Basic Earnings Per Share		$3.11		$1.25	

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Statements of Changes In Equity

As at 31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

		Controlling Interests												
				Retained Earnings				Other Equity						
	Items	Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Total	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (losses) gains from financial assets at fair value through other comprehensive income	Unrealized valuation (losses) gains from available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Non-Controlling Interests	Total
Code		3100	3200	3310	3320	3350		3410	3420	3425	3445	31XX	36XX	3XXX
A1	Balance on 1 January 2017	$11,595,611	$10,407	$3,545,241	$504,189	$7,015,437	$11,064,867	$(110,975)	$-	$393,562	$25,087	$22,978,559	$600,968	$23,579,527
	Appropriation and distribution of earnings for the year 2016													
B1	Legal Capital Reserve	-	-	301,791	-	(301,791)	-	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,739,342)	(1,739,342)	-	-	-	-	(1,739,342)	-	(1,739,342)
C17	Changes in other capital surplus	-	7,656	-	-	-	-	-	-	-	-	7,656	-	7,656
D1	Net income for the year ended 31 December 2017	-	-	-	-	1,444,638	1,444,638	-	-	-	-	1,444,638	(203,013)	1,241,625
D3	Other comprehensive income for the year ended 31 December 2017	-	-	-	-	-	-	46,950	-	34,807	(4,766)	76,991	26,729	103,720
D5	Total comprehensive income for the year ended 31 December 2017	-	-	-	-	1,444,638	1,444,638	46,950	-	34,807	(4,766)	1,521,629	(176,284)	1,345,345
O1	Changes In Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	-	30,976	30,976
Z1	Balance on 31 December 2017	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$10,770,163	$(64,025)	$-	$428,369	$20,321	$22,768,502	$455,660	$23,224,162
A1	Balance on 1 January 2018	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$10,770,163	$(64,025)	$-	$428,369	$20,321	$22,768,502	$455,660	$23,224,162
A3	Effects on retrospective application and restatement	-	-	-	-	384,970	384,970	-	459,529	(428,369)	-	416,130	-	416,130
A5	Balance on 1 January 2018 (Adjusted)	11,595,611	18,063	3,847,032	504,189	6,803,912	11,155,133	(64,025)	459,529	-	20,321	23,184,632	455,660	23,640,292
	Appropriation and distribution of earnings for the year 2017													
B1	Legal Capital Reserve	-	-	144,464	-	(144,464)	-	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,391,473)	(1,391,473)	-	-	-	-	(1,391,473)	-	(1,391,473)
C17	Changes in other capital surplus	-	7,720	-	-	-	-	-	-	-	-	7,720	-	7,720
D1	Net income for the year ended 31 December 2018	-	-	-	-	3,609,611	3,609,611	-	-	-	-	3,609,611	632,186	4,241,797
D3	Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	-	153,763	(493,136)	-	3,619	(335,754)	74,808	(260,946)
D5	Total comprehensive income for the year ended 31 December 2018	-	-	-	-	3,609,611	3,609,611	153,763	(493,136)	-	3,619	3,273,857	706,994	3,980,851
O1	Changes In Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	-	(895,841)	(895,841)
Z1	Balance on 31 December 2018	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$13,373,271	$89,738	$(33,607)	$-	$23,940	$25,074,736	$266,813	$25,341,549

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Statements of Cash Flows

For the years ended 31 December 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2018 Amount	2017 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	$4,508,980	$1,191,478
A20000	Adjustments:		
A20100	Depreciation	417,546	520,851
A20200	Amortization	15,786	17,503
A20300	Provision for bad debt expenses	4,482	-
A20900	Interest Expenses	133,801	245,368
A21200	Interest Income	(7,297)	(4,338)
A21300	Dividend Income	(152,719)	(119,656)
A22300	Share of other comprehensive income of subsidiaries, associates and joint ventures	13,145	2,919
A22500	Loss (gain) on disposal of property, plant and equipment	898	(449)
A23100	Loss (gain) on disposal of investments	(2,128,213)	847
A29900	Cost on disposal of investment property	173,324	275,552
A30000	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	(88)	2,547
A31150	Decrease (increase) in account receivable	(226,351)	(74,629)
A31180	Decrease (increase) in other receivable	(18,760)	(651)
A31200	Decrease (increase) in inventories	635,559	1,201,766
A31230	Decrease (increase) in prepayments	63,775	(122,887)
A31240	Decrease (increase) in other current assets	(276,961)	(24,149)
A31270	Decrease (increase) in revenue from contracts with customers	(27,086)	-
A32125	Increase (decrease) in contract liability	(853,274)	-
A32130	Increase (decrease) in notes payable	61,831	(15,484)
A32150	Increase (decrease) in accounts payable	(66,428)	(496,111)
A32160	Increase (decrease) in accounts payable to related parties	330,155	(87,139)
A32180	Increase (decrease) in other payables	84,044	79,033
A32210	Increase (decrease) in advances receipts	-	(1,278,962)
A32230	Increase (decrease) in other current liabilities	83,001	(3,962)
A33000	Cash inflow (outflow) generated from operations	2,769,150	1,309,447
A33100	Interested received	7,302	4,363
A33500	Income taxes paid	(247,008)	(352,841)
AAAA	Net cash flows from (used in) operating activities	2,529,444	960,969
BBBB	Cash flow from investing activities		
B00400	Proceeds from disposal of available-for-sale financial assets	-	4,001
B02300	Disposal of subsidiary	2,775,858	-
B02700	Acquisition of property, plant and equipment	(881,664)	(164,281)
B02800	Disposal of property, plant and equipment	7,539	5,356
B04500	Acquisition of intangible assets	(3,194)	(17,942)
B05500	Disposal of investment property	570	-
B06700	Increase in other non-current assets	(90,296)	-
B06800	Decrease in other non-current assets	-	95,869
B07600	Dividends received	152,719	119,656
BBBB	Net cash flows from (used in) investing activities	1,961,532	42,659
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	2,936,000	1,963,000
C00600	Decrease in short-term notes payable	(619,529)	(89,912)
C01700	Decrease in long-term loans	(3,785,554)	(1,246,391)
C04400	Decrease in other non-current liabilities	(17,332)	(25,823)
C04500	Payment of cash dividends	(1,391,473)	(1,739,342)
C05600	Interest paid	(348,207)	(466,718)
C05800	Change in non-controlling interests of equity	(895,841)	30,976
CCCC	Net cash flows from (used in) financing activities	(4,121,936)	(1,574,210)
DDDD	Effect of currency exchange rate on cash and cash equivalents	23,652	126,382
EEEE	Net increase (decrease) in cash and cash equivalents	392,692	(444,200)
E00100	Cash and cash equivalents, beginning of period	1,227,465	1,671,665
E00200	Cash and cash equivalents, end of period	$1,620,157	$1,227,465

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Audited)

1. HISTORY AND ORGANIZATION

Cathay Real Estate Development Co., Ltd. (the “Company”) was incorporated on December 1, 1964. The main businesses of the company are entrusting the manufacturer to build residential and commercial buildings for leasing and selling.

The Company is located at 2F., No. 218, Sec. 2, Dunhua S. Rd., Da-an Dist., Taipei City 106, Taiwan (R.O.C.) and has been listed on Taiwan Stock Exchange (TWSE) since October 1967.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2018 and 2017 were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2019.

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)：

Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect from 2018 by the Financial Supervisory Commission (FSC) did not have a significant effect on the Group except below:

A. *IFRS 15“Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

(a) Please refer to Note 4.18 for the accounting policies before or after January 1, 2018.

(b) Before January 1, 2018, the Group’s presold house transaction contracts of buyer only have the limited influence on the design of the real property, or on specify only minor changes to the basic design. In accordance with IAS 18, the Group’s presold house transaction contracts, a merchandise sales agreement, were recognized when the product is delivered; after January 1, 2018, the income is recognized when the Group transfers the promised merchandise to the customer and fulfill the performance obligation in accordance with IFRS 15. For part of presold house contracts, the Group charges a part of the consideration at the time of signing and has obligation to provide the goods in the follow-up. Before January 1, 2018, the previous consideration was recognized as other current liabilities; after January 1, 2018, the consideration is recognized as a contractual liability in accordance with IFRS 15. On 1 January 2018, the amount of the Group reclassification from other current liabilities to contract liabilities was NT$4,473,657 thousand. Compared with the requirements of IAS 18, other current liabilities decrease NT$3,626,329 thousand and contract liabilities increase NT$3,626,329 thousand as of 31 December 2018.

(c) Before January 1, 2018, the Group recognized the service revenue when the service is completed; after January 1, 2018, the revenue recognized when the Group transfers the promised service to the customer and fulfill the performance obligation in accordance with IFRS 15. For part of service contracts, the Group charges a part of the consideration at the time of signing and has obligation to provide the service in the follow-up. Before January 1, 2018, the previous consideration was recognized as other current liabilities; after January 1, 2018, the consideration is recognized as a contractual liability in accordance with IFRS 15. On 1 January 2018, the amount of the Group reclassification from other current liabilities to contract liabilities. the was NT$31,229 thousand. Compared with the applicable IAS 18, other current liabilities decrease NT$25,283 thousand and contract liabilities increase NT$25,283 thousand as of 31 December 2018.

(d) Before January 1, 2018, the Group's sales commission for construction was recognized as a current expense when the customer signed a presold house contract; after January 1, 2018, the income is recognized when the Group transfers the promised commodities to the customer and fulfills the performance obligations in accordance with IFRS 15. For some contracts applied IFRS 15, the sales commission for the construction is the incremental cost of the expected recoverable contract, the Group recognize the incremental contract cost. The Group's reclassification from retained earnings and deferred income tax assets to the incremental contract costs on 1 January 2018, was NT$454,510 thousand.

(e) Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. *IFRS 9"Financial Instruments"*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

(a) The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications and carrying amounts of financial assets as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income	$4,751,974
Available-for-sale financial assets (including $212,200 thousand measured at cost)	$4,720,814		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables)	1,541,914
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable and other receivables)	1,541,914		
Total	$6,262,728	Total	$6,293,888

(c) The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follows:

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings adjusted amounts	Other components of equity adjusted amounts
Available-for-sale financial assets — Stocks (including$212,000 thousand measured at cost) (Note 1)	$4,720,814	Measured at fair value through other comprehensive income (equity instruments)	$4,751,974	$(31,160)	$-	$(31,160)
Loans and receivables (Note 2)						
Cash and cash equivalents	1,225,921	Cash and cash equivalents	1,225,921	-	-	-
Notes receivables, net	24,121	Notes receivables, net	24,121	-	-	-
Accounts receivable, net	267,884	Accounts receivable, net	267,884	-	-	-
Other receivables	23,988	Other receivables	23,988	-	-	-
Total	$6,262,728	/Total	$6,293,888		$-	$(31,160)

Notes:

(1) In accordance with of IAS 39, available-for-sale financial assets include investments in funds, stocks of listed companies and stocks of unlisted companies. Details are described as follows:

a. Stocks (including listed and unlisted companies)

Based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$4,751,974 thousand. Other related adjustments are described as follows:

(a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39. However, in accordance with IFRS 9, there is not only no need to recognize the loss on impairment, but also the stocks of unlisted companies must be measured at fair value. The fair value of the stocks of unlisted companies was NT$1,768,625 thousand as at January 1, 2018. The Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income by NT$1,737,465 thousand and adjusted other equity by NT$31,160 thousand.

(b) The stocks of listed companies of NT$2,983,349 thousand were measured at fair value. As at January 1, 2018, they were reclassified from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income and the fair value changes were adjusted within other equity accounts.

(2) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arise from the assessment of impairment losses for the assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

(d) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

D. Disclosure Initiative (Amendment to IAS7 "Statements of Cash Flows")

Add the reconciliation information of beginning and ending balance of the Group's financing activities related to liabilities. Please refer to Note 12 for more details.

(2) Standards or interpretations issued, revised or amended, by IASB and endorsed by FSC but not yet adopted at the date of issuance of the Group's financial statements are listed below.

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	IFRS 16"Leases"	January 1, 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
c	IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

A. *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. *IFRIC 23 "Uncertainty Over Income Tax Treatments"*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

C. *IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. *Prepayment Features with Negative Compensation* (*Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A), it is not practicable to estimate their impact on the Group now. All other standards and interpretations have no material impact on the Group.

A. IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

(a) For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(i) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate on January 1, 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted by the lessee's incremental borrowing rate on January 1, 2019; or

ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

The Group expects the right-of-use asset will increase by NT$4,987,656 thousand and the lease liability will increase by NT$4,987,656 thousand on January 1, 2019.

(b) The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

A. *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity."

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A) and (D), it is not practicable to estimate their impact on the Group now. The remaining standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the year ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed 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.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

B. The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiaries	Main business	December 31, 2018	December 31, 2017
The Company	Cathay Real Estate Management CO., LTD	Construction management	100%	100%
The Company	Cathay Healthcare Management CO., LTD	Consultancy	85%	85%
The Company	Cathay Hospitality Management CO., LTD	Service industry	100%	100%
The Company	Cathay Hospitality Consulting CO., LTD	Consultancy	100%	-
The Company	Cathay Real Estate Holding Corporation	General trade & investing	100%	100%
Cathay Healthcare Management CO., LTD	Cathay Healthcare Management Limited(BVI)	General trade & investing	100%	100%
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Investing	66.67%	66.67%
CCH Commercial Company Limited	Lotus Investment Company Limited	Investing	-	100.00%
CCH Commercial Company Limited	Golden Gate Investment Company Limited	Investing	-	100.00%
Lotus Investment Company Limited	Lotus Pacific Company Limited	Business management	-	100.00%
Golden Gate Investment Company Limited	Golden Gate Pacific Company Limited	Business management	-	100.00%
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Business management	100.00%	100.00%
Lotus Pacific Company Limited	Jiaheng (Shanghai) Real Estate Limited	Investing	-	100.00%
Golden Gate Pacific Company Limited	Shanghai Lujing Real Estate Limited	Investing	-	100.00%
Cathay Healthcare Management Limited (Cayman)	Hangzhou Kunning Health Consulting Limited	Consultancy	100.00%	100.00%

C. The changing of the subsidiaries as of December 31, 2018:

New adding in 2018: Cathay Hospitality Consulting Co., Ltd.

