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國泰建設股份有限公司

Cathay Real Estate Development Co., Ltd

# 2020 Annual Report

Printed on May 1, 2021

*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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# Chapter 1 Letter to Shareholders

## I. 2020 Operating Results

### (I) Results of the implementation of the business plan for 2020

Looking back on 2020, we can see that the global economy has been deeply affected by the COVID-19 pandemic, and the lockdown policies of governments in various countries have had a very severe impact. Pandemic control measures worked well domestically, and manufacturing capacity was transferred back to aid in domestic production. Taiwanese businessmen affected by the US-China trade war can now speed up their return to Taiwan, or increase their investments there, which will make the overall employment situation in Taiwan more stable. With the strong appreciation of the Taiwan Dollar, all of these factors will help boost domestic demand. The growth rate in 2020 is estimated to be 2.98%, compared with 2.71% in the previous year, which indicates "solid growth".

In the real estate sector, thanks to the above incentives, consumers have become more confident to buy property, showing an increasing trend for prices and transaction volumes. Returning capital of Taiwanese businessmen has continuously increased the demand for commercial and industrial land. It is expected that speculative buying in the property market will slow down after the government's property measures come into effect and the Real Price Registration 2.0 Amendment Law is passed, while transactions in the property market will still be dominated by rigid demand.

In 2020, the Company completed two joint venture development projects with Japanese companies, and increased its development method. The new projects have achieved a solid sales performance, and inventory has hit a new historic low. In view of the projects, the Company has set a higher target sales rate, and increased its sales performance. In the middle of the year, the Company launched several new projects, such as "Cathay Chuan Ching" in Taoyuan and "Cathay Opulence" in Xindian. As the Company's products satisfy the needs of property purchasers, the Company has achieved a great sales performance, with an average sales rate of more than 80% by the end of the year, thus exceeding the set target. In terms of revenue, the projects accounted for on the books include four construction projects, namely the "Cathay Water Park One" in Taoyuan, "Cathay The Seeds Of Happiness" in Hsinchu, "Cathay PLUS+" in Taichung, and "Cathay One & Only Building" in Kaohsiung, as well as those completed and undelivered in the previous year. The total annual revenue reached TWD thirteen billion, three hundred and thirty-six million, two hundred and twenty thousand.

### (II) Budget Implementation

There was no budget implementation in 2020 due to undisclosed financial forecasting.

### (III) Please refer to pages 136–145 for the analysis of financial revenue and profitability in 2020.

#### (IV) Research and Development Status

At this stage, the housing market is showing a recovery trend with the increasing consumer awareness and transparency of product information. Under the premise of stabilizing the core business, the Company is actively integrating digital transformation, creating value for products and services, and further deepening the brand effect. In the future development strategy, the Company will continue to advance cost control and improve organizational efficiency, regularly review the standard construction costs, and enhance the detailed classification of building materials and equipment to strengthen competitiveness; faced with home purchasing by the new generation of young people, the Company will leverage the advantages of planning, design, and layout to ensure quality on a comprehensive basis, and adopt a three-level quality control model to maintain its reputation among customers. In response to changes in sales methods and media types, the Company will work to create values for its products and services, and will be more active in brand management. On the 55th anniversary, the Company produced a brand image micro-film to communicate with different customer groups, and promoted it through current online media to deepen the image of the brand while achieve the benefits of word-of-mouth marketing. The Company has been committed to real estate research for a long time as well, publishing the Cathay Real Estate Index with the academic units. 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.

## II. Outline of 2021 Business Plan

Looking ahead to the year of 2021, and driven by abundant capital in the domestic housing market, although the COVID-19 pandemic has raged through many countries and regions across the world, Taiwanese businessmen returned their working capital to Taiwan to accelerate the rigid rate of domestic demand for properties, which has in turn helped bolster the domestic demand.

#### (I) Business Objectives, Expected Sales and the Reasons Thereof for 2020

This year, the Company's management policy will follow the concepts of "five years of deep cultivation, ten years of new environment" and "create value, deepen the brand". It will also strengthen its core business, actively integrate under a digital transformation, provide greater product service value, and create a more profound brand effect. The Company keeps striving to be a comprehensive developer as our future development strategy. In the core business, 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, etc. In the aspect of land development, the Company will continue to increase the development models. Looking ahead to the upcoming year, in addition to stabilizing the reserve of land inventory, the Company will continue to participate in public urban renewal program, expand the development areas. As for the launch of new projects, the Company will set a higher target sales rate and increase the sales performance.

In terms of reinvestment, the health management and hotel business are undergoing steady operations. New sites and clinics were added to the business travel and health management businesses last year. Following this, the Company will optimize its efficiency and continue to expand sites in parallel to enhance its service and expand its business territory. The Company's future development strategy will be developing towards a comprehensive developer with diversified development methods and diversified business operations. The Company will continue digital integration and transformation to improve work efficiency internally and improve service quality externally. Under the premise of enhancing the business, it will increase revenue-based assets and actively evaluate in investment in other new business activities to expand the development and business territory while creating higher profit margins.

The Company has achieved good sales in its new projects and construction sites under construction in 2020. The inventory has dropped to a historical low, so it has actively purchased land in the prime real estate to have more parcels of land in inventory. Therefore, it will actively launch new projects in 2021 while setting a higher sales target rate with the aim of increasing its sales performance. In the first half of this year, the Company plans to launch "Cathay XiJing" in Taoyuan, "Cathay Of Riverside" in Sanchong, an urban renewal project called "Cathay Relaxing Sunny Day" in Nangang, and "Dun Nan Lin Garden" in Taipei. The Company also plans to launch "Cathay The Park" in Taichung, and the Japanese Mitsui Real Estate Joint Venture project "UNI PARK" in Tainan in the southern central region. In the second half of the year, it is expected to launch nine projects, such as the "Renping Section" in Taichung, "Cathay Leisurely Place" in Nangang, and "Wenlin North Road" in Beitou. The Company will continue to deepen its reserves of land and transform to develop itself into an integrated developer.

## (II) Important Production & Sales Policies for 2020

### 1. Five years of in-depth development

In the first five years, the Company will be dedicated to the optimization of the organization and operating process, continue to improve and systematize its core business, and strive to increase land inventory and revenue. In the following five years, the Company will expand the development areas, adopt more diversified development models, and actively participate in development of commercial and complex buildings, and increase development of income-based assets, while diversifying the reinvestment business, maintaining the brand image and engaging in innovative development, and actively introducing digital integration to create added value for products and services and to build up competitive momentum for the expansion of the business territory with five years of in-depth development in the future.

### 2. Ten years of new horizons

Under the premise of a stable business, faced with the new generation of home buyers, the Company will not only improve construction technology and design strengths, implement overall quality, optimize customer services, develop the brand image to convey

the value but increase income-based assets, create stable revenue, and cultivate core talents. It will also attach importance to knowledge management and pass down its experience. With the continuous expansion of reinvestment in new bases, revenue and profits are gradually increasing. The entire group is working together to expand the comprehensive developer's business landscape.

### **III. Development Strategies**

#### **(I) Short-term Development Strategies**

1. Strengthen brand value
2. Diversify land development strategies
3. Increase sales through planning practical products
4. Integrate marketing resources for digital transformation
5. Optimize customer services to maintain reputation
6. Expand diversified business deployment steadily

#### **(II) Long-term Development Strategies**

1. Pass down the Company's sustainable brand value
2. Diversify deployment to leverage comprehensive business opportunities
3. Plan sustainable, safe and energy-efficient buildings
4. Advance construction techniques and comprehensive quality
5. Improve community quality with sustainable sales services
6. Increase the growth of diversified business operations

### **IV. The Impact of the External Competition Environment, Regulatory Environment, and Macroeconomic Conditions**

#### **(I) External Competition Environment**

In terms of market supply and demand, according to statistics from the Construction and Planning Agency, Ministry of the Interior, as of the third quarter of 2020, the total floor area of residential buildings nationwide with construction license obtained has increased by 8.8% compared with that in 2019, which has been growing for four consecutive years. In terms of land transaction volume, it has exceeded NT\$300 billion for two consecutive years since 2019 with the highest and the second-highest performance in history, indicating that builders remain optimistic about the housing market, and the housing market is showing a pattern of recovery. The research in the quarterly report of Cathay Real Estate Index also shows that in 2020, the overall house price in the national pre-sale real estate market has increased with stable volume, number of projects and transactions was higher than 2019, and the housing market is recovering. On the whole, the current real estate market is gradually recovering and it is in the consolidation stage, and the overall trend is expected to continue. In the future, adjustment may be made based on factors, such as the development of the global COVID-19 pandemic, China-US trade war, market interest rates, capital levels, the government's housing market policies, market supply and demand, and the development of the 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 limited 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' awareness on property right are gradually increasing, 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

The Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings has been amended and promulgated for implementation, including encouraging the expansion of the area in reconstruction plans, updating the application rewards, and protecting people's rights and interests. This has led to a significant increase in the number of dangerous old building reconstruction applications accepted by the county and city governments, which also accelerate up the reconstruction to improve the city landscape.

### 2. Other Laws and Regulations

In view of recent housing market price fluctuations and frequent resale of pre-sale orders, the Executive Yuan implemented the "Sound Real Estate Market Plan" in December 2020, in which the National Development Council joined hands with the Ministry of the Interior, the Ministry of Finance, the Central Bank, and the Financial Supervisory Commission to establish a unit across different ministries and departments to crack down on real estate speculation. The main direction is to amend the Equalization of Land Rights Act to accelerate the promotion of real price registration 2.0 to fully disclose the transaction information of the real estate market, manage pre-sale housing transactions, and restrict the transfer of pre-sale orders, so as to achieve the purpose of stabilizing the real estate market.

## (III) Macroeconomic Conditions

In 2020, the number of buildings sold and transferred nationwide was 326,000, with an annual growth rate of 8.7%, a record high in the past seven years. The balance of building and residential loans also continued to rise. The overall transaction volume gradually has increased after it hit the bottom in 2016. The Central Bank's interest rate has remained low since 2018, the consumers are also benefited by the low housing mortgage interest rate, house buyers' confidence has restored, and the overall real estate market has recovered and bounced back in 2020.

Looking ahead to 2021, in terms of the international situation, the current COVID-19 pandemic is still severe, but vaccine development has progressed, and many countries have implemented vaccine programs, which are expected to alleviate the pressure of the pandemic. However, the strength of the global economic recovery remains to be observed. As for the domestic situation, in addition to the need to be cautious to the development of the pandemic, the housing market policies implemented by the central government also need to be closely monitored. It is expected that the market will still be dominated by the rigid demand for

self-occupation in the following year with a stable trend in price and volume.

On the whole, the data in 2020 showed that the housing market were recovering, and the housing market performed better than in 2019, demonstrating an upward trend in prices with stable transaction volume. After the high price was adjusted in 2013 and hit the bottom in 2016, the current price is still showing a trend of consolidation at a high level while the demand side remains stable. The risk of price adjustment is already low, but whether the development of the pandemic will affect the housing market again will continue to be monitored subsequently.

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 with flourishing business and steady finance on October 28, 1967.

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. In order to expand the brand value, it established real estate development companies Jinhua Realty Co., Ltd. and Bannan Realty Co., Ltd., through a joint venture with Mitsui Fudosan Taiwan Co., Ltd., an investee of the Japanese Mitsui Fudosan Co., Ltd. and merge Lin Yuan Property Management Co. Ltd. in 2020, to be committed to providing a full range of real estate services to enhance the group's synergy. In order to increase the stable long-term income, the Company has actively engaged in the development of new businesses, including Cathay Healthcare Management Co., Ltd., Cathay Hospitality Management Co., Ltd., Cathay Hospitality Consulting Co., Ltd., and Cymbal Medical Network Co., Ltd. At present, the re-investment has been stable and steady in

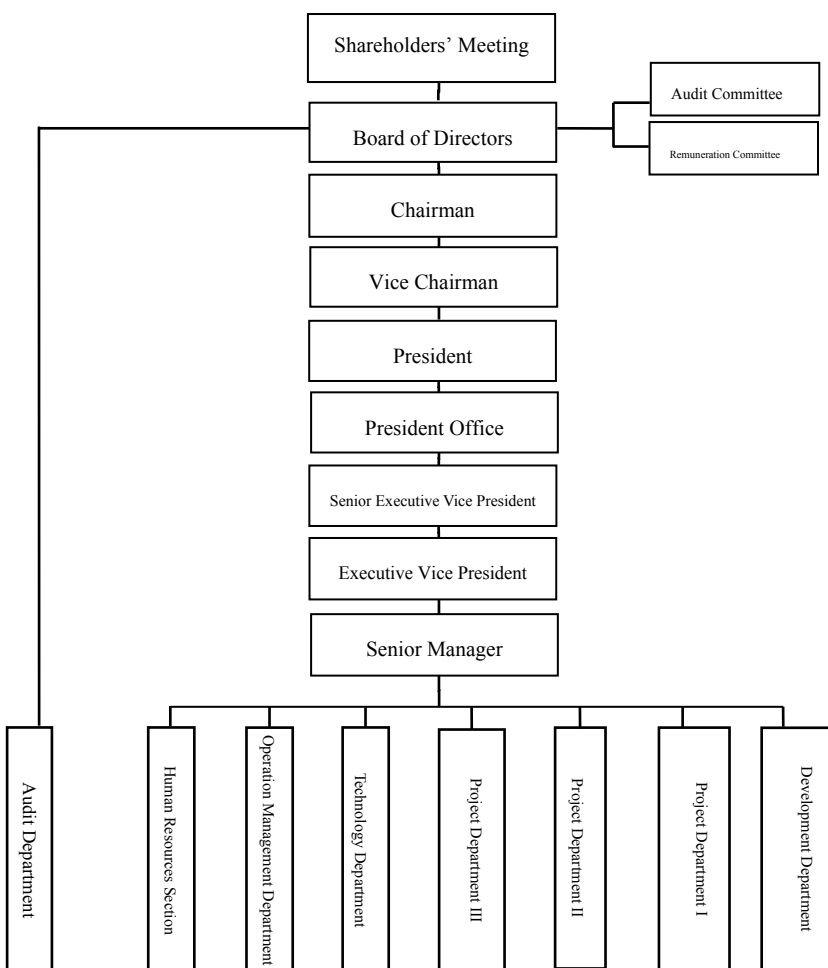
operation. In terms of health management business, the Company is actively pondering value-added services and products to expand capacities; in terms of hotel business, it will continue to integrate diversified marketing and deepen brand value to enhance customer loyalty; in terms of medical clinic business, it will continue to expand and develop complete health services. Looking ahead, the Company will actively keep abreast of the trends, move toward a comprehensive developer, focus on strengthening the core business, digital integration, value creation, and deepen the brand image. The Company aims to expand the development and business territory, and create a greater profit margin.

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 Corporate 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) Supervising all business activities within the Company.
- (2) Preparation, promotion and tracking analysis of the Company's annual business target, business plan and operation guidelines.
- (3) Research, preparation, review, and analysis of the Company's medium and long-term business operation strategy and development direction.
- (4) Establishment, review and effect tracking of operation models like internal working process and organization structure.
- (5) Coordination and integration of various subsidiaries and inter-departmental resources.
- (6) Preparation and promotion of the Company's important policies and strategic project plan.
- (7) Promotion and integration of Corporate Social Responsibility (CSR), business integrity, and brand management.
- (8) Other related items.