Reducing in 2018: Lotus Investment Company Limited、Golden Gate Investment Company Limited、Lotus Pacific Company Limited、Golden Gate Pacific Company Limited、Jiaheng (Shanghai) Real Estate Limited and Shanghai Lujing Real Estate Limited；All of the above companies lost control due to the sale in the current period.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Group: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Group holds the asset primarily for the purpose of trading
C. The Group expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

A. The Group expects to settle the liability in its normal operating cycle
B. The Group holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with maturing of less than 12 months).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income on the basis of both:

(a) the Group's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue calculated by using the effective interest method (effective interest rate times the carrying amount of the financial asset) or the method stated below should be recognized in profit or loss.
    (i) For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
    (ii) For financial assets that are not purchased or originated credit-impaired financial assets but subsequently become credit-impaired financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

The accounting policy before January 1, 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from January 1, 2018 is as follows:

The Group recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 is as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment because of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced using an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor
(b) a breach of contract, such as a default or delinquency in interest or principal payments
(c) is becoming probable that the borrower will enter bankruptcy or other financial reorganization
(d) the disappearance of an active market for that financial asset because of financial difficulties

For loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. However, if the loan using floating rate, the discount rate used to measure the impairment loss is the effective interest rate. Interest income is based on the reduced carrying amount of the asset and is continuously estimated using the same discount rate to measure the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process of the effective interest rate method.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

A. in the principal market for the asset or liability; or
B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The main or the most advantageous market must enter by the Group to conduct transaction.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group adopts the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs.

(10) Inventories

Inventories, including construction land, construction in progress and property for sale, are stated at the cost in the basis of the account. The construction land transfer to property under construction during actively developed and capitalize financial cost during actively developed or construction period.

Inventories are valued at lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group's contract incremental cost is the commission generated by the acquisition of the presold house contract. The customer's signing of the presold contract has not fulfilled the performance obligation because the goods promised to have not been transferred to the customer. According IFRS 15, the sales commission is the incremental cost of acquisiting the presold house contract. When the house is transferred to the customer and fulfill the performance obligation, the incremental cost of obtaining the contract is be amortized.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Construction Contract

The Group's presold house transaction contracts of buyer only have the limited influence on the design of the real property, or to specify only minor changes to the basic design. In accordance with IFRS 15 "Revenue of Customer Contracts", the Group's presold house contract is a commodity sales agreement and the is recognized as sales revenue.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture means the Group has rights to the net assets of the joint agreement.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Group disposes of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. The Group recognizes its interest in the jointly controlled entities using the equity method continuously.

(13) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in gain or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings: 5~50 years
Leased assets: 5 years
Other equipment:2~26 years
Leasehold improvements: The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. After initial recognition, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5～50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group decide to transfer properties to or from investment properties according to actual use.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight-line method. Contingent rents are recognized as revenue in the period in which they are earned.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 6 years).

Trademark

The cost of trademark is amortized on a straight-line basis over the estimated useful life which is prescribed by law.

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata based on the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

The accounting policy from January 1, 2018 is as follows:

The Group's revenue arising from contracts with customers mainly include sale of buildings and land. The accounting policies for the Group's types of revenue are explained as follows:

Construction income

As explained in Note 4 (11) construction contracts, the Group entrusts construction companies in construction and planning of public housing is recognized as sales revenue in accordance with the IFRS 15 about the regulation of sales of goods. Therefore, the Group recognize profit and loss when the ownership transferred.

Before the recognition of the income, the down payment and installment received for the sale of the premises are recognized as contract liabilities in the current liabilities of the balance sheet.

Sales of goods

The Group recognized the sales revenue when the merchandise transport to the customer and the control of merchandise transfer to the customers (The customers owns the right to control the merchandise and the residual benefit to the merchandise.)

The Group recognized the account receivable when the merchandise's control transfer to the customers and has the right to charge, the account receivable usually has a short period to recover and do not have a significant financial component.

Rendering of services

The Group's service revenue mainly generated from offering healthy examination. The revenue recognized when the service completed. The cost of the service recognized when the transaction occurred；the expenses recognized in the current period in accordance with accrual basis.

The accounting policy from January 1, 2017 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Construction income

As explained in Note 4 (11) construction contracts, the entrusting construction Group in construction and planning of public housing is recognized as sales revenue in accordance with the IAS18 about the regulation of sales of goods. Therefore, the Group recognize profit and loss when the ownership transferred.

Before the recognition of the income, the down payment and installment received for the sale of the premises are recognized as prepayments in the current liabilities of the balance sheet.

Sales of goods

Sales are recognized when all the following conditions have been satisfied:

A. the significant risk and benefits of the ownership is transferred to the buyers
B. the Group hasn’t involved in management continuously and lose control of the the products that have been sold.
C. amount of the revenue can be measured reliably.
D. the economic benefits generated by the transaction may flow into the Group.
E. the cost related to the transaction can be measured reliably.

Rendering of services

The Group’s service revenue mainly generated from offering healthy examination. The revenue recognized when the service completed. The cost of the service recognized when the transaction occurred；the expenses recognized in the current period in accordance with accrual basis.

Dividends

Revenue is recognized when the Group has the right to receive the payment.

Rental income

Revenue generated by operating leasing is recognized on a straight-line basis over the leasing period.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs relating to the borrowing of funds.

(20) Retirement benefits plans

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employee's subject to the plan. The Company and its subsidiaries recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to other equity in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs or termination benefits costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period because of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Financing lease commitment－Group as the lessor

The Group has signed real estate leases for investment real property portfolios. Based on the assessment of its agreed terms, the Group still retains the significant risks and rewards of ownership of these properties and treats them as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

C. Retirement benefits plans

The cost of retirement employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2018, the deferred income tax assets that the Group has not recognize, please refer to Note 6 for more details.

E. Evaluation of Inventory

The Group must use the judgment and estimates to determine the net realizable value of the inventory at the balance sheet date, as the inventories are measured at the lower of the cost and the net realizable value. The Group assesses the amount of inventory at the balance sheet date due to market changes or no market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in the specific period in the future, so it may cause significant changes. Please refer to Note 6 for more details.

F. Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Cash on hand and petty cash	$4,385	$3,714
Checking accounts and demand deposit	1,480,247	1,147,051
Time deposits	85,550	76,700
Cash equivalents －short-term bills	49,975	-
Total	$1,620,157	$1,227,465

As of 31 December 2018 and 2017, cash and cash equivalents were not pledged as collateral or restricted for uses.

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

	As of	
	December 31, 2018	December 31, 2017 (Note)
	NTD	NTD
Equity instruments investments measured at fair value through other comprehensive income － current:		
Listed companies’ stocks	$2,620,886	
Equity instruments investments measured at fair value through other comprehensive income － non-current:		
Unlisted companies’ stocks	$1,637,951	
Current	$2,620,886	
Non-current	$1,637,951	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

As of 31 December 2018, financial assets at fair value through over comprehensive income were not pledged.

(3) Financial assets in available-for-sale

	As of	
	December 31, 2018 (Note)	December 31, 2017
	NTD	NTD
Stocks		$4,080,246
Add: Valuation adjustments		428,368
Total		$4,508,614

	As of	
	December 31, 2018 (Note)	December 31, 2017
	NTD	NTD
Current		$2,983,349
Non-current		1,525,265
Total		$4,508,614

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as available-for-sale financial assets.

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost － Non-current

	As at	
	31 Dec. 2018 (Note)	31 Dec. 2017
Stocks		$212,200

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable since the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(5) Notes receivable

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Notes receivable arising from operating activities	$24,209	$24,121
Less: Loss allowance	-	-
Notes receivable, net	$24,209	$24,121

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6.22 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(6) Accounts receivable and Accounts receivable -related parties

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Accounts receivable	$455,961	$266,410
Less: Loss allowance	(12)	-
Subtotal	455,949	266,410
Accounts receivable － related parties	5,984	1,474
Less: Loss allowance	-	-
Total	$461,933	$267,884

Accounts receivables and accounts receivables – related parties were not pledged.

Accounts receivable are generally on 30-365-day terms. The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 6.22 for more details on impairment of accounts receivable. The Group adopted IAS 39 for impairment assessment before 1 January 2018. The ageing analysis of accounts receivable and accounts receivable-related parties for the year ended 31 December 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

The Group's trade receivables mainly consist of housing loans from the bank, the rental of buildings and equipment, and the credit card payments for hotel accommodation. The Trading partners are mainly creditworthy financial institutions and customers with good credit rating.

Accounts receivable and accounts receivable from related parties, net － the aging analysis is as follows:

		Past due					
	Neither past due	Within 30 days	31-60 days	61-90 days	91-120 days	Over 121 days	Total
2017.12.31	$243,458	$2,224	$2,198	$2,400	$2,484	$15,120	$267,884

(7) Inventories

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Land held for construction site	$8,154,901	$8,895,746
Construction in progress	15,058,866	16,032,714
Buildings and land held for sale	2,052,299	3,572,983
Others	12,293	12,365
Subtotal	25,278,359	28,513,808
Prepayment for land purchases	725,078	336,835
Total	$26,003,437	$28,850,643

A. Some of the construction in progress above was contracted by the related company San-Ching Engineering Co., Ltd., and the relevant transactions are detailed in Note 7.

B. The net realizable value of the construction land held by the Group is based on the land development analysis method. The the land profit is calculated by the legal use and intensity of the land, and the total sales amount after development or construction is estimated, deducting the direct costs, indirect costs, capital interest during the development period.

C. Significant Construction project as follow:

Construction Project	Amount	Percentage of Completion
Minsheng Jingguo Building	3,840,098	100.00%
Landmark Twin Towers	1,486,551	99.00%
Cathay Fu Tu	1,989,160	90.00%
Chief Executive Officer	1,535,800	78.00%
Cathay O2 Fu Building	1,149,124	42.00%
Cathay Ho	1,441,749	17.00%
Yung Hua Road	1,315,905	9.00%
Park Beautiful Mansion	1,010,000	0.00%

D. The total interest capitalizes of the inventories mentioned above was found to be NT$ 230,859 thousand and NT$230,071 thousand for the year ended December 31, 2018 and 2017, respectively. The interest expense before capitalizing were NT$364,660 thousand and NT$475,439 thousand, respectively.

The interest rate of capitalized loan for inventories were 0.0859 %~0.1902% in 2018 and 0.0915%~0.1766% in 2017.

E. To successfully construct and deliver the building and housing to the customers, the company using trust accounts for the construction in progress are as follows:

Construction Project (Amount)	Trustee	Period
Chief Executive Officer (NT$1,710 thousand)	Cathay United Bank	From April 8, 2014 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Fu Tu (NT$17,075 thousand)	China Trust Commercial Bank	From February 12, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay O2 Fu Building (NT$5,811 thousand)	Cathay United Bank	From December 9, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay New Village (NT$1,961 thousand)	Cathay United Bank	From April 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Ho (NT$144,189 thousand)	Cathay United Bank	From April 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Shui Hsiu (NT$844 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Plus+ (NT$226,161 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Park Beautiful Mansion (NT$95,657 thousand)	Cathay United Bank	From June 6, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
TREE. RIVER. CATHAY’S HOME I (NT$144,431 thousand)	Cathay United Bank	From June 13, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
HYGGE (NT$92,420 thousand)	Cathay United Bank	From July 30, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

As of December 31, 2018, the Group has established a deed of trust with the bank for the construction of the case, and has handled the fund management of the presold customers. The trust period ended until the project is completed and the first time the ownership registration of the completed property is completed. The balance of the funds managed by the Group in accordance with the above trust deed is NT$730,259 thousand, which is equal to the price of the presold contract. There is no delay in the delivery of the trust account.

F. The cost of inventories recognized in expenses amounts to NT$9,225,088 thousand and NT$7,930,117 thousand for the years ended to December 31, 2018 and 2017, including the loss of inventory price falling NT$132,671 thousand for the years ended to December 31, 2018.

G. Please refer to note 8 for more details on inventory under pledged.

H. Incremental cost of the contract

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract fulfills its obligation when the house hand over the the customers, and the incremental cost of the contract is amortized.

(8) Investments accounted for using the equity method

The following table lists the investments accounted (Investments in joint venture entities of the Group.) for using the equity method of the Group:

CCH REIM Company Limited (registered in Cayman) is mainly engaged in investment in real estate management financial advisory services in the mainland. The Group invests in the company by joint agreement based on cross-regional management considerations. In addition, the company is a non-public offering company and has not been listed on any securities exchange, so there is no fair value of the open market price.

The consolidated financial information and adjustments to the investment amount of the investment are as follows:

	2018.12.31	2017.12.31
Current assets	$752	$8,941
Non-current assets	(4,874)	13,385
Current liabilities	154	150
Non-current liabilities	-	-
Equities	(4,276)	22,176
Shareholding ratio of The Group	50%	50%
Carrying Amount of investment	$(2,138)	$11,088

	2018.12.31	2017.12.31
Cash and cash equivalent	$376	$4,471
Current financial liabilities (excluding accounts payable, other payables and debt preparation)	-	-
Current financial liabilities (excluding accounts payable, other payables and debt preparation)	-	-

	2018	2017
Operating revenue	$7,705	$30,632
Operating expense	(525)	(1,282)
Interest income	-	-
Non-operating income and expenses	(20,238)	(32,273)
Profit or loss from continuing operations	(13,058)	(2,923)
Other comprehensive income	(168)	(6,602)
Total comprehensive income	(13,226)	(9,525)

The joint venture had no contingent liabilities or capital commitments as at 31 December 2018, and 2017. The company cannot distribute its profits until it obtains the consent from the two venture partners.

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(9) Property, plant and equipment

	Land	Buildings	Leased assets	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost							
2018.1.1	$1,346	$1,829	$106,260	$813,370	$744,291	$141,035	$1,808,131
Additions	-	-	22,268	456,914	24,364	378,118	881,664
Disposals	-	-	(20,853)	(2,026)	(11,524)	-	(34,403)
Transfer	-	-	-	450	838	(1,288)	-
Loss of control (Note)	-	-	-	-	(6,524)	-	(6,524)
Exchange differences	-	-	-	-	104	-	104
2018.12.31	$1,346	$1,829	$107,675	$1,268,708	$751,549	$517,865	$2,648,972
2017.1.1	$1,346	$1,829	$114,327	$796,683	$717,807	$27,767	$1,659,759
Additions	-	-	4,761	15,171	27,623	116,726	164,281
Disposals	-	-	(12,828)	-	(1,302)	-	(14,130)
Transfer	-	-	-	1,516	185	(3,458)	(1,757)
Exchange differences	-	-	-	-	(22)	-	(22)
2017.12.31	$1,346	$1,829	$106,260	$813,370	$744,291	$141,035	$1,808,131
Depreciation and impairment:							
2018.1.1	$-	$305	$48,523	$278,559	$344,325	$-	$671,712
Depreciation	-	36	16,203	60,949	69,926	-	147,114
Disposals	-	-	(17,761)	(2,018)	(6,187)	-	(25,966)
Loss of control (Note)	-	-	-	-	(2,422)	-	(2,422)
Exchange differences	-	-	-	-	40	-	40
2018.12.31	$-	$341	$46,965	$337,490	$405,682	$-	$790,478
2017.1.1	$-	$269	$40,543	$215,787	$271,621	$-	$528,220
Depreciation	-	36	16,135	62,772	73,750	-	152,693
Disposals	-	-	(8,155)	-	(1,068)	-	(9,223)
Exchange differences	-	-	-	-	22	-	22
2017.12.31	$-	$305	$48,523	$278,559	$344,325	$-	$671,712
Net carrying amount as of:							
2018.12.31	$1,346	$1,488	$60,710	$931,218	$345,867	$517,865	$1,858,494
2017.12.31	$1,346	$1,524	$57,737	$534,811	$399,966	$141,035	$1,136,419

Note: The disposal of subsidiaries, please refer to 6.29

(1) The major components of the Group’s buildings are mainly buildings, air-conditioning equipment and elevators, and are depreciated according to their durability years of 50, 5 and 15 years respectively.