### 3. Development Department

- (1) Survey statistics and research of real estate market.
- (2) Research on economic and real estate situation.
- (3) Collection, investigation and analysis of various environment dynamics and business management information and construction industry trend in Taiwan.
- (4) Special research report project.
- (5) Investigation, analysis and evaluation of land planning data.
- (6) Review and amendment of the analysis calculation standard for gross profit of annual land planning.
- (7) Collection and analysis of construction laws and regulations and urban planning data.
- (8) Equity investigation and signing of transaction, purchase, exchange and joint construction of real estate.
- (9) Land acquisition, resurvey, replanning and other items.
- (10) Handover, re-measurement, transfer and management of real estate.
- (11) Removal of above-ground buildings and registration of loss of buildings.
- (12) Applications such as land subdivision, consolidation and land category change.
- (13) Management, trading and exchange of scattered land.
- (14) Purchase or lease of public real estate.

- (15) Tax-related items before the land is transferred to the customer.
- (16) Inventory and auditor of land rights before handover
- (17) Urban renewal-related business promotion.
- (18) Joint development with MRT and other project development and bidding.
- (19) Assistance in subsidiaries' extension related business.
- (20) Supplier management and system data maintenance.
- (21) Other related items.

#### 4. Project 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 real estate 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 of and amendment to standard operating procedures, including

drawing review, sales, customized change, inspection and delivery, and public facilities handover.

(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 real estate 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.

(18) Control of building remeasurement, preservation registration and housing taxation.

(19) Recommendation of loan bank for customer and disposal of loan procedures.

(20) Notification of collection and urgency of customer's payment and additional/reduced payment.

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

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

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

(24) Item related to the delivery of housing.

(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 roadshow for legal person.
- (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 foreign 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

### (1) Information on directors and supervisors (1)

April 13, 2021

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date of First Elected (Note 2)	Shares held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major (Academic Degree) Experience (Note 3)	Other Positions in the Company and Other Companies (Note 4.5)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Percentage	Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Chairman	The Republic of China	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	Male	2020.06.12	3years	2017.06.16	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 Inc. Chairman of Cathay Real Estate Foundation Chairman of Cymbal Medical Network Co., Ltd. Chairman of Xinde Co., Ltd. Chairman of Cymlin Co., Ltd. Director of Cathay Charitable Foundation Supervisor of Taiwan Real Estate Management Co., Ltd. Director of Cathay General Hospital		None	
						2000.01.19	20,822	0	20,822	0									
Director	The Republic of China	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	Male	2020.06.12	3years	2017.06.16	22,000,000	1.90%	22,000,000	1.90%	0	0	0	0	San Francisco State University (Master of Public Administration, MPA)	Senior Executive Vice President of Cathay Real Estate Corporation Director of Cathay Life Insurance Corporation Vice Chairman of Cathay Healthcare Inc. Director of Cymbal Medical Network Co., Ltd. Director of Xinde Co., Ltd. Director of Cymlin Co., Ltd. Executive Vice President of Liang Ting Industrial Co., Ltd.		None	
						2009.03.11	0	0	0	0									
Director	The Republic of China	He Xin Industrial Co., Ltd. Representative: Lee Hung Ming	Male	2020.06.12	3years	2017.06.16	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 Co., Ltd. Chairman of Cathay Hotel Management Consultant Co., Ltd. Chairman of Nankang International No. 1 Corporation Chairman of Nankang International No. 2 Corporation Director of Cathay Real Estate Foundation		None	
						2015.03.23	0	0	0	0									

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date of First Elected (Note 2)	Shares held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major (Academic Degree) Experience (Note 3)	Other Positions in the Company and Other Companies (Note 4.5)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Percentage	Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Director	The Republic of China	Employee Welfare Committee of Cathay Real Estate Corporation Representative: Chin-Liang Lin	Male	2020.06.12	3years	2017.06.16	2,754,800	0.24%	2,754,800	0.24%	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Cathay Real Estate Holding Corporation Executive Vice President Director of Cathay Real Estate Management Co., Ltd. Director of Cathay Hospitality Management Director of Cathay Hotel Management Consultant Co., Ltd. Director of Nankang International No. 1 Corporation Director of Nankang International No. 2 Corporation Supervisor of Symphox Information Co., Ltd. Chairman & President of Jinhua Realty Co., Ltd.			None
						100.06.10	0	0	0	0									
Director	Republic of China	Cathay Charity Foundation Representative: Daniel Tung	Male	2020.06.12	3years	2017.06.16	5,941,332	0.51%	5,941,332	0.51%	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Cathay Real Estate Holding Corporation Senior Executive Vice President Director of Cathay Real Estate Foundation Director of Taiwan Star Telecom Co., Ltd. Chairman & President of Bannan Realty Co., Ltd.			None
						2015.07.01	0	0	0	0									
Director	Canada	Cathay Real Estate Foundation Representative: Chung-Chang Chu	Male	2020.06.12	3years	2017.06.16	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
						1999.05.19	11,719	0	11,719	0									

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date of First Elected (Note 2)	Shares held When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major (Academic Degree) Experience (Note 3)	Other Positions in the Company and Other Companies (Note 4.5)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	Percentage	Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Independent Director	The Republic of China	Shiou-Ling Lin	Female	2020.06.12	3years	2014.06.06	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. Chairman of Dasheng Venture Capital Co., Ltd. Chairman of Dasheng I Venture Capital Co., Ltd. Director of Dasheng V Venture Capital Co., Ltd. Director of KHL Investment I Limited (BVI) Director of Scope Star International Limited (BVI) Director of Gloss Victory International Limited (BVI)	None		
Independent Director	The Republic of China	Chih-Wei Wu	Male	2020.06.12	3years	2014.06.06	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. Director of Longchen Paper & Packaging Co., Ltd. Director of Hematech Biotherapeutics Inc. Independent Director of Les enphants Co., Ltd.	None		
Independent Director	The Republic of China	James Y. Chang	Male	2020.06.12	3years	2017.06.16	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: Where the Chairman and the President or person of an equivalent post (the top-level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (for example, increase the number of independent directors, and there shall be more than half of the directors who do not concurrently serve as employees or managers).
- Note 5: The directors' part-time job shall be subject to the information on April 14, 2021.
- Note 6: 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

As of April 13, 2021

Name of institutional shareholder (Note 1)	Substantial shareholders of institutional shareholders (Note 2)
He Xin Industrial Co., Ltd.	Tsai, Cheng-Ta 45%, Tsai, Hung-Tu 45%, Tsai, Cheng-Chiu 10%
Cathay Charity Foundation	Not applicable (Cathay Life Insurance Co. Ltd. (50%) (the founder); Cathay Real Estate Development Co., Ltd. (50%) (the founder))
Employee Welfare Committee of Cathay Real Estate Corporation	Not applicable (Not a corporate entity, contributions to employee' welfare are made monthly by Cathay Real Estate Development Co. through monthly revenue.)
Cathay Real Estate Foundation	Not applicable (Cathay Life Insurance Co. Ltd. (97.5%) (the founder); Cathay Real Estate Development Co., Ltd. (2.5%) (the founder))

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.

Note 3: For corporate shareholders that are not entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.

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

As of April 13, 2021

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.

Note 3: For corporate shareholders that are not entities, the name of capital contributor or donor and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage.



## (I) Information on Directors and Supervisors (2)

As April 13, 2021

Criteria	Meets 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 Remuneration Committee Member
	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	11	12	
Name																
Ching-Kuei Chang		✓	✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chung-Yan Tsai			✓			✓			✓		✓	✓	✓	✓		None
Lee Hung Ming			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chin-Liang Lin			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Daniel Tung			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chung-Chang Chu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		None

Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
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, any subsidiary or any subsidiaries of the same parent company 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 the manager listed in (1) or any person listed in (2) and (3).
- (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 or who appointed representative to be company Director or Supervisor in accordance with Article 27 paragraph 1 or 2, Company Act. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (6) Not a Director, Supervisor, or employee who controlled another company's majority of the Company's Director seats or voting shares. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (7) Not a chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the specific company or institution hold more than twenty percent and not more than fifty percent of the company's issued shares, and where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or local laws.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Stock Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not related to any circumstances in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Information on the President, Senior Executive Vice Presidents, Executive Vice Presidents, Senior Vice Presidents, and Heads of Departments and Branches

As of April 13, 2021

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
President	The Republic of China	Lee Hung Ming	Male	2015.03.01	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 Hotel Management Consultant Co., Ltd. Chairman of Nankang International No. 1	None		

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Senior Executive Vice President	The Republic of China	Chung-Yan Tsai	Male	2020.01.01	0	0	0	0	0	0	San Francisco State University (Master of Public Administration, MPA)	Corporation Chairman of Nankang International No. 2 Corporation Director of Cathay Real Estate Foundation Director of Cathay Life Insurance Corporation Vice Chairman of Cathay Healthcare Management Corporation Limited Executive Vice President of Liang Ting	None		

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Senior Executive Vice President	The Republic of China	Daniel Tung	Male	2020.01.01	0	0	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Industrial Co., Ltd.  Director of Cymbal Medical Network Co., Ltd.  Director of Xinde Co., Ltd.  Director of Cymlin Co., Ltd.  Director of Cathay Real Estate Foundation  Director of Taiwan Star Telecom Co., Ltd.  Chairman and President of Bannan	None		

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Executive Vice President	The Republic of China	Chin-Liang Lin	Male	2020.01.01	0	0	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Realty Co., Ltd.  Director of Cathay Real Estate Management Co., Ltd.  Director of Cathay Hospitality Management  Director of Cathay Hotel Management Consultant Co., Ltd.  Director of Nankang International No. 1 Corporation  Director of Nankang International No. 2	None		

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Senior Vice President	The Republic of China	Shang-Chieh Ku	Male	2020.01.01	0	0	0	0	0	0	Department of Architecture, Tamkang University	Corporation Supervisor of Symphox Information Co., Ltd. Chairman and President of Jinhua Realty Co., Ltd. Director and Chief Executive Officer of Bannan Realty Co., Ltd.	None		
Senior Vice President	The Republic of China	Kuo, Chun-He/Ho	Male	2020.01.01	0	0	0	0	0	0	Master of Architectural Engineering, National Taiwan University of Science and Technology	Director of Bannan Realty Co., Ltd. Director of Jinhua Realty Co., Ltd.	None		

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Senior Vice President	The Republic of China	Chun-An Lin	Male	2020.01.01	0	0	0	0	0	0	National Taiwan University Master of Finance	Cathay Real Estate Management Co., Ltd. Supervisor of Bannan Realty Co., Ltd. Supervisor of Jinhua Realty Co., Ltd.	None		
Manager of Development Department	The Republic of China	Kuo-Chiang Cheng	Male	2011.04.01 (Retired on July 1, 2020)	0	0	0	0	0	0	Department of Land Economics, National Chengchi University	None	None		
Manager of Development Department	The Republic of China	Pang-He Liu	Male	2020.07.02	0	0	0	0	0	0	Master's in Business Administration, National Central University	None	None		
Manager of Project	The Republic	Chia-Ming Hsiao	Female	2015.07.01	0	0	0	0	0	0	Master of Architecture,	None	None		



Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Department I	of China										National Cheng Kung University				
Manager of Project Department II	The Republic of China	Fei-Yi Peng	Female	2020.01.01	0	0	0	0	0	0	China University of Technology Department of Architecture	None		None	
Manager of Project Department III	The Republic of China	Ding-Qian Huang	Male	2020.01.01	14,000	0	100,000	0	0	0	Chaoyang University of Technology (Master of Architecture & Urban Design)	Director and Chief Executive Officer of Jinhua Realty Co., Ltd.		None	
Chief Auditor of Audit Department	The Republic of China	Chang-Yao Huang	Male	2015.11.05	30	0	0	0	0	0	Department of Statistics, National Chung Hsing University	None		None	
Manager of Operation Management Department	The Republic of China	Yu-Chi Lo	Female	2018.03.16	0	0	0	0	0	0	Master of Accounting, National Chengchi University	None		None	

Position (Note 1)	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education) (Note 2)	Concurrent Position at Other Companies	Managers who are Spouses or Relatives Within Second Degrees of Kinship		
					Shares	Percentage	Shares	Percentage	Shares	Percentage			Position	Name	Relationship
Corporate Governance Executive	The Republic of China	Miao-Ju Yen	Female	2019.04.25	0	0	0	0	0	0	Soochow University Department of Law	None	None		

Note 1: This should include all President, Vice Presidents, Senior Vice Presidents, and those who hold the equivalent positions (regardless the job titles), as well as, key managers from each department and branch entity, must be disclosed.

Note 2: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.

Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken, such as introduction of independent directors. Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

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

1. Remuneration to non-independent and independent directors (Range of Remuneration Disclosed in an Aggregate Manner)

Unit: NT\$ thousands

Position	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 Sum of (A+B+C+D+E+F+G) to Net Income After Tax (Note 10)		Compensation Paid to Directors from an Investee Other than the Company's Subsidiary (Note 11)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
		Remuneration(A) (Note2)		Severance Pay (B)		Remuneration of Directors (C) (Note 3)		Fees for Professional Services (D) (Note 4)				Salaries, Bonus, and Special Allowances (E) (Note 5)		Severance Pay and Pension (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)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
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Position	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 Sum of (A+B+C+D+E+F+G) to Net Income After Tax (Note 10)		Compensation Paid to Directors from an Investee Other than the Company's Subsidiary (Note 11)
		Remuneration(A) (Note2)		Severance Pay (B)		Remuneration of Directors (C) (Note 3)		Fees for Professional Services (D) (Note 4)				Salaries, Bonus, and Special Allowances (E) (Note 5)		Severance Pay and Pension (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)			
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																			

Position	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 Sum of (A+B+C+D+E+F+G) to Net Income After Tax (Note 10)		Compensation Paid to Directors from an Investee Other than the Company's Subsidiary (Note 11)		
		Remuneration (A) (Note 2)		Severance Pay (B)		Remuneration of Directors (C) (Note 3)		Fees for Professional Services (D) (Note 4)				Salaries, Bonus, and Special Allowances (E) (Note 5)		Severance Pay and Pension (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)			
1. Please state the policy, system, standards and structure of Independent Directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time devoted and other factors:  The Company has clearly defined the Independent Directors' remuneration policy, scope, type and periodic review mechanism in the remuneration payment standard. The remuneration payment for Independent Director would factor in the level of involvement into company operation, the contribution, and the usual industrial standard, and the amount would be reviewed by Remuneration Committee and reported to the Board of Directors for approval to issue the total amount. The Company regularly evaluates the remuneration of Independent Directors every three years.																				
2. 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			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (Note 9)	The Company (Note 8)	All companies in the consolidated financial statements (Note 9)
Under NT\$ 1,000,000	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation
NT\$1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.
NT\$2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)	0	0	0	0
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)	0	0	Chin-Liang Lin	Chin-Liang Lin
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (not inclusive)	Ching-Kuei Chang	Ching-Kuei Chang	Chung-Yan Tsai, Daniel Tung, Lee Hung Ming, Ching-Kuei Chang	Chung-Yan Tsai, Daniel Tung, Lee Hung Ming, Ching-Kuei Chang
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)	0	0	0	0
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 bonus.
- 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 allowance, 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\$663,000.
- Note 5: Salary, job remuneration severance pay, various bonuses, performance bonus, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including President, Senior Executive Vice Presidents, Executive Vice Presidents, other managers, and employees) 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\$2,868,000.
- Note 6: If the directors who acted as employees concurrently (including President, Senior Executive Vice Presidents, Executive Vice Presidents, other managers, and employees) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated actually last year, and please also fill out table 1-3.
- 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 2020 earnings distribution proposal has been resolved by the Board of Directors on April 28, 2021, but has not been ratified by the shareholders' meeting.
- \* 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.