(2) The Group's Property, plant and equipment are not capitalized from financial costs.

(3) No Property, plant and equipment were pledged.

(10) Investment property

	Land	Buildings	Total
Cost:			
As at 1 Jan. 2018	$5,591,358	$10,246,622	$15,837,980
Additions from subsequent expenditure	-	-	-
Disposals	(62,446)	(195,351)	(254,797)
Transfers	1,654,877	789,629	2,442,506
Loss of control (Note)	-	(4,654,871)	(4,654,871)
Exchange differences	-	83,016	83,016
As at 31 Dec. 2018	$7,183,789	$6,270,045	$13,453,834
As at 1 Jan. 2017	$5,668,839	$10,608,234	$16,277,073
Additions from subsequent expenditure	-	-	-
Disposals	(77,481)	(314,516)	(391,997)
Transfers	-	-	-
Exchange differences	-	(47,096)	(47,096)
As at 31 Dec. 2017	$5,591,358	$10,246,622	$15,837,980
Depreciation and impairment:			
As at 1 Jan. 2018	$-	$2,854,599	$2,854,599
Depreciation	-	270,432	270,432
Disposals	-	(80,903)	(80,903)
Loss of control (Note)	-	(736,091)	(736,091)
Exchange differences	-	13,631	13,631
As at 31 Dec. 2018	$-	$2,321,668	$2,321,668
As at 1 Jan. 2017	$-	$2,603,907	$2,603,907
Depreciation	-	368,158	368,158
Disposals	-	(116,445)	(116,445)
Exchange differences	-	(1,021)	(1,021)
As at 31 Dec. 2017	$-	$2,854,599	$2,854,599
Net carrying amount as at:			
31 Dec. 2018	$7,183,789	$3,948,377	$11,132,166
31 Dec. 2017	$5,591,358	$7,392,023	$12,983,381

Note: The disposal of the subsidiaries, please refer to 6.29

	31 Dec. 2018	31 Dec. 2017
Rental income from investment property	$422,151	$585,375
Less:		
Direct operating expenses from investment property generating rental income	(222,169)	(303,347)
Direct operating expenses from investment property not generating rental income	(24,724)	(38,666)
Total	$175,258	$243,362

The fair value of the investment properties held by the Group were NT$19,169,793 thousand and NT$24,380,592 thousand as of December 31, 2018 and 2017, respectively.

The fair value of the investment properties was NT$12,077,223 thousand and NT$24,356,578 thousand as of December 31, 2018 and 2017, respectively, which were valued by an independent external appraisal expert and based on the actual deal price or the market transaction price of the real estate nearby; the fair value of investment property was valued by the Group were NT$7,092,570 thousand and NT$24,014 thousand as of December 31, 2018 and 2017, respectively. It was determined based on the market evidence, and the evaluation method was the comparison method.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(11) Intangible assets

	Computer softwares	Trademark	Total
Cost:			
As at 1 Jan. 2018	$122,883	$4,382	$127,265
Addition-acquired separately	3,120	74	3,194
Disposals	-	-	-
Transfers	-	-	-
As at 31 Dec. 2018	$126,003	$4,456	$130,459
As at 1 Jan. 2017	$105,886	$3,908	$109,794
Addition-acquired separately	17,468	474	17,942
Disposals	(2,104)	-	(2,104)
Transfers	1,633	-	1,633
As at 31 Dec. 2017	$122,883	$4,382	$127,265
Amortization and impairment:			
As at 1 Jan. 2018	$91,547	$2,710	$94,257
Amortization	14,707	1,079	15,786
Disposals	-	-	-
Exchange differences	-	-	-
As at 31 Dec. 2018	$106,254	$3,789	$110,043
As at 1 Jan. 2017	$77,365	$1,493	$78,858
Amortization	16,286	1,217	17,503
Disposals	(2,104)	-	(2,104)
Exchange differences	-	-	-
As at 31 Dec. 2017	$91,547	$2,710	$94,257
Net carrying amount as at:			
31 Dec. 2018	$19,749	$667	$20,416
31 Dec. 2017	$31,336	$1,672	$33,008

Amortization expense of intangible assets were as follow:

	31 Dec. 2018	31 Dec. 2017
Operating expenses	$10,361	$12,670
Operating costs	$5,425	$4,833

(12) Other non-current assets

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Land Held for Construction Site	$18,425	$18,425
Prepaid expense — land and equipment	9,814	-
Refundable deposits	1,030,681	936,079
Long-term prepaid rent	-	2,049,047
Other non-current assets - other	17,302	85,084
Total	$1,076,222	$3,088,635

A. As of December 31, 2018, and 2017, the above land was temporarily registered under a third party’s name, both at cost amounting to NT$18,425 thousand:

Items	2018.12.31	2017.12.31	Type	Purpose	Securities
NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	$18,425	$18,425	Purchases / Sales	Development	Mortgage setting and Commitment

B. Long-term prepaid rent

	2018.12.31	2017.12.31
Using rights of Lands	$-	$2,049,047

This right has been leased for 34 years from June 5, 2007, and the rent has been paid. The right due in one year have been classified as prepayments under current assets.

(13) Short-term loans

	As of	
	December 31, 2018 NTD	December 31, 2017 NTD
Unsecured bank loans	$8,715,000	$5,779,000
Interest Rate	0.78%~1.40%	0.89%~1.46%

The Group’s unused short-term lines of credits amounted to NT$15,663,405 thousand, and NT$15,056,020 thousand as of December 31, 2018 and 2017, respectively.

(14) Short-term notes payable

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Short-term notes and bills payable	$260,000	$880,000
Less: unamortized discount	-	(471)
Short-term notes and bills payable	$260,000	$879,529
Interest Rate	1.338%	0.43%~1.34%

(15) Bonds payable

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Domestic secured bonds	$3,000,000	$3,000,000
Less: current portion	-	-
Long-term bonds payable	$3,000,000	$3,000,000

On July 24, 2015 the Company issued the first domestic guaranteed corporate bonds with a total denomination of NT$3,000,000 thousand. The issuance period is five-year. The interest on this corporate bond is a fixed annual interest rate of 1.4%, paying interest once a year, and repaying the loan due day.

(16) Long-term loans

As of December 31, 2018, and 2017, details of long-term loans are as follows:

	As at 31 Dec. 2018	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$4,910,000	1.15%~1.28%	From October 2016 to December 2021, repayments due day.
Long-term notes payable	695,285	0.62%~1.42%	From August 2018 to September 2021, repayments due day.
Subtotal	5,605,285		
Less: current portion	4,200,000		
Total	$1,405,285		

	As at 31 Dec. 2017	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$8,500,000	1.15%~1.31%	From December 2015 to April 2020, repayment due day.
Bank secured loans	5,340,526	1.20%~5.70%	Including two of foreign borrowings of USD 16,200 thousand and USD34,000 thousand, respectively, from August 2017 to August 2021 and June 2017 to June 2021, repayment due day; two overseas loans of €16,880 thousand and €33,676 thousand, from August 2017 to August 2021 and from June 2017 to June 2021, repayment due day; two overseas loans of CNY 104,000 thousand and CNY 269,429 thousand, respectively, from July 2017 to July 2022 and from June 2014 to June 2021, the average of the principal amount of RMB 1,500 thousand was repaid in the semi-annual period from January 31, 2018, separate to nine period and repay at the tenth. The principal amount; from June 30, 2017, the principal of the principal is repaid at an average of RMB 5,000 thousand for eight periods, and the remaining amount of the principal is repaid in the ninth period.
Long-term notes payable	694,749	0.62%~1.42%	From August 2017 to April 2020, repayment due day.
Subtotal	14,535,275		
Less: current portion	59,566		
Total	$14,475,709		

The mortgage first order is the partial inventory. Please refer to Note 8 of the pledged assets.

(17) Retirement employment benefits

A. Defined contribution plan

The defined contribution plan of the Group's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Group makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

Subsidiaries in China are required to pay pension insurance premiums according to the local government's laws and regulations, paying a certain proportion of the total salary of the employees. A Certain proportion of the total salary of the employees is paid to the relevant government department, and saved in separate accounts of each employee.

Other foreign subsidiaries of the Group provide pensions to relevant pension management undertakings in accordance with local laws and regulations.

For the years ended December 31, 2018 and 2017, the expenses related to defined contribution plan amounted to NT$20,478 thousand and NT$20,335 thousand respectively.

B. Defined benefits plan

The defined benefit plan of the Group's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Group contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Group should make up the difference before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Group is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2018, the amount of contribution expected to be made in the following accounting year is NT$9,825 thousand.

As at December 31, 2018 and 2017, the defined benefit plan of the Group was expected to be expired in 2033 and 2034.

Amounts to be recognized in profit or loss for the years ended 2018 and 2017 are summarized as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current period service cost	$9,330	$9,896
Net interest on the net defined benefit liability (asset)	1,264	1,770
Subtotal	$10,594	$11,666

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Present value of defined benefit obligation	$182,065	$208,431	$203,678
Fair value of plan assets	(89,715)	(87,021)	(66,131)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$92,350	$121,410	$137,547

Reconciliation of net defined benefit liabilities(assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2017.01.01	$203,678	$(66,131)	$137,547
Current service cost	9,896	-	9,896
Interest expense (income)	2,439	(669)	1,770
Subtotal	12,335	(669)	11,666
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	5,099	-	5,099
Experience adjustment	-	-	-
Return on plan assets	-	618	618
Subtotal	5,099	618	5,717
Payments from the plan	(12,681)	7,933	(4,748)
Contributions by employer	-	(28,772)	(28,772)
2017.12.31	208,431	(87,021)	121,410
Current service cost	9,330	-	9,330
Interest expense (income)	2,085	(821)	1,264
Subtotal	11,415	(821)	10,594
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	2,204	-	2,204
Experience adjustment	556	-	556
Return on plan assets	-	(8,129)	(8,129)
Subtotal	2,760	(8,129)	(5,369)
Payments from the plan	(40,541)	16,087	(24,454)
Contributions by employer	-	(9,831)	(9,831)
2018.12.31	$182,065	$(89,715)	$92,350

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2018	December 31, 2017
Discount rate	0.84%~1.10%	0.91%~1.25%
Expected rate of salary increases	1.00%~2.50%	1.00%~2.50%

A sensitivity analysis for significant assumption as at December 31, 2018 and 2017 is, as shown below:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$8,196	$-	$10,476
Discount rate decrease by 0.5%	9,551	-	11,318	-
Future salary increase by 0.5%	9,192	-	10,710	-
Future salary decrease by 0.5%	-	7,855	-	10,071

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) Common stock

The Group had NT$2,000,000 thousand authorized shares of which NT$1,159,561 thousand shares were both issued as of December 31,2018 and 2017, respectively, at par value of NT$10. Each share has one vote and the right to receive dividends.

(19) Capital surplus

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Treasury share transactions	$10,407	$10,407
Others － Overdue dividends	15,376	7,656
Total	$25,783	$18,063

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(20) Retained earnings and non-controlling interests

A. Legal reserve

According to the Company Act, the Company needs to set aside 10% amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

B. Special reserve

After the adoption of International Financial Reporting Standards, in accordance with Letter FSC No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment.

At the first-time adoption of IFRSs, special reverse set aside by the company was NT$504,189 thousand. As of 31 December 2018, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

Pursuant to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be appropriated in the following order:

(a) Payments of all taxes, if any
(b) To offset prior year’s deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a) and
(d) To set aside special reserve, if required
(e) The remaining amount (the “appropriable after-dividend earnings”), if any, combination with prior year’s accumulated unappropriated earnings is appropriated based on the appropriation of shareholders’ bonuses plan drafted by the board of directors under the ordinary shareholders’ meeting.

In response to the changes in the economy and the markets, the company is developing towards diversified investment to increase profitability. Considering long-term financial planning and cash flows, the dividend policy adopts the residual dividend policy for stable growth and sustainable operation. According to the company's operating plan, capital investment and the shareholders' demand for cash inflows, and avoiding excessive inflationary capital, the surplus distribution is given priority by cash dividends, and the stock dividends are also issued, but the cash dividend distribution ratio cannot less than 50% of the total dividend.

D. For the years ended 2017 and 2016, the details of earnings distribution and dividends per share resolved by the shareholder’s meeting on June 8, 2018 and resolved by the shareholder’s meeting on June 16, 2017, were as follows:

	Appropriation of earnings		Dividend per share	
	2017	2016	2017	2016
Legal reserve	$144,464	$301,791		
Common stock － cash dividend	1,391,473	1,739,342	$1.2	$1.5

E. Please refer to Note 6.24 for details of bonus to employees and directors.

F. Non-controlling interests

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Beginning balance	$455,660	$600,968
Net income (losses) attributed to the non-controlling interest	632,186	(203,013)
Other comprehensive income attributed to the non-controlling interest:		
Exchange differences resulting from translating the financial statements of a foreign operation	74,823	26,708
Remeasurements of defined benefit plans	(18)	21
Income tax (benefit) expense relating to items that will not be reclassified	3	-
Rights offering by subsidiary	4,982	38,401
Reduction of capital by subsidiary	(890,674)	-
Dividends distributing by subsidiary	(10,149)	(7,425)
Ending balance	$266,813	$455,660

(21) Operating revenues

	For the year ended December 31, 2018(Note)	For the year ended December 31, 2017
	NTD	NTD
Revenue from contracts with customers		
Rental income	$642,772	$711,877
Sales of buildings and land	12,400,858	10,191,672
Service income	1,147,342	1,242,683
Others	103,798	123,950
Total	$14,294,770	$12,270,182

Note: The Group has adopted IFRS 15 from 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2018

	Property and real estate Investment development department	Others	Total
Rental income	$386,193	$256,579	$642,772
Sales of buildings and lands	12,400,858	-	12,400,858
Sales of goods	-	69,813	69,813
Service income	-	1,147,342	1,147,342
Others	-	33,985	33,985
Total	$12,787,051	$1,507,719	$14,294,770
Revenue recognition point:			
At a point in time	$12,400,858	$1,251,140	$13,651,998
Over time	386,193	256,579	642,772
	$12,787,051	$1,507,719	$14,294,770

B. Contract balances

Contract liabilities － current

	Amount at beginning of period	Amount at end of period	Difference
Sales of goods	$4,473,657	$3,626,329	$(847,328)
Service	31,229	25,283	(5,946)
Total	$4,504,886	$3,651,612	$(853,274)

During the period, contract liabilities significantly decreased as performance obligations are partially satisfied and NT$11,458,500 thousand included in the contract liability balance at the beginning of the period was recognized as revenue during the period, the remaining changing was the increase of unearned revenue during the period.