2. Remuneration of the President, Senior Executive Vice Presidents, and Executive Vice Presidents (with the Range of Remuneration Disclosed in an Aggregate Manner)

Unit: NT\$ thousands

Unit: NT\$ thousands														
Position	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Special Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Sum of (A+B+C+D) to Net Income (%) (Note 8)		Compensa tion Paid to the President and Executive Vice Presidents from an Invested Company Other than the Company 's Subsidiary (Note 9)
		The Company	All compan ies in the consolid ated financial statemen ts (Note 5)	The Company	All compan ies in the consolid ated financial statemen ts (Note 5)	The Company	All compan ies in the consolid ated financial statemen ts (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All compan ies in the consolid ated financial statemen ts (Note 5)	
								Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
President	Lee Hung Ming	12,264	12,264	0	0	11,787	11,787	45	0	45	0	1.62%	1.62%	30
Senior Executive Vice President	Chung-Yan Tsai													
Senior Executive Vice President	Daniel Tung													
Executive Vice President	Chin-Liang Lin													

Table of Range of Remuneration

Range of Remuneration Range of Remuneration Paid to the President and Senior Executive Vice President, and Executive Vice Presidents	Name of the President and Senior Executive Vice President, and Executive Vice Presidents	
	The Company (note 7)	All companies in the consolidated statements (E) (Note 8)
Under NT\$ 1,000,000	0	0
Under NT\$2,000,000	0	0
NT\$20,000,000 (inclusive) ~ NT\$35,000,000 (exclusive)	0	0
NT\$35,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Chin-Liang Lin	Chin-Liang Lin
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (not inclusive)	Chung-Yan Tsai, Daniel Tung, and Lee Hung Ming	Chung-Yan Tsai, Daniel Tung, and Lee Hung Ming
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 name of the President, Senior Executive Vice Presidents, and Executive Vice Presidents shall be identified specifically, and the various payments shall be aggregated and then disclosed. If a Director is also the President, Senior Executive Vice President, or Executive Vice President, this table and the table above (1-2) shall be filled out.
- Note 2: Please specify the salary, job allowance, and severance paid to the President, Senior Executive Vice Presidents, and Executive Vice Presidents in the most recent year.
- Note 3: Please specify the bonus, performance bonus, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the President, Senior Executive Vice Presidents, 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\$2,868,000.
- Note 4: Please specify the employee compensation (including stock and cash) to be allocated to the the President, Senior Executive Vice Presidents, and Executive Vice Presidents as approved by the Board of Directors for the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated actually last year, and please also fill out table 1-3. 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: Please disclose the aggregate of the remuneration paid to the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents by all companies included into the consolidated financial reports (including the Company).
- Note 6: The aggregate of the remuneration to the Company's President, Senior Executive Vice Presidents shall include the names of the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents disclosed in the corresponding ranges.
- Note 7: The aggregate of the remuneration paid to each of the the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents by the companies included in the consolidated financial reports (including the Company) shall be disclosed with the names of the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents disclosed in the corresponding ranges.
- 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. Remuneration received by the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents from investees other than subsidiaries shall be specified in this column.  
b. If the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents receive remuneration from investees other than subsidiaries, the remuneration received by the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents from investees other than subsidiaries shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "All Investees".  
c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional service fees received by the Company's President, Senior Executive Vice Presidents, and Executive Vice Presidents who acted as the directors, supervisors, or managers of investees other than subsidiaries.
- Note 10: The 2020 earnings distribution proposal has been resolved by the Board of Directors on April 28, 2021, but has not been ratified by the shareholders' meeting.
- \*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.

### 3. Name of the managers who receive employee compensation and the distribution situation

May 1, 2021 Unit: NT\$ thousands

	Title (Note 1)	Name (Note 1)	Amount of Stock	Amount of Cash (Note 5)	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Lee Hung Ming	0	167	167	0.0113%
	Senior Executive Vice President	Chung-Yan Tsai				
	Senior Executive Vice President	Daniel Tung				
	Executive Vice President	Chin-Liang Lin				
	Senior Vice President	Shang-Chieh Ku				
	Senior Vice President	Chun- Ho, Kuo				
	Senior Vice President	Chun-An Lin				
	Manager of Development Department (promoted on July 2, 2020)	Pang-He Liu				
	Manager of Development Department (Retired on July 1, 2020)	Kuo-Chiang Cheng				
	Manager of Project Department I	Chia-Ming Hsiao				
	Manager of Project Department II	Fei-Yi Peng				
	Manager of Project Department III	Ding-Qian Huang				
	Chief Auditor of Audit Department	Chang-Yao Huang				
	Manager of Operation Management Department	Yu-Chi Lo				
	Corporate Governance Executive	Miao-Ju Yen				

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 term "managerial officer" shall follow the approved document with Reference No. Tai Tsai Cheng San Tzu 0920001301 dated March 27, 2003. Its scope of application shall be 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: If any director, President, Senior Executive Vice President, or Executive Vice President has received employee compensation (including stock and cash), please complete table 1-2 and also this table.

Note 5: The 2020 earnings distribution proposal has been resolved by the Board of Directors on April 28, 2021, but has not been ratified by the shareholders' meeting.

#### 4. The Remuneration of the Top Five Top Executives of the Public Company (Names and Remuneration Disclosed Individually)

Position	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Special Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Sum of (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)	
								Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
Not Applicable														

5. Specify and compare the salary to directors, supervisors, President, Senior Executive Vice Presidents, or Executive Vice Presidents of the Company in proportion to net income after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, and procedure for determining remunerations and their relation to business performance and future risk:

- (1) Proportion of total remuneration of the President, Senior Executive Vice Presidents, or Executive Vice Presidents of the Company to net income after tax

The total remuneration paid to directors, supervisors, President, Senior Executive Vice Presidents, or Executive Vice Presidents was NT\$40,969,000 and NT\$39,510,000 for 2020 and 2019, accounting for 2.76% and 2.88% of the net income after tax, respectively.

- (2) Policies, standards, combinations, and procedure for determining remunerations and their relation to 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) Operation of the Board of Directors

The 18th term of Directors (Statistical period: January 1, 2020 to June 11, 2020)

A total of three (3) meetings [A] of the Board of Directors were held in the most recent year (2020). The attendance of Directors and Supervisors was as follows:

Position	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	3	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	3	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Lee Hung Ming	3	0	100	
Director	Representative of Cathay Real Estate Foundation: Chung-Chang Chu	3	0	100	
Director	Employee Benefit Committee of Cathay Real Estate Representative: Chin-Liang Lin	3	0	100	
Director	Representative of Cathay Charity Foundation: Daniel Tung	3	0	100	
Independent Director	Shiou-Ling Lin	3	0	100	
Independent Director	Chih-Wei Wu	3	0	100	
Independent Director	James Y. Chang	3	0	100	

The 19th term of Directors (Statistical period: June 12, 2020 to December 31, 2020)

A total of five (5) meetings [A] of the Board of Directors were held in the most recent year (2020). The attendance of Directors and Supervisors was as follows:

Position	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	5	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	5	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Lee Hung Ming	5	0	100	
Director	Representative of Cathay Real Estate Foundation: Chung-Chang Chu	5	0	100	
Director	Employee Benefit Committee of Cathay Real Estate Representative: Chin-Liang Lin	5	0	100	
Director	Representative of Cathay Charity Foundation: Daniel Tung	5	0	100	
Independent Director	Shiou-Ling Lin	5	0	100	
Independent Director	Chih-Wei Wu	4	1	80	
Independent Director	James Y. Chang	4	1	80	

Note 1: Where directors and supervisors are corporate entities, the names of corporate shareholders and their representatives are stated.

Note 2:

- (1) The date of resignation is specified for directors or supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of board of directors meetings held and the number of actual attendance during active duty.
- (2) If a re-election of directors or supervisors had taken place prior to the close of the financial year, directors/supervisors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the director/supervisor was elected in the previous term, the new term, or both. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Other required disclosure:

I. If any of the following circumstances occur, the dates of the meetings, sessions, content of proposal, all Independent Directors' opinions, and the Company's response to such opinions 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 Directors	Proposal contents	Reasons for recusal due to conflicts of interest	Voting outcomes
Ching-Kuei Chang, Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin	Proposal for paying year-end bonus and special incentives to Directors and managers participating in businesses in 2019	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	Assessment of remuneration of Independent Directors and Executive Directors participating in businesses in 2019	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin	Assessment of remuneration of managers in 2019	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Ching-Kuei Chang, Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin, Chung-Chang Chu	Deliberation of distribution of remuneration to employees and Directors for 2019	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Ching-Kuei Chang, Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin, Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Review of candidate qualifications for the Company's 19th term of Directors (including Independent Directors)	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

Name of Directors	Proposal contents	Reasons for recusal due to conflicts of interest	Voting outcomes
Ching-Kuei Chang, Chung-Yan Tsai, Lee Hung Ming, Daniel Tung, Chin-Liang Lin, Chung-Chang Chu, Shiou-Ling Lin, Chih-Wei Wu	Removal of the non-compete clause for the Company's members of the 19th Board of Directors (including Independent Directors).	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Appointment of members of the 4th Remuneration Committee of the Company	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	Assessment and determination of remuneration of Independent Directors and Executive Directors participating in businesses in 2020	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chung-Yan Tsai, Chung-Chang Chu	Proposal for joint venture with Cathay Life Insurance Co.,Ltd. to establish a solar energy company	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Lee Hung Ming	Proposal for sales of properties, lands and parking lots of Company's pre-sale projects to related parties	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chin-Liang Lin	Proposal for disposal of the land at Land No. 132, Jinhua Section, Anping District, Tainan City, to its related party, Jinhua Realty Co., Ltd.	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Daniel Tung, Chin-Liang Lin	Removal of the non-compete clause for managers of the Company	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

III.TWSE/TEPx listed company should disclose the information regarding Board of Directors' evaluation cycle, evaluation period, scope, and method of self (or peer) – evaluation and list out the execution of Board of Directors evaluation:

Evaluation cycle (Note 1)	Period of Evaluation (Note 2)	Scope (Note 3)	Evaluation Method (Note 4)	Evaluation Content (Note 5)
Annually	From January 1, 2020 to December 31, 2020.	Including the overall Board of Directors and functional committees	Evaluation of execution unit, self-evaluation of performance of the Directors and self-evaluation of performance of the functional committees.	<p>The criteria for evaluating the performance of the Company's Board of Directors should separate into "qualitative measurement indicators" and "quantitative measurement indicators", and each should cover the following five aspects:</p> <ol style="list-style-type: none"> <li>1. The degree of participation in the Company's operation</li> <li>2. Improvement of the quality of the Board of Directors' (functional committees') decision making</li> <li>3. Composition and structure of the Board of Directors (functional committees)</li> <li>4. Election and continuing education of the directors (members of functional committees)</li> <li>5. Internal control.</li> </ol>

The performance evaluation of the Company's directors covers the main indicators, including supervision of the "Company's business execution", "financial operation status", "internal audit and internal control", "risk management, and "compliance with laws and regulations", as well as minor indicators, including "the Company's fulfillment of corporate social responsibility" and "attendance at the Board of Directors meetings". The entire evaluation process consists of self-evaluation, re-evaluation, and verification.

Note1: Represents the frequency of board performance evaluation, e.g.: once a year.

Note2: Represents the duration covered by performance evaluation, e.g.: performance of the board of directors between January 1 and December 31, 2020, was assessed.

Note3: The scope of assessment covers performance of the board as a whole, the individual directors and functional committees.

Note4: Assessment methods include: board internal self-assessment, director self-assessment, peer assessment, assessment by external institution or expert, and other methods as deemed appropriate.

Note5: Assessment details, by scope of assessment, include at least the following:

- (1) Board performance assessment: board's participation in the Company's operations, the quality of board's decisions, the board's composition, election and ongoing education of board members, and enforcement of internal control.
- (2) Director individual performance assessment: director's awareness toward the Company's goals and missions, awareness to duties, level of participation in the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
- (3) Performance assessment for functional committees: participation in the Company's operations, awareness to duties, quality of committee's decisions, composition and member selection, and enforcement of internal control.

#### IV. The Board of Directors Performance Linkage and Evaluation Result:

##### 1. The Board of Directors performance evaluation results:

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

The assessment targets include the overall operation of the Board of Directors and the performance of individual directors and the members of the functional committees. 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) Degree of participation in the Company's operations.
- (2) Improvement in the Board of Directors' (functional committees') decision-making capability.
- (3) The composition and structure of the Board of Directors (functional committees).
- (4) The election and appointment as well as continuing education of Directors (functional committees).
- (5) Internal control.

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 results of the performance evaluation of the Board of Directors in 2020 surpassed the standards and was reported to the Company's Board of Directors on March 18, 2021, which is sufficient to demonstrate the Company's achievement in strengthening the effectiveness of the Board of Directors and functional committees. The Company has disclosed the Methods for Performance Evaluation of Board of Directors on the MOPS and the Company's website, as well as the results of said evaluation in the annual report and the Company's website for inquiry.

## 2. The Linkage between Remuneration and Performance Evaluation of Directors and Managers

According to the Company's Director Performance Evaluation Criteria, the evaluation results are divided into "qualified" and "unqualified" as to whether the Directors have actually fulfilled the duties as directors. All directors in the 2020 performance evaluation results were all "qualified".

In accordance with the Company's Articles of Association, the remuneration of the Directors of the year shall be within 1% of the profit of the current year, and consider both the Company's operating results and the Director's contribution of the Company's performance, in order to give a reasonable remuneration; The policy of remuneration of the managers is based on the Company's Manager Remuneration Standards, the industrial remuneration of the same position, the scope of the job within the Company, and the person's contribution to the Company's operational targets to give the remuneration. 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.

## V.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 Company's Board of Directors is composed of 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 established a Remuneration Committee to formulate and assess the standards for performance evaluation and remuneration standards of the Company's directors and managers in order to effectively establish the remuneration and performance evaluation system for the Company's directors and managers while improving the Company's operating performance. It has also set up an Audit Committee composed of all independent directors to assist the Board of Directors in improving corporate governance 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, the relevant contents and the implementation pursuant to Paragraph 2 of Article 22 of the Company's Code of Practice of Corporate Governance governing Policy of Diversity of Members of Board of Directors 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 3 Independent Directors with extensive 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 at least 10%. Currently there are 9 Directors, including a female director and the ratio is 11%. The implementation is as follows:

Core projects of diversity	Basic Composition					Experience/Field of Work					Backgrounds									
	Nationality/Place of Incorporation (Note)	Gender	Also Serve as An Employee of the Company	Age			Term of Independent Director	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		
				31 to 45	46 to 60	61 to 75													Three to nine years	Less than three years
Name of Directors																				
Ching-Kuei Chang	1	Male		1	3	5	✓	✓					✓	✓						
Lee Hung Ming	1	Male	✓						✓		✓				✓			✓		
Chung-Yan Tsai	1	Male	✓						✓	✓	✓		✓		✓				✓	
Daniel Tung	1	Male	✓						✓		✓		✓	✓	✓					✓
Chin-Liang Lin	1	Male	✓						✓			✓			✓	✓				
Chung-Chang Chu	2	Male								✓			✓		✓	✓				✓
Shiou-Ling Lin	1	Female								✓	✓			✓	✓	✓		✓		
Chih-Wei Wu	1	Male								✓	✓		✓		✓	✓				✓
James Y. Chang	1	Male									✓					✓		✓		

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

## (II) Audit Committee activities

The Company's Audit Committee is solely composed of Independent Directors. The goal of the Audit Committee is to provide assistance to the Board of Directors in performing its duty of supervising the Company on accounting, auditing, financial reporting process and quality of financial control, and integrity related matters.

The tasks of the Audit Committee mainly include the following:

1. Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system
3. Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
4. Items that involve the director's own interests.
5. Major assets or derivatives transactions.
6. Significant loaning of funds, providing endorsements/guarantees.
7. Raising, issuing or privately placing equity-type securities.
8. Appointment, dismissal, and compensation of CPAs.
9. Appointment and dismissal of finance manager, accounting manager, and head of internal audit.
10. The annual financial statements signed or stamped by the Chairman, managers and accounting directors.
11. Business report.
12. Proposals of profit distribution or deficit compensation.
13. Other major items required by the Company or the competent authority.