C. Assets recognized from the revenue from contracts with customers

	Amount at beginning of period	Amount at end of period	Difference
Sales of goods	$454,510	$481,597	$27,087

The amortized amount of the incremental cost of the Group's acquisition of the contract on December 31, 2018 was NT$213,332 thousand.

(22) Expected credit losses/ (gains)

	For the year ended December 31, 2018	For the year ended December 31, 2017 (Note)
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$4,482	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for information of credit risks.

The Group measures the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the the year ended December 31, 2018 is as follows:

The Group considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

Group 1	Neither past due (Note 1)	Past due: Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$468,017	$4,377	$3,474	$9,531	$-	$-	$485,399
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	10	-	-	12
Subtotal	468,017	4,377	3,472	9,521	-	-	485,387

Group 2	Neither past due (Note 1)	Past due: Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	18,591	-	-	4,218	5,537	4,625	32,971
Loss ratio	-	-	-	10%	30%	50%	
Lifetime expected credit losses	-	-	-	422	1,661	2,312	4,395
Subtotal	18,591	-	-	3,796	3,876	2,313	28,576
Loss of control (Note 2)	(17,836)	-	-	(3,796)	(3,876)	(2,313)	(27,821)
Total	$468,772	$4,377	$3,472	$9,521	$-	$-	$486,142

Note 1: The Group's notes receivable is not overdue.
Note 2: The disposal of subsidiaries, please refer to 6.29

For the year ended December 31, 2018, the movement in the provision for impairment of notes receivable and accounts receivable is as follows:

	Receivables
Beginning balance (in accordance with IAS 39)	$-
Beginning adjusted retained earnings	-
Beginning balance (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	4,482
Write off	-
Loss of control (Note)	(4,395)
Exchange differences	(75)
Ending balance	$12

Note: The disposal of subsidiaries, please refer to 6.29

(23) Operating lease

A. Operating lease commitments – Group as lessee

The Group has rent an office by operating lease.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018, and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Not later than one year	$444,043	$375,110
Later than one year and not later than five years	1,602,781	1,335,147
Later than five years	4,862,147	3,102,319
Total	$6,908,971	$4,812,576

Operating lease expenses recognized are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Minimum lease payments	$341,314	$326,355

B. Operating lease commitments – Group as lessor

The Group has entered commercial property leases with remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Not later than one year	$374,340	$661,140
Later than one year and not later than five years	1,451,539	2,416,884
Later than five years	602,216	1,790,204
Total	$2,428,095	$4,868,228

(24) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Description	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	$259,528	$294,720	$554,248	$250,751	$274,088	$524,839
Labor and health insurance	21,294	24,243	45,537	21,899	23,631	45,530
Pension	11,482	19,590	31,072	11,910	20,091	32,001
Other employee benefits expense	14,371	16,533	30,904	12,696	14,623	27,319
Depreciation and depletion	324,005	93,541	417,546	421,888	98,963	520,851
Amortization	5,425	10,361	15,786	4,833	12,670	17,503

According to the Company's Articles of Incorporation, 0.1% to 1% and lower than 1% of the profit of the period should be distributed as compensation for employees and directors' remuneration. However, if there is accumulated deficit, the deficit should be covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, there to a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employee compensation can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company's employees' compensation and directors' remuneration was NT$3,841 thousand and NT$2,400 thousand, estimated as 0.1% to and lower than 1% of the Company's net profit and recognized as compensation for employees and directors' remuneration for the year ended December 31, 2018. The Company's the board of director's meeting on March 21, 2019, resolved to distribute NT$3,841 thousand and NT$2,400 thousand of employee's and director's compensation in cash.

The actual distribution of the employee compensation and remuneration to directors were NT$1,376 thousand and NT$2,400 thousand for the year ended 31 December 2017. There are no material differences exist between the estimated amount and the actual distribution.

(25) Non-operating income and expenses

A. Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Interest income	$7,297	$4,338
Dividend income	152,719	119,656
Others	121,581	107,584
Total	$281,597	$231,578

B. Other gains and losses

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Gains (losses) on disposal and abandon of property, plant and equipment	$(898)	$449
Gains (losses) on disposal of investment	2,128,213	(847)
Foreign exchange gains (losses), net	43,310	(79,799)
Others	(24,529)	(53,391)
Total	$2,146,096	$(133,588)

C. Finance costs

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Interest on borrowings from bank	$133,801	$245,368

(26) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$5,369	$-	$5,369	$(1,766)	$3,603
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(493,136)	-	(493,136)	-	(493,136)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	93,307	135,567	228,874	-	228,874
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(287)	-	(287)	-	(287)
Total of other comprehensive income	$(394,747)	$135,567	$(259,180)	$(1,766)	$(260,946)

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$(5,717)	$-	$(5,717)	$972	$(4,745)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations	76,162	-	76,162	-	76,162
Unrealized gains (losses) from financial assets in available-for-sale	35,156	(349)	34,807	-	34,807
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2,504)	-	(2,504)	-	(2,504)
Total of other comprehensive income	$103,097	$(349)	$102,748	$972	$103,720

(27) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company’s applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	$40,155	$123,589
Current land value increment tax charge	125,253	108,589
Adjustments in respect of current income tax of prior periods	44	2,651
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	191,589	(284,976)
Deferred tax expense (income) relating to changes in tax rate	(89,858)	-
Total income tax expense (income)	$267,183	$(50,147)

Income tax relating to components of other comprehensive income

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(1,074)	$972
Deferred tax expense (income) relating to changes in tax rate	(692)	-
Total	$(1,766)	$972

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	$4,508,980	$1,191,478
The parent company statutory income tax rate (tax rate of 20% per in 2018；tax rate of 17% per in 2017)	$798,553	$255,648
Tax effect of revenues exempt from taxation	(798,111)	(372,498)
Tax effect of non-deductible expense	20,025	15,268
Tax effect of deferred tax assets/liabilities	211,277	(157,672)
10% surtax on undistributed retain earnings	-	97,867
Adjustments in respect of current income tax of prior periods	44	2,651
Current land value increment tax	125,253	108,589
Deferred tax expense (income) relating to changes in tax rate	(89,858)	-
Total income tax expense (income) recognized in profit or loss	$267,183	$(50,147)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as at 1 Jan. 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2018
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$(1,507)	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	74,011	22,735	-	96,746
Depreciation difference for tax purpose － investment property	77,677	23,862	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,933	496	-	2,429
Investments Accounted for Using Equity Method	245,427	(162,361)	-	83,066
Unrealized intragroup profits and losses	98	22	-	120
Allowance for loss	1,071	329	-	1,400
Allowance for loss of inventories price falling	1,630	27,035	-	28,665
Non-current liability – Defined benefit Liability	15,125	790	(1,766)	14,149
Accrued expenses over two years transfer to revenue	5	2	-	7
Unrealized advertising fee	84,658	10,594	-	95,252
Unrealized commission fee (Note)	12,176	(12,176)	-	-
Unrealized repairing fee	524	-	-	524
Unused tax credits	103,890	(11,554)	-	92,336
Deferred tax income/ (expense)		$(101,733)	$(1,766)	
Net deferred tax assets/(liabilities)	$609,683			$506,184
Reflected in balance sheet as follows:				
Deferred tax assets	$618,225			$516,233
Deferred tax liabilities	$(8,542)			$(10,049)

Note: The Group has applied the IFRS15 from January 1, 2018 to adjust the beginning balance of deferred income tax assets of NT$ 69,540 thousand. Please refer to Note 3 for details.

For the year ended December 31, 2017

	Beginning balance as at 1 Jan. 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as at 31 Dec. 2017
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$-	$-	$(8,542)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	41,117	32,894	-	74,011
Depreciation difference for tax purpose － investment property	43,154	34,523	-	77,677
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,116	817	-	1,933
Investments Accounted for Using Equity Method	97,191	148,236	-	245,427
Unrealized intragroup profits and losses	58	40	-	98
Allowance for loss	595	476	-	1,071
Allowance for loss of inventories price falling	905	725	-	1,630
Non-current liability – Defined benefit Liability	9,065	5,088	972	15,125
Accrued expenses over two years transfer to revenue	3	2	-	5
Unrealized advertising fee	45,573	39,085	-	84,658
Unrealized commission fee	58,626	23,090	-	81,716
Unrealized repairing fee	524	-	-	524
Unused tax credits	103,890	-	-	103,890
Deferred tax income/ (expense)		$284,976	$972	
Net deferred tax assets/(liabilities)	$393,275			$679,223
Reflected in balance sheet as follows:				
Deferred tax assets	$401,817			$687,765
Deferred tax liabilities	$(8,542)			$(8,542)

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as of December 31, 2018 NTD	Unused tax losses as of December 31, 2017 NTD	Expiration year
2012	$44,470	$16,888	$16,888	2022
2013	166,924	65,058	166,924	2023
2014	98,169	77,749	98,169	2024
2015	328,187	183,168	328,187	2025
2016	554,085	268,254	554,085	2026
2017	773,790	458,042	773,790	2027
2018	1,236,315	1,236,315	-	2028
		$2,305,474	$1,938,043	

Unrecognized deferred tax assets

As of 31 December 2018, and 2017, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$374,969 thousand and NT$363,119 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2018, and 2017, the Group didn't have the taxable temporary differences associated with unrecognized deferred tax liabilities relating to the investment in subsidiaries.

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2016
Subsidiary-Cathay Real Estate Management Co.,Ltd	Assessed and approved up to 2016
Subsidiary-Cathay Healthcare Management Co., Ltd	Assessed and approved up to 2016
Subsidiary-Cathay Hospitality Management Co.,Ltd	Assessed and approved up to 2016

(28) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

In view of the companies did not issue a potential ordinary share with dilution, the Group doesn't have to dilute the amount of the basic earnings per share.

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$3,609,611	$1,444,638
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	1,159,561	1,159,561
Basic earnings per share	$3.11	$1.25

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(29) Changes in parent's interest in subsidiaries

Disposal shares of the subsidiaries

As of December 31,2018:

For the whole business strategy and company financial planning considerations, the Group disposed of the entire shares of Golden Gate Investment Company Limited and Lotus Investment Company Limited on July 6; and jointly lost its control of Golden Gate Pacific Company Limited, Lotus Pacific Company Limited, Shanghai Lujing Real Estate Co., Ltd. and Jiaheng (Shanghai) Real Estate Co., Ltd. The sale price is US$112,310 thousand (equivalent to NT$3,403,779 thousand) and US$70,222 thousand (equivalent to NT$2,128,213 thousand) as the gain from disposal of investment. The exchange difference of the financial statements of foreign operating institutions is US$4,473, thousand (equivalent to NT$135,567 thousand), which is reclassified to the current profit and loss. As of December 31, 2018, the amount of accounts receivable and unpaid fees was US$13,470 thousand (equivalent to NT$408,235 thousand) and US$7,600 thousand (equivalent to NT$230,333 thousand).

In addition, the details of the carrying amount of assets and liabilities of Golden Gate Investment Company Limited and Lotus Investment Company Limited on July 6, 2018 are as follows:

	Book value
	Golden Gate Investment Company Limited
Cash and cash equivalent	$10
Investments Accounted for Using Equity Method	707,689
Other payables －related parties	(811)
Net assets	$706,888

	Book value
	Lotus Investment Company Limited
Cash and cash equivalent	$35
Investments Accounted for Using Equity Method	202,943
Other payables	(200)
Net assets	$202,778

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
CCH REIM Company Limited (CCH REIM)	Associate
Tailin Management Consulting Limited (Tailin Consulting)	Associate
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
Symphox Information Co., Ltd. (Symphox Information)	Others
Seaward Card Co., Ltd. (Seaward Card)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others
Individual	Others

Significant transactions with the related parties

The Group's related party transactions amount, less than 3 million, don't be disclosed.

(1) Cash in banks and short-term loan

Name of the related parties	Type	As of Dec. 31, 2018 Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Cathay United Bank	Demand deposit	$8,822,992	$1,076,036	0.05%	$1,187
	Checking accounts	1,425,684	97,966	-	-
	Securities accounts	1,170,662	52,269	0.01%	7
	Time deposits	109,150	85,550	0.75%~1.02%	767
	Short-term loan	400,000	210,000	1.00%	-

Name of the related parties	Type	As of Dec. 31, 2017 Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Cathay United Bank	Demand deposit	$2,650,472	$525,375	0.05%~0.23%	$287
	Checking accounts	1,128,597	40,203	-	-
	Securities accounts	770,609	46,322	0.01%	8
	Time deposits	82,600	76,700	0.87%~1.12%	729
	Short-term loan	130,000	-	0.02%	(36)

(2) Purchase

Name of the related parties	Type	As of Dec. 31, 2018	Dec. 31, 2017
San Ching Engineering	Building constructing or expansion	$2,430,896	$2,664,862
Cathay United Bank	Management fee of trust service	2,856	11,227
		$2,433,752	$2,676,089

A. The sales price to the above related parties was determined through agreement based on the market rates.

B. The total price of the commissioned construction and consultancy contracts signed by The Group and San Ching Engineering was NT$11,899,255 thousand and NT$ 11,069,132 thousand, respectively, for the year ended of 2018 and 2017.

(3) Sales

A. Sales revenue

Name of the related parties	Type	As of Dec. 31, 2018	As of Dec. 31, 2017
Individual	Sales of buildings and land	$36,851	$-

The transaction price and collection conditions above don't have significantly different from those of the general customers.

B. Rental Income

Name of the related parties	Type	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay Life Insurance	Office and vehicles rental	$8,056	$8,739
Cathay United Bank	Office and vehicles rental	18,813	19,236
Total		$26,869	$27,975

The rental period is 2 to 5 years and collect rent monthly which were ruled by the contract.

C. Service revenue

Name of the related parties	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay Life Insurance	$34,866	$27,368
Cathay United Bank	26,084	18,895
Symphox Information	9,315	9,430
Total	$70,265	$55,693

The subsidiary company Cathay Healthcare Management provides health inspection services and Cathay Hospitality provides housing services.

(4) Accounts payable – related parties

The debt between the Group and the related parties (Both uninterested) are as follows:

Name of the related parties	As of Dec. 31, 2018	As of Dec. 31, 2017
San Ching Engineering	$590,101	$263,394
Cathay Life Insurance	4,556	1,569
Total	$594,657	$264,963

(5) Others

A. Refundable deposits

Name of the related parties	Type	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay Life Insurance	Rent deposit	$23,468	$18,902

B. Guarantee deposit received

Name of the related parties	Type	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay United Bank	Rent deposit	$4,608	$4,549

C. Construction in progress

As of December 31, 2018, the case for the Minsheng Jingguo Building, the payment to the Cathay Life Insurance Co., Ltd. is NT$67,486 thousand, the account is listed under the inventory construction in progress.

(6) Other income

Name of the related parties	Items	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay Life Insurance	Management fee and planning fee	$3,688	$3,927
Cathay United Bank	Management fee and planning fee	4,839	4,909
Nangang One	Consultancy service	14,080	7,040
Nangang Two	Consultancy service	17,920	8,960
Total		$40,527	$24,836

(7) Operating costs

Name of the related parties	Items	As of Dec. 31, 2018	As of Dec. 31, 2017
Lin Yuan Property	Management and repairing fee	$45,976	$41,100
Cathay Century Insurance	Insurance fee	6,383	4,313
Cathay Life Insurance	Rental expenses	180,551	181,243
Cathay Life Insurance	Management fee	60,528	59,584
Symphox Information	Others	3,452	3,534
Tailin Consulting	Consultancy fee	9,573	15,804
Total		$306,463	$305,578

(8) Rental expenses

Name of the related parties	Type	As of Dec. 31, 2018	As of Dec. 31, 2017
Cathay Life Insurance	Office renting	$55,058	$54,812

(9) Operating expenses

Name of the related parties	Items	As of Dec. 31, 2018	As of Dec. 31, 2017
CCH REIM	Service fee	$15,410	$61,264
Seaward Card	Temporary worker service	3,094	3,596
Cathay Life Insurance	Insurance and selling expenses	10,866	6,563
San Ching Engineering	Service fee	6,173	381
Total		$35,543	$71,804

(10) Property transactions

Details of the company and its subsidiaries transacting equipment to related parties are as follows:

For the year ended Dec. 31,2018

Date	Name of the related parties	Subject matter	Purchasing price
August, 2018	Cathay Life Insurance	Business facilities for building	$452,540

For the year ended Dec. 31,2017

Date	Name of the related parties	Subject matter	Purchasing price
		None	

(11) Key management personnel compensation

	For the year ended December 31, 2018	For the year ended December 31, 2017
	NTD	NTD
Short-term employee benefits	$52,063	$45,332
Post-employment benefits	1,034	886
	$53,097	$46,218

8. PLEDGED ASSETS

The following assets were pledged to banks as collaterals for bank loans:

	As of		
	December 31, 2018	December 31, 2017	
Items	NTD	NTD	Secured liabilities
Inventories	$5,320,359	$7,053,639	Long-term loan
Investment property	8,057,172	11,319,737	Long-term loan
Total	$13,377,531	$18,373,376	

Pledged or mortgaged assets are expressed in dollars.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

Except for Note 7.2. as of December 31, 2018, the total contract price of the construction contracts signed by the Group and non-related parties was NT$6,808,888 thousand, and the total amount of NT$3,567,761 thousand was not paid.

(2) Others

Guarantee notes issued for borrowings (financing) were NT$42,436,890 thousand as of December31,2018.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of	
Financial Assets	December 31, 2018	December 31, 2017
	NTD	NTD
Financial assets at fair value through other comprehensive income	$4,258,837	(Note 1)
Available-for-sale financial assets (Note 2)	(Note 1)	$4,720,814
Financial assets at amortised cost (Note 3)	2,529,129	(Note 1)
Loans and receivables (Note 4)	(Note 1)	1,541,914
Total	$6,787,966	$6,262,728

Financial Liabilities	As of December 31, 2018	December 31, 2017
	NTD	NTD
Financial liabilities at amortized cost:		
Short-term borrowings	$8,715,000	$5,779,000
Short-term notes and bills payable	260,000	879,529
Accounts payables	1,801,378	1,343,220
Bonds payable	3,000,000	3,000,000
Long-term borrowings (including current portion)	5,605,285	14,535,275
Guarantee deposit received	142,239	202,291
Total	$19,523,902	$25,739,315

Note:

1. The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balances as at December 31, 2017 both include financial assets measured at cost.
3. Including cash and cash equivalents, notes receivable, accounts receivable and other receivables.
4. Including cash and cash equivalents, notes receivable, accounts receivable and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the above-mentioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market price. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instrument).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for a foreign currency: US dollars and CNY. The information of the sensitivity analysis is as follows:

A. When NTD strengthens/weakens against US dollars by 5%, the equity for the year ended December 31, 2018 and 2017 is decreased/increased by NT$110 thousand and NT$1,463 thousand, respectively.

B. When NTD strengthens/weakens against CNY by 5%, the equity for the year ended December 31, 2018 and 2017 is decreased/increased by NT$0 thousand and NT$16 thousand, respectively.

C. When NTD strengthens/weakens against EUR by 5%, the equity for the year ended December 31, 2018 and 2017 is decreased/increased by NT$0 thousand and NT$89,964 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$8,975 thousand and NT$6,659 thousand for the years ended December 31, 2018 and 2017, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. (available-for-sale financial assets as of December 31, 2017) The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT$101,834 thousand for the year ended December 31, 2018, on the profit/loss or equity attributable to the Group. When the price of the unlisted equity securities at fair value through other comprehensive income increases/decreases 10%, it could have impacts of NT$5,262 thousand for the year ended December 31, 2018, on the equity attributable to the Group.

When the price of the unlisted equity securities classified as available-for-sale decreases 10%, it could have impacts of NT$4,424 thousand for the year ended December 31, 2017, on the equity attributable to the Group. When the price of the listed equity securities classified as available-for-sale decrease 5%, it could have impacts of NT$101,834 thousand for the year ended December 31, 2017, on the profit/loss or equity attributable to the Group. An increase of 5% in the value of the listed securities would only impact equity but would not influence profit or loss.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018, and 2017, accounts receivable from top ten customers represented low percentage of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury department in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility using cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2018					
Borrowings	$13,224,350	$1,413,817	$-	$-	$14,638,167
Accounts payable	1,801,378	-	-	-	1,801,378
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	34,516	30,156	16,980	60,587	142,239

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2017					
Borrowings	$6,718,095	$9,744,896	$5,053,676	$-	$21,516,667
Accounts payable	1,343,220	-	-	-	1,343,220
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	113,382	21,395	16,174	51,340	202,291

(6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2018:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Total liabilities from financing activities
2018.1.1	$5,779,000	$879,529	$14,535,275	$21,193,804
Cash flows	2,936,000	(619,529)	(3,785,554)	(1,469,083)
Loss of control	-	-	(5,144,436)	(5,144,436)
2018.12.31	$8,715,000	$260,000	$5,605,285	$14,580,285

Reconciliations of the liabilities for the year ended December 31, 2017:

Not applicable.

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.
(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
(c) Fair value of other financial assets and liabilities are determined based on the discounted cash flow analysis. The assumption of interest rate and discount rate were based on relevant information of similar instrument and using interest rate yield curve for the contract period

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group’s financial assets (including loans and receivables) and liabilities measured at amortized cost approximate their fair value.

C. Fair value hierarchy

The following table provides financial instrument analysis information measured at fair value after the original recognition, and divide the fair value into the following three levels of disclosure:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liabilities.

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,620,886	$1,318,200	$319,751	$4,258,837

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stocks	$2,983,349	$1,516,019	$9,246	$4,508,614

The group had no recurring assets and liabilities transfer between level 1 input and level 2 input for the year ended December 31, 2018 and 2017.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset
	At fair value through other comprehensive income
	Stocks
2018.1.1	$343,174
Amount recognized in OCI	(23,423)
Transfer from the level 3	-
2018.12.31	$319,751

	Asset
	Available for-sale
	Stocks
2017.1.1	$8,337
Amount recognized in OCI	909
Transfer from the level 3	-
2017.12.31	$9,246

Total gains and losses recognized in profit or loss for the year ended 31 December 2018 and 2017 is the amount of NT$(23,423) thousand and NT$909 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2018:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$22,309 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$16,401 thousand

As at December 31, 2017:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Available for-sale					
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$925 thousand

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$71	30.838	$2,204	$976	29.968	$29,254
CNY	-	-	-	70	4.582	322
Financial liabilities						
Monetary items:						
EUR	-	-	-	50,556	35.59	1,799,276

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to schedule 1.

C. Securities held as of December 31, 2018 (not including subsidiaries, associates and joint ventures): Please refer to schedule 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 % of the Company's capital stock: None.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital: Please refer to schedule 3.

F. Disposal of property with amount exceeding NT$300 million or 20% of the Company's paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the Company's paid-in capital or more: Please refer to schedule 4.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the Company's paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Significant intercompany transactions between consolidated entities: Please refer to schedule 5.

(2) Investee information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to schedule 1.

C. Securities held as of December 31, 2018 (Investee information): Please refer to schedule 6.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 % of the capital stock: Please refer to schedule 7.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

F. Disposal of property with amount exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the Company’s paid-in capital or more: None.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the Company’s paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Names, locations and related information of investee companies: Please refer to schedule 8.

(3) Investment in Mainland China as of December 31, 2018

Please refer to schedule 9.

14. OPERATING SEGMENT INFORMATION

(1) Information about reportable segment profit or loss, assets and liabilities

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

Movable property and real estate development department: The main businesses of the department are entrusted the manufacturer to build residential and commercial buildings for leasing or selling.

The operating segment information does not summarize more than one operating segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner like transactions with third parties.

Information for the year ended December 31, 2018

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$12,787,051	$1,507,719	$-	$14,294,770
Inter-segment	25,474	4,559	(30,033)	-
Total revenue	$12,812,525	$1,512,278	$(30,033)	$14,294,770
Interest expense	$1,905	$131,896	$-	$133,801
Depreciation and Amortization	191,330	242,043	(41)	433,332
Loss (gain) of investments accounted for using equity method	1,218,883	897,398	(2,129,426)	(13,145)
Other material non-cash items:				
Loss (gain) on disposal of investments	-	2,128,213	-	2,128,213
Dividend income	152,719	-	-	152,719
Segment profit	$3,834,808	$2,803,598	$(2,129,426)	$4,508,980
Assets				
Capital expenditure of non-current assets	$11,190,073	$1,834,418	$(13,415)	$13,011,076
Segment assets	$46,692,101	$4,134,558	$(2,055,271)	$48,771,388
Liabilities				
Investment Accounted for Using Equity Method(Credit)	$(1,652,433)	$(378,558)	$2,033,129	$2,138
Segment liabilities	$21,617,365	$1,824,633	$(12,159)	$23,429,839

Information for the year ended December 31, 2017

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$10,586,205	$1,683,977	$-	$12,270,182
Inter-segment	23,879	8,559	(32,438)	-
Total revenue	$10,610,084	$1,692,536	$(32,438)	$12,270,182
Interest expense	$5,342	$240,026	$-	$245,368
Depreciation and Depletion	196,390	342,005	(41)	538,354
Loss (gain) of investments accounted for using equity method	(510,151)	(1,973,309)	2,480,541	(2,919)
Other material non-cash items:				
Loss (gain) on disposal of investments	(847)	-	-	(847)
Dividend income	119,656	-	-	119,656
Segment profit	$1,371,872	$(2,660,935)	$2,480,541	$1,191,478
Assets				
investments accounted for using equity method	$1,505,488	$6,025,587	$(7,519,987)	$11,088
Capital expenditure of non-current assets	9,092,905	5,073,359	(13,456)	14,152,808
Segment assets	$46,687,745	$14,616,472	$(7,543,029)	$53,761,188
Segment liabilities	$23,919,243	$6,640,826	$(23,043)	$30,537,026

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ section. All other adjustments and eliminations are part of detailed reconciliations presented further below.

(2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue:

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Total revenue from reportable segments	$12,812,525	$10,610,084
Other revenue	1,512,278	1,692,536
Elimination of inter-segment revenue	(30,033)	(32,438)
Total revenue	$14,294,770	$12,270,182

B. Profit or loss:

	For the year ended December 31,2018	For the year ended December 31,2017
	NTD	NTD
Net income from reportable segments	$3,834,808	$1,371,872
Other profit	2,803,598	(2,660,935)
Elimination of inter-segment profit	(2,129,426)	2,480,541
Net income from continuing operations	$4,508,980	$1,191,478

C. Assets:

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Total assets of reportable segments	$46,692,101	$46,687,745
Other assets	4,134,558	14,616,472
Adjustment and elimination	(2,055,271)	(7,543,029)
Segment assets	$48,771,388	$53,761,188

D. Liabilities:

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
Total liabilities of reportable segments	$21,617,365	$23,919,243
Other liabilities	1,824,633	6,640,826
Adjustment and elimination	(12,159)	(23,043)
Segment liabilities	$23,429,839	$30,537,026

E. Other material items:

For the year ended December 31, 2018

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$734	$6,563	$-	$7,297
Interest expense	1,905	131,896	-	133,801
Capital expenditure for non-current assets	11,190,073	1,834,418	(13,415)	13,011,076
Depreciation and Amortization	191,330	242,043	(41)	433,332

For the year ended December 31, 2017

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$1,556	$2,782	$-	$4,338
Interest expense	5,342	240,026	-	245,368
Capital expenditure for non-current assets	9,092,905	5,073,359	(13,456)	14,152,808
Depreciation and Amortization	196,390	342,005	(41)	538,354

The reconciling item to adjust capital expenditures for non-current assets is the amount incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are material.

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Schedule1: Endorsement/guarantee provided to others

Unit：NT$1,000

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage	Limit on the Endorsement/Guarantee Amount	Parent Company Endorsed / Guaranteed for the Subsidiaries	Subsidiaries Endorsed/ Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
		Company Name	Relationship (Note2)										
0	The company	Golden Gate Pacific Company Limited	3	$7,522,421	1,714,465	$-	$-	$-	-	$15,044,842	Y	N	N
0	The company	Shanghai Lujing Real Estate Limited	3	7,522,421	880,372	-	-	-	-	15,044,842	Y	N	Y
1	Cathay healthcare management co.,Ltd	Hangzhou Kunning Health Consulting Limited	3	7,522,421	61,466	61,466	-	-	0.25%	15,044,842	Y	N	Y
	A. Limit of the Endorsement / Guarantee Amount for Receiving Party：NT$25,074,736 thousand *30% B. Limit on the Endorsement/Guarantee Amount：NT$25,074,736 thousand*60%												

Note1： The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2： Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 50% voting shares by the company.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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Schedule2: Securities held as of December 31, 2018 (not including subsidiaries, associates and joint ventures)

Shares: In thousand

Company	Type and Name of the Securities (Note1)	Relationship	Financial Statement Account	As of December 31, 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock － Cathay Financial holdings Co., Ltd	Others	Financial assets at fair value through other comprehensive income–current	55,763,541	$2,620,886	0.44%	$2,620,886	
〃	Stock － Lin Yuan Property Management Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	300,000	8,904	10.00%	8,904	
〃	Stock － Symphox Information Co., Ltd	Others	〃	5,489,000	90,733	11.00%	90,733	
〃	Stock － Taiwan Star Telecom Co., Ltd	None	〃	195,000,000	1,318,200	4.63%	1,318,200	
〃	Stock － Gong Cheng Industrial Co.	None	〃	1,580,083	-	3.23%	-	
〃	Stock － Gian Feng Investment Co., Ltd.	None	〃	2,000,000	9,040	10.00%	9,040	
〃	Stock － MetroWalk internatinal Co., Ltd	None	〃	3,448,276	55,966	1.72%	55,966	
〃	Stock － Budworth Investments Limited	None	〃	191,880	4,977	3.33%	4,977	
〃	Stock － Nangang International One Co., Ltd.	Others	〃	7,485,000	74,973	4.99%	74,973	
〃	Stock － Nangang International Two Co., Ltd.	Others	〃	7,485,000	74,858	4.99%	74,858	

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 “Financial Instruments”.

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Schedule3 Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital:

Unit：NT$1,000

Company	Property Name	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	No. 106, SihXin Section, Xindian District, New Taipei City	2018.05.17	$1,763,914	Installment by agreement	New Taipei City Government	None	-	-	-	$-	Internal assessment and approved by chairman	Construction	None
The Company	No. 25, Pingshi Section, Eastern District, Tainan City	2018.05.29	928,396	Installment by agreement	Tainan City Government	None	-	-	-	-	Internal assessment and approved by chairman	Construction	None
The Company	No. 212, Zhuxing Section, Beitun District, Taichung City	2018.11.22	844,083	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None

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Schedule4: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit：NT$1,000

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts payable	
The Company	San Ching Engineering Co., Ltd	Associate	Construnction-in-progress	$2,430,896	27.56%	N/A	$-	-	$590,101	51.43%	Resdential building

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

Schedule 5: Significant intercompany transactions between consolidated entities

Unit：NT$1,000

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Catahy Real Estate Management Co., Ltd	1	Deferred Credits-Gains on Inter-Affiliate Accounts	$13,415	Regular	0.03%
0	The Company	Catahy Real Estate Management Co., Ltd	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	The Company	Catahy Real Estate Management Co., Ltd	1	Cost of rental sales	4,200	Regular	0.03%
0	The Company	Catahy Healthcare Management Co., Ltd	1	Rent income	385	Regular	-
0	The Company	Catahy Healthcare Management Co., Ltd	1	Advertisement	49	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd	1	Rent income	25,041	Regular	0.18%
0	The Company	Cathay Hospitality Management Co., Ltd	1	Entertainment	309	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd	1	Rent income	49	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd	1	Accounts receivable－related parties	9	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Investment property－land	12,813	Regular	0.03%
1	Catahy Real Estate Management Co., Ltd	The Company	2	Investment property－buildings	847	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Accumulated Depreciation－Investment property	245	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Cost of rental sales	41	Regular	-
1	Catahy Real Estate Management Co., Ltd	The Company	2	Service income	4,200	Regular	0.03%
2	Catahy Healthcare Management Co., Ltd	The Company	2	Rent	385	Regular	-
2	Catahy Healthcare Management Co., Ltd	The Company	2	Service income	49	Regular	-
3	Cathay Hospitality Management Co., Ltd	The Company	2	Rent	4,580	Regular	0.03%
3	Cathay Hospitality Management Co., Ltd	The Company	2	Service income	309	Regular	-
3	Cathay Hospitality Management Co., Ltd	The Company	2	Guest room costs	20,461	Regular	0.15%
4	Cathay Hospitality Consulting Co., Ltd	The Company	2	Rent	49	Regular	-
4	Cathay Hospitality Consulting Co., Ltd	The Company	2	Other accrued expenses	9	Regular	-
3	Cathay Hospitality Management Co., Ltd	Cathay Hospitality Consulting Co., Ltd	3	Accounts receivable	874	Regular	-
4	Cathay Hospitality Consulting Co., Ltd	Cathay Hospitality Management Co., Ltd	3	Other accrued expenses	874	Regular	-

Note1：The Company and its subsidiaries are coded as follows：
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:
(1) The Company to subsidiaries is coded "1".
(2) Subsidiaries to The Company is coded "2".
(3) Subsidiaries to Subsidiaries is coded "3".

Note3： The caculation for the Percentage of consolidated total operating revenues or total assets, if it recognized to assets or liabilities and it should be calualted by the ending balance for the consolidated assets. If it recoginzed to profit or loss and it should be caculated by the ending balance for the consolidated revenue.

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Schedule6: Securities held as of December 31, 2018 (Investee information)

Unit：NT$1,000

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December,31 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay hospitality management Co., Ltd	Stocks Nangang International One Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	15,000	$150	0.01%	$150	
〃	Stocks Nangang International Two Co., Ltd.	Others	〃	15,000	150	0.01%	150	

Note：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IFRS 9 “Financial Instruments”.

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Schedule7: Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of paid-in capital:

Unit：NT$1,000

<table>
<tr><th rowspan="2">Company</th><th rowspan="2">Securities Category (Note 1)</th><th rowspan="2">Financial Statement Account</th><th rowspan="2">Counterparty (Note 2)</th><th rowspan="2">Relationship (Note 2)</th><th colspan="2">As January 1, 2018</th><th colspan="2">Purchase (Note 3)</th><th colspan="4">Sell(Note 3)</th><th colspan="2">As December 31, 2018</th></tr>
<tr><th>Shares</th><th>Amount</th><th>Shares</th><th>Amount</th><th>Shares</th><th>Price</th><th>Book Cost</th><th>Gain / Loss</th><th>Shares</th><th>Amount</th></tr>
<tr><td rowspan="2">CCH Commercial Company Limited</td><td>Lotus Investment Company Limited/ Stocks</td><td rowspan="2">Investments Accounted for Using Equity Method</td><td rowspan="2">New Oriental Retail Holdings Limited</td><td rowspan="2">None.</td><td>5</td><td>$295,996
(USD 9,877)</td><td>-</td><td>$-</td><td>5</td><td rowspan="2">$3,403,779</td><td>$202,778</td><td rowspan="2">$2,128,213</td><td>-</td><td>$-</td></tr>
<tr><td>Golden Gate Investment Company Limited/ Stocks</td><td>5</td><td>783,477
(USD 26,144)</td><td>-</td><td>-</td><td>5</td><td>706,888</td><td>-</td><td>-</td></tr>
</table>

Note 1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other relatedderivative securities.

Note 2：If the securities listed above are investments accounted for using the equity method, fill in the second column.

Note 3：The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4：The Company' s paid-in capital means the parent's paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

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

Schedule8: Names, locations and related information of investee companies as of December 31, 2018 (excluding Mainland China)

Unit：NT$1,000 ; USD$1,000

Investor	Investee	Region	Main Business	Original cost		At the end of period			Investees company net income	Share of Profits/Losses	Note
				Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$597,409 (USD 21,052)	$2,383,107 (USD 79,052)	21,051,891	100.00%	$335,914	$1,226,952	$1,226,952	Subsidiary
The Company	Catahy Real Estate Management Co., Ltd	ROC	Construction management	50,000	50,000	5,000,000	100.00%	119,792	40,552	40,552	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	553,758	86,972	73,927	Subsidiary
The Company	Cathay Hospitality Management Co., Ltd	ROC	Service industry	400,000	800,000	40,000,000	100.00%	239,895	(75,622)	(75,622)	Subsidiary
The Company	Cathay Hospitality Consulting Co., Ltd	ROC	Service industry	450,000	-	45,000,000	100.00%	403,074	(46,926)	(46,926)	Subsidiary
Cathay healthcare Management Co., Ltd	Cathay Healthcare Management Limited(BVI)	British Virgin Islands	General trade and investing	78,469 (USD 2,600)	63,115 (USD 2,100)	130,000	100.00%	14,156 (USD 459)	(40,892) USD (1,355)	-	Sub-subsidiary
Cathay Real Estate Holding Corporation	CCH REIM Company Limited	Cayman Islands	Investing	20,120 (USD 687)	20,120 (USD 687)	100,000	50.00%	(2,138) USD (69)	(26,116) USD (865)	-	Joint venture
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	574,206 (USD 19,580)	2,355,734 (USD 77,580)	7,758	66.67%	338,233 (USD 10,968)	1,857,607 (USD 61,553)	-	Sub-subsidiary
CCH Commercial Company Limited	Lotus Investment Company Limited	Cayman Islands	Investing	- (USD -)	1,198,888 (USD 40,331)	-	0.00%	- (USD -)	(107,583) USD (3,565)	-	Third-tier subsidiary
CCH Commercial Company Limited	Golden Gate Investment Company Limited	Cayman Islands	Investing	- (USD -)	1,817,517 (USD 60,900)	-	0.00%	- (USD -)	(97,663) USD (3,236)	-	Third-tier subsidiary
Golden Gate Investment Company Limited	Golden Gate Pacific Company Limited	Hong Kong	Business management	- (USD -)	1,817,414 (USD 60,897)	-	0.00%	- (USD -)	(97,593) USD (3,234)	-	Fourth-tier subsidiary
CCH REIM Company Limited	CCH REIM (HK) Company Limited	Hong Kong	Investing	474,138 (USD 15,187)	452,164 (USD 14,437)	10,722,620	100.00%	(4,874) USD (158)	(40,482) USD (1,341)	-	Joint venture
Lotus Investment Company Limited	Lotus Pacific Company Limited	Hong Kong	Business management	- (USD -)	1,196,804 (USD 40,301)	-	0.00%	- (USD -)	(107,510) USD (3,562)	-	Fourth-tier subsidiary
Cathay Healthcare Management Limited(BVI)	Cathay Healthcare Management Limited(Cayman)	Cayman Islands	Business management	78,469 (USD 2,600)	63,115 (USD 2,100)	130,000	100.00%	14,154 (USD 459)	(40,892) USD (1,355)	-	Third-tier subsidiary

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.
Note 2: If not belong to Note 1, filled in by the following rules:
(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.
(2) In"Investees company net income" column should filled in each investee net income.
(3) In"Share of Profits/Losses"column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss.
Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

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

Schedule9: Investment in Mainland China as of December 31, 2018

Unit：NT$1,000 ; USD$1,000

Investee company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow (Note3)						
Tailin Management Consulting (Shanghai) Limited	Business management	$225,604 (USD 7,300)	(2) CCH REIM (HK) Company Limited	$8,945 (USD 300)	$-	$-	$8,945 (USD 300)	$(40,023)	50%	$(20,012) (b).(2)	$(114,036)	-
Jiaheng (Shanghai) Real Estate Limited	Investing	1,971,132 (USD 66,628)	(2) Lotus Pacific Company Limited	1,314,088 (USD 44,419)	-	1,156,397 (USD 39,089)	157,691 (USD 5,330)	(101,368)	66.67%	(67,582) (b).(2)	-	-
Shanghai Lujing Real Estate Limited	Investing	2,064,902 (USD 69,057)	(2) Golden Gate Pacific Company Limited	2,370,121 (USD 79,583)	-	2,085,706 (USD 70,033)	284,415 (USD 9,550)	(63,326)	66.67%	(42,219) (b).(2)	-	-
Hangzhou Kunning Health Consulting Limited.	Consultancy	78,469 (USD 2,600)	(2) Cathay Healthcare Management Limited(Cayman)	63,115 (USD 2,100)	15,354 (USD 500)	-	78,469 (USD 2,600)	(40,892)	85%	(34,758) (b).(2)	12,031	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$529,520 (USD17,780)	$4,746,030 (USD 153,902)	$15,044,842

Note1: The methods for engaging in investment in Mainland China include the following:
(1) Directly invested in China
(2) Investment in Mainland China companies through a company invested and established in a third region
(3) Other method

Note2: Investees company net income:
(a) If the investees is uder preparation, should take note.
(b) If the investees' net income is base on these three condition, should take note.
(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.
(2) The investes' finance statement has certification by the parenent company in Taiwan.
(3) Others.

Note3: Jiaheng (Shanghai) Real Estate Limited and Shanghai Lujing Real Estate Limited was loss of control due to the disposal of Lotus Investment Company Limited and Golden Gate Investment Company Limited by CCH Commercial Company Limited. Please refer 6.(29) for more details.

VI. Financial Difficulties Occurred to the Company and its Affiliated Enterprises in the Most Recent Years and as of the Date of Publication of Annual Report and Impact on the Company's Financial Status: None.

Chapter 7 Review of Financial Conditions,Operating Results, and Risk Management

I. Analysis of Financial Status

Unit: NT$ thousands

Items \ Year	2017	2018	Difference	
			Amount	%
Current assets	34,083,427	32,529,906	(1,553,521)	-4.78%
Property, plant and equipment	1,136,419	1,858,494	722,075	38.85%
Intangible assets	33,008	20,416	(12,592)	-61.68%
Other assets	18,508,334	14,362,572	(4,145,762)	-28.87%
Total assets	53,761,188	48,771,388	(4,989,800)	-10.23%
Current liabilities	12,729,074	18,777,777	6,048,703	32.21%
Non-current liabilities	17,807,952	4,652,062	(13,155,890)	-282.80%
Total liabilities	30,537,026	23,429,839	(7,107,187)	-30.33%
Capital stock	11,595,611	11,595,611	0	0.00%
Capital surplus	18,063	25,783	7,720	29.94%
Retained earnings	10,770,163	13,373,271	2,603,108	19.47%
Other equity	384,665	80,071	(304,594)	-380.40%
Non-controlling interest	455,660	266,813	(188,847)	-70.78%
Total equity	23,224,162	25,341,549	2,117,387	8.36%

(I) The main reasons for the significant changes of more than 20% in assets, liabilities and shareholders' equities in the most recent two years:

Property, plant and equipment: mainly caused by increase in leasehold improvement, incomplete projects and equipment to be inspected.

Intangible assets: mainly caused by decrease in computer software.

Other assets: mainly caused by decrease in long-term prepaid rent.

Current liabilities: mainly caused by increase in short-term loans and contract liabilities.

Non-current liabilities: mainly caused by decrease in long-term loans.

Total liabilities: mainly caused by decrease in long-term loans.

Capital surplus: mainly caused by the transfer-in of overdue unclaimed dividend.

Other equity: caused by decrease in unrealized gains or losses of available-for-sale financial assets.

Non-controlling interest: caused by the reduction of capital attributable to non-controlling equity.

(II) Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.

(III) Future response actions: Not applicable.

II. Analysis of Operating Results

Unit: NT$ thousands

Items \ Year	2017	2018	Difference	
			Amount	%
Operating revenue	12,270,182	14,294,770	2,024,588	14.16%
Operating costs	9,683,371	10,576,571	893,200	8.45%
Gross profit	2,586,811	3,718,199	1,131,388	30.43%
Operating expenses	1,245,036	1,489,966	244,930	16.44%
Operating profit	1,341,775	2,228,233	886,458	39.78%
Non-operating Income and expense	(150,297)	2,280,747	2,431,044	106.59%
Income before tax	1,191,478	4,508,980	3,317,502	73.58%
Income tax expense (profit)	(50,147)	267,183	(217,036)	81.23%
Net income	1,241,625	4,241,797	3,000,172	70.73%
Other comprehensive income (income after tax)	103,720	(260,946)	(364,666)	-139.75%
Total comprehensive income	1,345,345	3,980,851	2,635,506	66.20%

(I) The main reasons for the significant changes of more than 20% in operating revenue, net operating profit and income before tax in the most recent two years:

Gross profit: caused by increase in operating revenue.

Operating profit: caused by increase in gross operating profit.

Non-operating Income and expense: caused by increase in other profits.

Income before tax: caused by increase in operating profit.

Income tax expense: caused by increase in income before tax.

Net income: caused by increase in income before tax.

Other comprehensive income (income after tax): caused by increase in evaluation losses on equity instruments at fair value through other comprehensive income.

Total comprehensive income: caused by increase in net income.

(II) Effect of changes on the company’s financial condition: The Company’s financial condition has not changed significantly.

(III) Future response actions: Not applicable.

III. Analysis and Explanation of Changes in Cash Flow in the Most Recent Year

(I) Cash inflow from operating activities was NT$ 2,529,444,000: mainly due to gain on disposal of investments.

(II) Cash inflow from investment activities was NT$ 1,961,532,000: mainly due to disposal of subsidiaries.

(III) Cash outflow from financing activities was NT$ 4,121,936,000: mainly due to the issuance of cash dividends and repayment of long-term loans.

(IV) Improvement plan for the lack of liquidity: Accelerating business development and increasing cash inflow.

(V) Liquidity Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
1,620,157	6,989,054	(7,333,832)	1,275,379	-	-

Cash Flow Analysis for the Coming Year
1. Product sales and rental income in 2019 are expected to result in cash inflows from operating activities.
2. Expenditures for construction in progress, investments in other companies, land purchase, dividend and sales advertisements in 2019 are expected to result in cash outflows.

IV. Impact of Major Capital Expenditure in the Most Recent Year

In order to expand the development of business hotel chain brand and expansion plan, and cooperate with international well-known brand business for development, the subsidiary of Cathay Hospitality Consulting Co., Ltd. was established with a total investment of about NT$ 450 Million, accounting for about 1.79% of the Company’s net value, without significant influence. Diversified development by investments in other companies is expected to expand business scope, and increase the Company’s investment income.

V. Investment Policy in the Most Recent Year, Main Causes for the Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(I) Investment Policy

The Company adheres to the business belief, implements the core values, and uses the Group’s advantages and resources to create a diversified business. In addition to investing in real estate related companies such as construction manager, building management and urban renewal development, we also expand life industries such as health care management, hotel management, e-commerce, 4G mobile communication telecommunications industry and the development of overseas commercial real estate to create the Company’s various income. Meanwhile, we also regularly review investment performance and wait for opportunities for high disposal. The disposal of mainland shopping malls have completed in Q3, 2018, and resulted in profits.

(II) Main Causes for Profits or Losses

In 2018, the investment gains recognized by equity method was NT$1,219 million, which was mainly attributable to the disposal of mainland shopping malls for profits. The annual dividend income of financial assets measured at fair value through other comprehensive gains and losses was NT$150 million, which will be improved with the increase in re-investment business revenue.

(III) Investment Plans for the Coming Year

With the uncertain factors such as international trade disputes, diminishing effects of US tax reduction policy, slowing economic growth in China, and cross-strait relations, investment plans for the coming year will focus on objects with good industry fundamentals and fixed income to reduce investment risks.

1. Healthcare management business

   Enhance the service quality of the existing physical examination centers and postpartum care homes, and evaluate and establish points of postpartum care homes in major metropolitan areas, expand revenue scale, and provide high-quality diversified services.

2. Hotel business

   Enhance the service quality and popularity of the existing Hotel Cozzi Minsheng Taipei, Zhongxiao Taipei, Ximen Tainan, Zhongshan Kaohsiung and Madison Taipei, and develop membership program to promote members and provide diversified services for customers in the form of Hotel chain. Cooperate with international well-known brand business Marriott to develop the Courtyard by Marriott Taipei Downtown, which was officially opened in Q1, 2019. What's more, the new sites and sub-brands are being prepared in Taoyuan and other metropolitan areas to enhance the business scale and performance.

VI. Assessment of Risk Management in the Most Recent Year and as of the Date of Publication of the Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate: The global economy growth has slowed down since 2016, impacting domestic foreign trade and economic performance. To stimulate domestic investment and consumption, the central bank continues to keep the interest rates low. Looking forward to this year, the US central bank will adjust the interest rate policy. Whether the domestic central bank follows up the interest rate policy will paid with constant attention. At this stage, the interest rates are still low, with a limited impact on the real estate market.
2. Foreign exchange rates: Since 2017, the USD-NT$ exchange rate has shown a stable fluctuation. Basically, since real estate is a domestic demand industry, the direct impact of exchange rate changes on real estate is relatively small.
3. Inflation: In general, inflation will result in an increasing price of raw materials. However, the current domestic inflation growth is moderate, and the Company also collects land-related information and raw material prices to strictly control the cost of construction, and take into account the quality of construction and maintain the Company’s brand advantage. Therefore, it has little impact on the Company.
4. Future response measures: The Company keeps abreast of the development of the above-mentioned overall economic indexes, continuously analyzes its impact on the real estate market, and evaluates and adjusts the Company’s business strategy to respond to changes in the overall economic situation, avoid risks, and create the highest operating profit.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and

Derivatives Transactions

Cathay Healthcare Management Co.,Ltd., the subsidiary invested, indirectly holds the operating demands of Hangzhou Kunning Health Consulting Limited and endorses an amount of approximately NT$60 Million, accounting for 0.0025% of the Company's shareholders' equity in the 2018 financial statements, and the proportion is low. The above endorsement guarantee operations are all handled in accordance with the Company's endorsement guarantee operating procedures.

(III) Future Research & Development Projects and Corresponding Budget

1. Research Projects

Continue the research work of the Cathay Real Estate Index and publish relevant research information at the beginning of each quarter. In addition, in response to the rapid changes in the market, make more efforts in employee training, and strengthen professional education and training, to continue the Company's core values, and enhance the Company's brand and corporate competitive advantage.

2. Expected Research Expenditure

A budget of NT$ 6.08 Million is determined for the professional training of employees and the research of Cathay Real Estate Index.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: In addition to complying with government laws and regulations, the Company also collects, organizes and analyzes the changes in important policies and laws at home and abroad to grasp opportunities and take response measures. Meanwhile, the Company also adheres to the principle of prudent operation, and creates the largest niche for sustainable development.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales: The Company explores and adopts the application of technology in the Company's products in face of the customer demands and ever-changing technology, to continuously enhance the Company's competitiveness. Meanwhile, the Company invests a lot of manpower and financial resources in research on the changes in the industry to improve the Company's operating performance and profitability.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: Since its establishment, the Company has been abided by the tenet of serving the society, benefiting the people, beautifying the environment, and promoting prosperity, and deeply developed the society and established a good corporate image, winning various social honors and affirmations. In addition, the Company has also established a cultural and educational foundation for social welfare activities, enhancing the corporate image.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: The Company has no ongoing merger and acquisition activities, so there is no possible risk and response measure.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: The Company has no factory expansion plans, so there is no possible risk and response measure.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: The Company is a good builder that can keep abreast of various purchase costs, reduce the operation impact brought by rising costs, and prudently appraise, select and audit each project constructor and deliberate the price; the Company also specializes in marketing research, so it can keep abreast of market trends, create the best sales results against most individual customers; there is no centralized risk in purchase and sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: the above-mentioned personnel and shareholders all hold the stock equity of the Company for a long term, and they support the Company’s operations, so they do not have the intention of transferring a large number of equities and there is no risk generated.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights: The Company’s equity structure is stable for a long time, and is managed steadily by professional managers, and there is no risk of change in management rights.

(XII) For major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by Directors, Supervisors or shareholders with over 10% shareholdings, the Company, the Company’s Directors, Supervisors or shareholders with over 10% shareholdings and the subsidiaries shall be specified. Where the results may have significant impact on the stockholders’ equity or security price, the fact in contention, object amount, date of beginning of litigation, main parties involved and disposal up to the date of publication of the annual report shall be disclosed: None.

(XIII) Other Major Risks and Response Measures

1. Information security risks: (1) Information security architecture and policy: The Company attaches great importance to information security risk management. To ensure operation and customer information security, the Company established the Information Security Policy in 2004 and makes evaluation annually. (2) Specific management plans: conduct the simulation drilling and make records of the system, and introduce the IT resource management system into the system control part, including software security management, peripheral device security management and file directory monitoring management, which transmits the USB transmission file list every day, and regularly checks whether the Company's computers are installed with high-risk software every month to prevent the confidential information of the client from being disclosed. The internal auditor, twice a year, and accounting firm, at least once a year, check the information security policy, organization and responsibilities, asset classification control, personnel management and education & training, physical and security environment management, computer system security management, network security management and system storage to ensure the Company’s sustainable business operation.

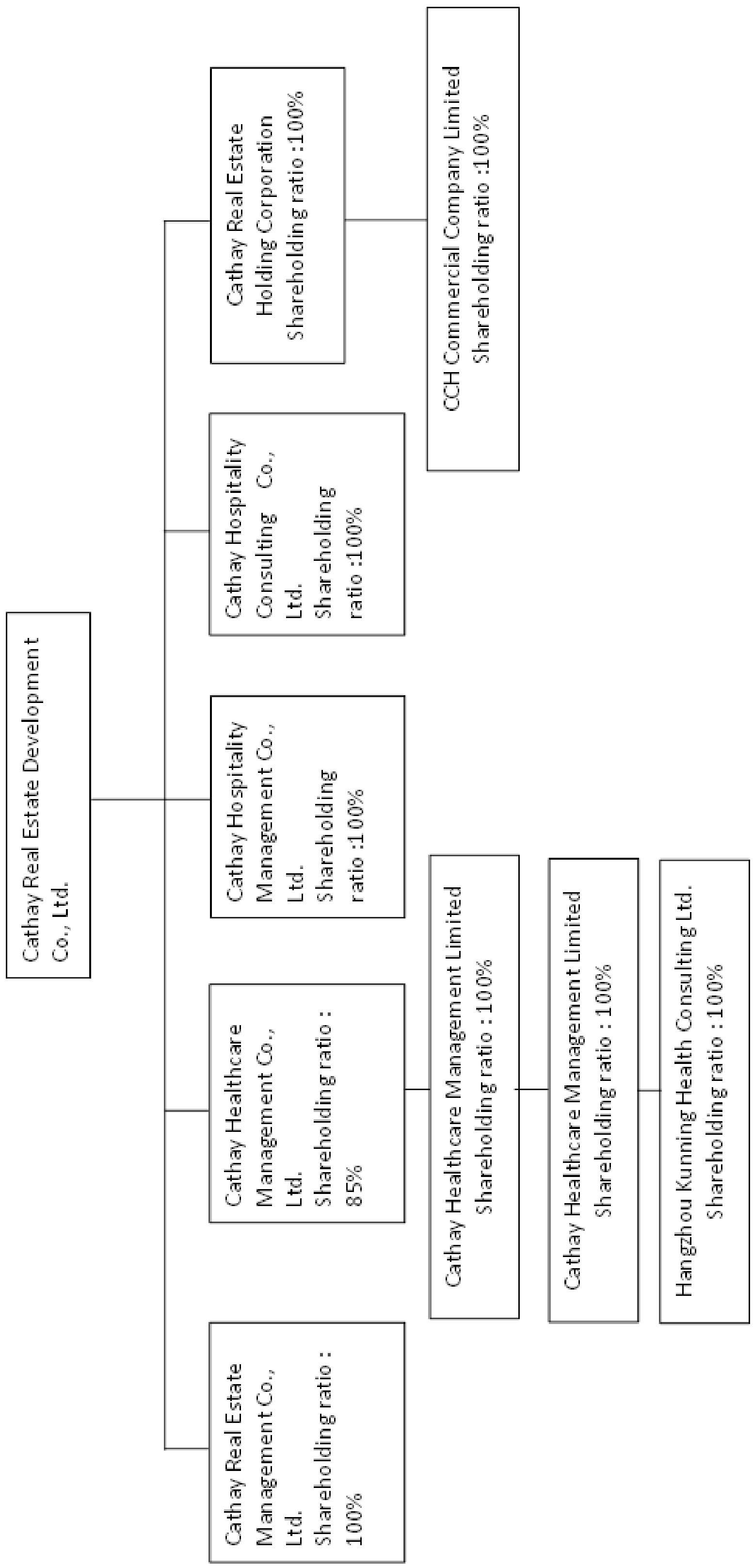
VII. Other Important Items: None.

Chapter 8 Special Disclosure

I. Information Regarding Affiliate Enterprises

(I) Consolidated Business Report of Affiliated Companies

1. Organization Chart of Affiliated Companies



2. Information about Affiliated Companies

Unit: NT$ thousands ; USD thousands

Name of Company	Date of incorporation	Address	Paid-in capital	Main business or production items
Cathay Real Estate Development Co., Ltd.	December 1, 1964	2F, No. 218, Section 2, Dunhua South Road, Taipei City	$11,595,611	1. Retail sale of Medical Equipments 2. Department Stores 3. Car Rental and Leasing 4. Parking Garage Business 5. Residence and Buildings Lease Construction and Development 6. Industrial Factory Buildings Lease Construction and Development 7. Specialized Field Construction and Development 8. Public Works Construction and Investment 9. New County and Community Construction and Investment 10. Land Levy and Delimit 11. Reconstruction within the Renewal Area 12. Renovation, or Maintenance within the Renewal Area 13. Construction Management 14. Real Estate Commerce 15. Real Estate Rental and Leasing 16. Management Consulting Services 17. Other Consultancy 18. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Real Estate Management Co., Ltd.	March 11, 2005	2F, No. 218, Section 2, Dunhua South Road, Taipei City	$50,000	1. Construction Management 2. Real Estate Commerce 3. Real Estate Rental and Leasing 4. Investment Consultancy 5. Management Consulting Services 6. Agency Services 7. Reconstruction within the Renewal Area 8. Renovation, or Maintenance within the Renewal Area 9. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Healthcare Management Co., Ltd.	March 25, 2011	7F, No. 333, Section 2, Dunhua South Road, Taipei City	$550,000	1. Cosmetics Manufacturing 2. Computing Equipments Installation Construction 3. Wholesale of Food and Grocery 4. Wholesale of Articles for Daily Use 5. Wholesale of Cosmetics 6. Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 7. Wholesale of Other Products 8. Retail sale of Food Products and Groceries 9. Retail Sale of Articles for Daily Use 10. Retail Sale of Cosmetics 11. Retail Sale of the Second Type Patent Medicine 12. Retail sale of Stationery Articles, Musical

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
				Instruments and Educational Entertainment Articles 13. International Trade 14. Restaurants 15. Intellectual Property 16. Food Consultancy 17. Management Consulting Services 18. Other Consultancy 19. Software Design Services 20. Data Processing Services 21. Digital Information Supply Services 22. Biotechnology Services 23. Manpower Dispatching Services 24. Exhibition Services 25. Rental and Leasing Business 26. Agency Services 27. Beauty Shops 28. Body Shaping Service 29. Athletics and Recreational Sports Stadium 30. Wholesale of Drugs, Medical Goods 31. Retail Sale of Drugs, Medical Goods 32. Real Estate Rental and Leasing 33. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Hospitality Management Co., Ltd.	March 27, 2012	15F, No. 319, Section 2, Dunhua South Road, Taipei City	$400,000	1. Hotels and Motels 2. Food Consultancy 3. Management Consulting Services 4. Artwork Consultation Services 5. Product Designing 6. Landscape and Interior Designing 7. Floriculture Designing 8. Manpower Dispatching Services 9. Supermarkets 10. Convenient Stores 11. International Trade 12. Residence and Buildings Lease Construction and Development 13. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Hospitality Consulting Co., Ltd.	January 5, 2018	15F, No. 319, Section 2, Dunhua South Road, Taipei City	$450,000	1. Hotels and Motels 2. Food Consultancy 3. Management Consulting Services 4. Artwork Consultation Services 5. Product Designing 6. Landscape and Interior Designing 7. Floriculture Designing 8. Manpower Dispatching Services 9. Supermarkets 10. Convenient Stores 11. International Trade 12. Residence and Buildings Lease Construction and Development 13. Beverage Stores

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
				14. Restaurants 15. Other Food and Beverage Services 16. Wholesale of Tobacco Products and Alcoholic Beverages 17. Wholesale of Nonalcoholic Beverages 18. Wholesale of Food and Grocery 19. Retail sale of Food Products and Groceries 20. Retail Sale of Tobacco and Alcoholic Beverages 21. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Real Estate Holding Corporation	March 13, 2002	Sea Meadow House, Blackburne Highway, (P.O.Box 116), Road Town, Tortola, British Virgin Islands	$597,409 (USD 21,052)	1. Buying, bearing, investing, exchanging, acquiring, holding, managing, developing, trading government bonds, corporate bonds, stocks, options, futures, various marketable securities, precious metals, precious stones, artworks and any valuable good in the methods of cash and margin trade or short-selling or undertaken as financing businesses. 2. Buying, managing, leasing, building residential and commercial buildings and developing businesses related to real estate, and issuing real estate beneficiary certificates to raise funds.
CCH Commercial Company Limited	March 9, 2012	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	$861,308 (USD 29,370)	Investment industry.
Cathay Healthcare Management Limited	December 1, 2016	Sea Meadow House, Blackburne Highway Road Town Tortola, British Virgin Islands	$78,469 (USD 2,600)	Investment industry.
Cathay Healthcare Management Limited	February 9, 2017	3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203, Cayman Islands	$78,469 (USD 2,600)	Investment industry.

Name of Company	Date of ncorporatior	Address	Paid-in capital	Main business or production items
Hangzhou Kunning Health Consulting Limited	May 2, 2017	Room 1513, Building 4, Intime City, Fengtan Road, Gongshu District, Hangzhou City, Zhejiang Province	$78,469 (USD 2,600)	Engaged in non-medical health management, health consulting, housekeeping, photography, life beauty services, mother and baby products, daily necessities wholesale and retail and related ancillary services in Fengtan Road, Gongshu District.

Note 1: The exchange rate of paid-in capital is converted using historical exchange rate.

3. For those who are concluded in the controlling and subordinate relation, the information of the same shareholder

Unit: NT$ thousands ; share; %

Constructive reason	Title or name (Note 1)	Shareholding (Note 2)		Establishment date	Address	Paid-in capital	Main business items
		Shares	%				
Not Applicable							

Note 1: If the institutional shareholder is the same, fill in the name of the juridical person; if the natural person shareholder is the same, fill in the name of the natural person. Natural person shareholders only fill in the constructive reason, name and shareholding.

Note 2: Shareholding refers to shares of controlling companies held by the shareholders.

4. Directors, Supervisors and President of Affiliated Companies

Unit: shares; %

Name of Company	Title	Name or representative	Shareholding	
			Shares	%
Cathay Real Estate Development Co.,Ltd.	Chairman	Representative of He Xin Industrial Co., Ltd.: Ching-Kuei Chang	22,000,000	1.90%
	Director and President	Representative of He Xin Industrial Co., Ltd.: Hung-Ming Lee	22,000,000	1.90%
	Director	Representative of He Xin Industrial Co., Ltd.: Chung-Yan Tsai	22,000,000	1.90%
	Director	Cathay Real Estate Foundation:Daniel Tung	5,941,332	0.51%
	Director	Cathay Real Estate Foundation: Chung-Chang Chu	2,353,690	0.20%
	Director	Employee Benefit Committee of Cathay Real Estate Holding Corporation: Chin-Liang Lin	2,754,800	0.24%
	Independent Director	Shiou-Ling Lin	0	0
	Independent Director	Chih-Wei Wu	0	0
	Independent Director	James Y. Chang	0	0
Cathay Real Estate Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Ching-Kuei Chang	5,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	5,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	5,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.: Ming-Hui Wu	5,000,000	100.00%

Name of Company	Title	Name or representative	Shareholding	
			Shares	%
Cathay Healthcare Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Ching-Kuei Chang	46,750,000	85.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Chung-Yu Chen	46,750,000	85.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chung-Yan Tsai	46,750,000	85.00%
	Supervisors	Cathay Venture Capital Co., Ltd.: Ming-Hui Wu	8,250,000	15.00%
Cathay Hospitality Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	40,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Wan-Hua Chuang	40,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	40,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.: Tso-Hsing Hsu	40,000,000	100.00%
Cathay Hospitality Consulting Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	45,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Wan-Hua Chuang	45,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	45,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.:Tso-Hsing Hsu	45,000,000	100.00%
Cathay Real Estate Holding Corporation	Director	Representative of Cathay Real Development Co.,Ltd.: Ming-Hui Wu	21,051,891	100.00%
CCH Commercial Company Limited	Director	Representative of Cathay Real Estate Holding Corporation: Tso-Hsing Hsu	7,758	66.67%
	Director	Representative of Cathay Real Estate Holding Corporation: Daniel Tung	7,758	66.67%
	Director	Representative of Cathay Real Estate Holding Corporation: Chin-Liang Lin	7,758	66.67%
Cathay Healthcare Management Limited	Director	Representative of Cathay Healthcare Management Co., Ltd.: Chin-Liang Lin	130,000	100.00%
Cathay Healthcare Management Limited	Chairman	Representative of Cathay Healthcare Management Limited: Chung-Yu Chen	130,000	100.00%
	Director	Representative of Cathay Healthcare Management Limited: Daniel Tung	130,000	100.00%
	Director	Representative of Cathay Healthcare Management Limited: Tso-Hsing Hsu	130,000	100.00%
Hangzhou Kunning Health Consulting Limited	Chairman	Representative of Cathay Healthcare Management Limited: Chung-Yu Chen	0	0
	Director	Representative of Cathay Healthcare Management Limited: Chin-Fa Yen	0	0
	Director	Representative of Cathay Healthcare Management Limited: Daniel Tung	0	0
	Supervisors	Representative of Cathay Healthcare Management Limited: Tso-Hsing Hsu	0	0

5. Operational Highlights of Affiliated Companies

Unit: NT$ thousands ; USD thousands

Name of Company	Capital amount	Total assets	Total liabilities	Net value	Operating revenue	Operating income (loss)	Current income (after-tax)	Earnings per share (after-tax)
Cathay Real Estate Development Co.,Ltd.	$11,595,611	$46,692,101	$21,617,365	$25,074,736	$12,812,525	$2,340,979	$3,609,611	$3.11
Cathay Real Estate Management Co., Ltd.	50,000	135,113	15,321	119,792	72,689	49,549	40,552	8.11
Cathay Healthcare Management Co., Ltd.	550,000	1,231,350	579,870	651,480	524,811	158,848	86,972	1.58
Cathay Hospitality Management Co., Ltd.	400,000	1,015,798	775,903	239,895	762,057	(58,006)	(75,622)	(1.30)
Cathay Hospitality Consulting Co., Ltd.	450,000	612,726	209,652	403,074	9,584	(47,218)	(46,926)	(1.04)
Cathay Real Estate Holding Corporation (note)	597,409 (USD21,052)	345,896	0	345,896	0	(1,686)	1,226,952	20.87
CCH Commercial Company Limited (note)	861,308 (USD 29,370)	746,653	239,329	507,324	0	(57,141)	1,857,607	159,629.36
Cathay Healthcare Management Limited (note)	78,469 (USD 2,600)	14,156	0	14,156	0	0	(40,892)	(364.71)
Cathay Healthcare Management Limited (note)	78,469 (USD 2,600)	14,154	0	14,154	0	0	(40,892)	(364.71)
Hangzhou Kunning Health Consulting Limited. (note)	78,469 (USD 2,600)	18,713	4,559	14,154	4,439	(40,393)	(40,892)	-

Note: The capital amount, assets and liabilities exchange rate are converted from the USD to NT$ exchange rate of NT$ 30.838 on December 31, 2018, and the gain and loss exchange rate is from the USD to NT$ average exchange rate of NT$ 30.179 in 2018.

6. Business Activities of Affiliated Companies

(1) Overall business scope of all affiliated companies

1. Cathay Real Estate Development Co., Ltd.: construction industry.
2. Cathay Real Estate Management Co., Ltd.: construction manager industry.
3. Cathay Healthcare Management Co., Ltd.: consulting service industry.
4. Cathay Hospitality Management Co., Ltd.: service industry.
5. Cathay Hospitality Consulting Co., Ltd.: service industry.
6. Cathay Real Estate Holding Corporation: investment industry.
7. CCH Commercial Company Limited: investment industry.
8. Cathay Healthcare Management Limited: investment industry.
9. Cathay Healthcare Management Limited: investment industry.
10. Hangzhou Kunning Health Consulting Limited is engaged in non-medical health management, health consulting, housekeeping, photography, life beauty services, mother and baby products, daily necessities wholesale and retail and related ancillary services in Fengtan Road, Gongshu District.

(2) Work Division for exchange and cooperation of overall related companies:

The main business of Cathay Real Estate Holding Corporation is entrusting manufacturers to build public housing and commercial building for leasing and sales. It is independent of each subsidiary corporation and has no work division.

(II) Affiliation report

1. Declaration

Declaration

The 2018 affiliation report of the Company (from January 1, 2018 to December 31, 2018) was prepared according to “Criteria Governing for Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliation Enterprises” and the information disclosed is not inconsistent with the relevant information disclosed in the notes to the financial statements during the above-mentioned period.

Hereby declare

Company name: Cathay Real Estate Development Co.,Ltd

Chairman: Ching-Kuei Chang

March 21, 2019

2. Opinions of declaration

Letter

Recipient: Cathay Real Estate Development Co.,Ltd

Subject: Opinions on whether the declaration issued by the management authority of the Company for the 2018 affiliation reports is reasonable in all material respects.

Explanation: The Company's 2018 affiliation reports has been prepared by the management authority of your company and it has issued a declaration showing that the above report is prepared according to "Criteria Governing for Preparation of Affiliation Reports ,Consolidated Business Reports, and Consolidated Financial Statements of Affiliation Enterprises" and the information disclosed is not inconsistent with the relevant information disclosed in the notes to the 2018 financial report.

In my opinion, the declaration issued by the management authority of your company for the 2018 related company report is reasonable in all material respects.

Ernst & Young Taiwan

Jung-Huang Hsu

CPA:

Chien-Che Huang

March 21, 2019

3. Overview of the Relationship between Subordinate Companies and the Controlling Company

Unit: shares; %

Controlling Company Name	Reasons	Shareholding and setting situations of controlling company			Directors, Supervisor or managers appointed by the controlling company	
		Shares	%	Number of Shares Set	Title	Name
He Xin Industrial Co., Ltd.	The representative is the Chairman, President and Director of the Company	22,000,000	1.90%	0	Chairman Director and President Director	Ching-Kuei Chang Hung Ming Lee Chung-Yan Tsai

Note: When the controlling company of the subordinate company is a subordinate company of the other company, the relevant information of the other company shall also be filled in. This also applies to the situation that the other company is the subsidiary company of the other company. All in the same manner.

4. Business transaction

(1) Purchase-sales transaction: None.

(2) Property transaction: None.

(3) Capital financing: None.

(4) Asset leasing: None.

(5) Endorsement and guarantee: None.

II. Private Placement Securities in the Most Recent Years and as of the Date of Publication of Annual Report: None.

III. The Shares of the company held or disposed of by subsidiaries in the most recent years and as of the date of publication of the annual report: None.

IV. Other Necessary Supplements: None.

V. Items That Have Significant Influence on Shareholders' Equity or Security Price as Specified in Paragraph 2, Item 2, Article 36 of Securities and Exchange Act in the Most Recent Year as of the Date of Publication of Annual Report: None.