Key auditing projects including:

1. Review financial statements

The Board of Directors prepared the Company's annual Business Report, Financial Statements (including consolidated financial statements), and an earnings distribution proposal, among which the Financial Statements (including consolidated financial statements) have been audited by Jung-Huang Hsu and Chien-Tse Huang, CPAs at Ernst & Young, by whom an audit report has been issued. The above-mentioned reports presented by the Board of Directors have been verified by the Audit Committee, and it is considered that there is no inappropriate content.

2. Assessment of the effectiveness of the internal control system

The Audit Committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, outsourcing, regulatory

compliance, etc.) and audited The Company's audit department and CPAs, as well as management's periodic reports, including risk management and regulatory compliance. The committee also referred to the Internal Control-Integrated Framework which is published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and concluded that the Company's risk management and internal control system is effective, the Company has also adopted required control mechanism to supervise and correct the violations.

### 3. Appointment of CPA

The Audit Committee is held responsible for supervising the independence of the CPA firm to ensure the integrity of financial statement. Generally speaking, except for tax-related services or specially authorized projects, certified accounting firm shall not provide other services for The Company.

The audit fees of the CPAs shall be approved by the Audit Committee. To ensure the independence of the certified accounting firm, the Audit Committee has prepared an independence assessment form based on the Article 47 in Certified Public Accountant Act and the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 “Integrity, Objectivity and Independence”, which evaluated whether the CPAs are related parties, have a mutual business or financial interest with the Company in accordance with their independence, professionalism, and suitability.

The 1st Audit Committee (Statistical period: January 1, 2020 to June 11, 2020)

The Audit Committee held four (4) meetings (A) in the most recent year; the attendance of members is summarized as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Director	Shiou-Ling Lin	4	0	100	
Independent Director	Chih-Wei Wu	4	0	100	
Independent Director	James Y. Chang	4	0	100	

Note:

- (1) Where a specific independent director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the “Remark” section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director’s term and the number of meetings actually attended by that director.
- (2) Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection in the “Remark” section. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director’s term and the number of meetings actually attended by that independent director.

The 2nd Audit Committee (Statistical period: June 12, 2020 to December 31, 2020)

The Audit Committee held three (3) meetings (A) in the most recent year; the attendance of members is summarized as follows:

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Director	Shiou-Ling Lin	3	0	100	
Independent Director	Chih-Wei Wu	3	0	100	
Independent Director	James Y. Chang	3	0	100	

Note:

- (1) Where a specific independent director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the “Remark” section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director’s term and the number of meetings actually attended by that director.
- (2) Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection in the “Remark” section. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director’s term and the number of meetings actually attended by that independent director.

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 meeting of the 18th term January 21, 2020	1. Proposal for signing of the urban renewal co-development agreement with the related party of the Lin Yuan Building Urban Renewal Project.	✓	✗

	2. Proposal for contracting the project Cathay Lagom of the Company in New Taipei City Xindian to related party San-Ching Engineering Co., Ltd.	✓	✗
	Results of the Audit Committee Resolution (January 21, 2020): Proposals 1–2 were approved by all Independent Directors present.		
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.		
The 19th meeting of the 18th term March 19, 2020	1. Proposal for filing the Company's Internal Control System Statement of 2019 to the Securities and Futures Bureau of the Financial Supervisory Commission	✓	✗
	2. 2019 Individual financial report and consolidated financial report.	✓	✗
	Results of the Audit Committee Resolution (March 19, 2020): Proposals 1–2 were approved by all Independent Directors present.		
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.		
The 20th meeting of the 18th term April 23, 2020	1. Review of the candidate qualifications for the Company's 19th term of Directors (including Independent Directors)	✓	✗
	2. Removal of the non-compete clause for the Company's members of the 19th Board of Directors (including Independent Directors).	✓	✗

	3. Removal of the non-compete clause for the Company's members of the 19th Board of Directors (including Independent Directors).	✓	✗
	4. Amendments to the relevant provisions of the Company's Internal Control System and Internal Audit Implementation Rules governing the ability to self-prepare financial reports	✓	✗
	5. Amendments to the Company's Audit Committee Charter	✓	✗
	Results of the Audit Committee Resolution (April 23, 2020): Proposals 1–5 were approved by all Independent Directors present.		
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.		
The 1st meeting of the 19th term June 24, 2020	1. Appointment of members of the 4th Remuneration Committee of the Company	✓	✗
	2. Proposal for establishment of a new joint venture with Mitsui Fudosan Taiwan Co., Ltd.	✓	✗
	3. Review the Company's Audit Committee Charter.	✓	✗
	Results of the Audit Committee Resolution (June 24, 2020): Proposals 1 to 3 are approved by the all Independent Directors present.		
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.		



The 3rd meeting of the 19th term August 12, 2020	1. Proposal for establishment of Bannan Realty Co., Ltd. as a joint venture with Mitsui Fudosan Taiwan Co., Ltd.	✓	✗
	2. Proposal for joint venture with Cathay Life Insurance Co., Ltd. to establish a solar energy company	✓	✗
	3. Proposal for contracting the Company's Cathay Chuan Ching project in Taoyuan District, Taoyuan City, to San-Ching Engineering Co., Ltd.	✓	✗
	Results of the Audit Committee Resolution (August 12, 2020): Proposals 1 to 3 are approved by the all Independent Directors present.		
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.		
The 4th meeting of the 19th term November 12, 2020	1. Deliberation of CPA replacement and remuneration for 2021	✓	✗
	2. Proposal for sales of properties, lands and parking lots of Company's pre-sale projects to related parties	✓	✗
	3. Proposal for contracting the old house demolition work of the "Lin Yuan Building Urban Renewal Project" in Daan District, Taipei City, to San-Ching Engineering Co., Ltd.	✓	✗
	4. Proposal for disposal of the land at Land No. 132, Jinhua Section, Anping District, Tainan City, to its related party, Jinhua Realty Co., Ltd.	✓	✗
	5. Removal of the non-compete clause for managers of the Company	✓	✗

	Results of the Audit Committee Resolution (November 12, 2020): Proposals 1–5 were approved by all Independent Directors present.
	The Company's response to the comments of the Audit Committee: The proposals above were approved by all Directors present. Please refer to pages 42–43 for details on directors' recusal from proposals with their conflicts of interest involved.

(II) In addition to the items in the preceding sentence, other resolutions passed by two-thirds of all the directors but yet 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 conflicts of interest	Voting outcomes
Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Review of candidate qualifications for the Company's 19th term of Directors (including Independent Directors)	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Shiou-Ling Lin, Chih-Wei Wu	Removal of the non-compete clause for the Company's members of the 19th Board of Directors (including Independent Directors).	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Appointment of members of the 4th Remuneration Committee of the Company	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 Company's Audit Committee is composed of Independent Directors solely. The CPA reports at least once a year 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:

Date	Communication Focus	Results
2020.03.19	1. Discussions on the review of the 2019 financial statements, and reports on the internal control test execution	1. The Audit Committee passed the annual financial statements and submitted to the board for approval, and

	and results. 2. Communication regarding key audit matters in the Audit Report. 3. Audit differences identified in the audit. 4. The impact of recent important legislative amendments and IFRS update notes	announced and declared as scheduled 2. Suggestions from Independent Directors: None
2020.11.12	1. CPA's Declaration of Independence. 2. The scope of the audit of the Group for the third quarter of 2020, and the audit report to be issued by the CPAs. 3. The expected audit items and timeline for 2020. 4. Communication regarding key audit matters for 2020. 5. Discussion on the recent updates of securities management and taxation laws and regulations.	1. The Audit Committee passed the annual financial statements and submitted to the board for approval, and announced and declared as scheduled 2. Suggestions from Independent Directors: None

2. The audit supervisor of the Company shall communicate at least once a year with the Independent Directors on the audit report and discuss the follow-up implementation. Summary of the communication:

Date	Communication Focus	Results
2020.03.19	1. Audit performance in 2019 2. Discussion on new projects contracting out review tasks	1. Fully inform the Independent Directors of the recommendation and improvement. 2. Opinion exchange and communication on the contracting out review task process. 3. Recommendation from Independent Directors: None

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

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
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 amended the Corporate Governance Best Practice Principles on March 19, 2020, and published it on the Market Observatory Post System (MOPS) and the Company's website. ( <a href="http://www.cathay-red.com.tw/tw/About/ManageRegulation">http://www.cathay-red.com.tw/tw/About/ManageRegulation</a> )	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. The Company also discloses the list of all shareholders with a stake of 5 percent or greater in the quarterly (annually) financial statements.	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.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company has formulated the Codes of Ethical Conduct. Any information insiders has learned at duties that may significantly affect the price of securities transactions shall be kept strictly confidential in accordance with the provisions of the Securities and Exchange Act, and such information shall not be used for insider trading.	No material discrepancy.
III. Composition and Responsibilities of the Board of Directors	✓		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 to page 45, "V. Measures taken to strengthen the functions of the Board for the current year and the most recent year and the implementation:"	No material discrepancy.
(I) Does the Board develop and implement a diversified policy for the composition of its members?				
(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 rules and procedures for evaluating the Board's performance, conduct it annually, submit the result of evaluation to the Board of Directors, and refer to the information when considering individual director's remuneration and renewal nomination?	✓		The Company has formulated rules and procedures for evaluating the Board's performance and conducts it annually. Please refer to page 44 "IV. The Linkage between Remuneration and Performance Evaluation of Directors and Managers."	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Does the company regularly evaluate the independence of CPAs?	✓		<p>The Company recruits CPAs once a year, obtains the accountant's Independence Statement, and fully evaluates their independence and competency by the Board of Directors. The major evaluation items are as follows:</p> <p>Independence:</p> <ol style="list-style-type: none"> <li>1.Does the CPA firm reach a certain scale?</li> <li>2.Has the CPA been providing auditing service consecutively for less than seven years?</li> <li>3.Does the nature and degree of non-audit services provided by the CPAs not affect the independence?</li> <li>4.Is the CPA's auditing and attestation fee reasonable? Is there any "Contingent Fee" agreement?</li> <li>5.Does the audit firm, its affiliates, and the audit engagement team members not have a loan or guarantee to or from the Company?</li> <li>6.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?</li> </ol> <p>Competency:</p> <ol style="list-style-type: none"> <li>1.Does the CPA firm have a good reputation?</li> <li>2.Is the CPA qualified for attestation?</li> <li>3.Do the CPAs have no legal lawsuits, or cases corrected, or investigated by the competent authority?</li> <li>4.Is the quality of the audit services provided by CPAs and key management personnel good?</li> </ol>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>5. Does the CPA take regular training and provide the Company with the latest professional information?</p> <p>6. Does the CPA have positive interaction with management team and internal audit supervisors?</p> <p>Submit the assessment results above to the audit committee and the board of directors for discussion and use as a reference for the board to appoint a visa accountant.</p> <p>The assessment results of the recent two years have been reported to the Board of Directors for approval on November 13, 2019 and November 12, 2020, respectively.</p>	
IV. Does the Company assign adequate and appropriate persons for corporate governance, and appoint a cooperate governance supervisor to be responsible for corporate governance matters (including but not limited to providing information for Directors and supervisors to perform their duties, assisting Directors and supervisors to comply with laws and regulations, handling work related to meetings of the Board of Directors and the shareholders' meetings, and preparing minutes of Board meetings and shareholders' meetings)?	✓		<p>Miao-ju Yen has served as the corporate governance supervisor upon the resolution of Board meeting held on April 25, 2019.</p> <p>1. The implementation of corporate governance is as follows:</p> <p>(1) Handling of matters relating to the meetings of the Board of Directors and Shareholders' Meetings in compliance with law.</p> <p>(2) Producing meeting minutes for the meetings of the Board of Directors and Shareholders' Meetings.</p> <p>(3) Assisting directors in taking office and with their continuing education.</p> <p>(4) Providing materials necessary for directors to perform their business.</p> <p>(5) Assisting directors and</p>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>supervisors with compliance.</p> <p>(6) Handling other matters in accordance with the Articles of Association or contracts.</p> <p>2. Implementation in the year:</p> <p>(1) Reviewed relevant procedures</p> <ul style="list-style-type: none"> <li>● Amended the Audit Committee Charter</li> <li>● Amended the Remuneration Committee Charter</li> <li>● Amended the Director's Remuneration Payment Standards</li> <li>● Amended the Principles for Evaluation of Performance of Board of Directors</li> <li>● Amended the Methods for Performance Evaluation of Board of Directors</li> </ul> <p>(2) Purchased Directors Liability Insurance. The most recent purchase of liability insurance for all Directors is with insured amount of US\$5 million, and the period of insurance is from June 18, 2020 to June 18, 2021.</p> <p>(3) Evaluated the Board of Directors annually and reported to the Board of Directors.</p> <p>(4) Handled matters relating to the meetings of the Board of Directors and Shareholders' Meetings.</p> <p>3. Training hours and content of the corporate governance supervisors at the beginning</p>	



Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>of their terms of office:</p> <p>(1) Key Information in Annual Reports and Responsibility Analysis; View of Directors and Supervisors - 3 hours</p> <p>(2) How to Read Annual Reports- A Class for Directors and Supervisors Without Financial Backgrounds - 3 hours</p> <p>(3) 2019 Legal Compliance of Equity Transfer by Insiders of Listed and Unlisted Companies - 3 hours</p> <p>(4) 2019 Prevention of Inside Trading Conference - 3 hours</p> <p>(5) Seminar for Effective Leveraging of the Functions of Directors - 3 hours</p> <p>(6) Enhance corporate governance structure with intellectual property management - the Promotion of Intellectual Property Management Obligations of the Board of Directors of Listed Companies - 2.5 hours</p> <p>(7) In the Face of Personal Data Protection Act, Companies' Personal Asset Management and Information Security Control Must be in Place - 2 hours</p> <p>(8) 2020 Annual Prevention of Insider Trading and Insider Equity Trading Promotion Seminar - 3 hours</p>	

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
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 page 88.	No material discrepancy.
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		✓	As the Company handles its own stock affairs and has a stock affair unit responsible for handling shareholders' issues and affairs of shareholders' meeting, 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 "Investor Information" and "Corporate Social Responsibility" for investors on the website to disclose both financial standings and the status of corporate governance. ( <a href="http://www.cathay-red.com.tw/tw/About/ManageDirectors">http://www.cathay-red.com.tw/tw/About/ManageDirectors</a> )	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.
(III) Does the Company publish and file the annual financial statement within two months after the end of the fiscal year, and publish and file the first, second, and third quarter financial reports and the monthly operating situation within		✓	Published within the prescribed filing time limit.	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
the prescribed time limit?				
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 page 86.	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, Taiwan Stock Exchange, and provide the priority enhancement measures. (Companies that were not evaluated need not explain)	✓		<p>1. Improvements which have been made</p> <p>(1) Compiled and disclosed the annual work priorities of the Audit Committee and the Remuneration Committee on the Company's website.</p> <p>(2) Assigned a full-time (part-time) unit that promotes corporate ethical management, responsible for the formulation and supervision of the ethical management policy and prevention plan, and disclosed the operation and implementation of the unit on the Company's website and annual report, and reported to the Board of Directors at least once a year.</p> <p>(3) Referred to the International Bill of Human</p>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>Rights, formulated and disclosed human rights protection policies and specific management plans.</p> <p>2. Priority Enhancement Measures</p> <p>Develop an intellectual property management plan linked to operational goals, and disclose the implementation status on the Company's website or annual report, and report to the Board of Directors at least once a year.</p>	
X. Does the Company establish a IP management plan which is linked to operational targets, disclose the execution process on the Company's website or the annual report, and report to the Board of Directors at least once a year?		✓	<p>The Company convenes an operation and management committee at the end of each year, invites senior executives to discuss and make decisions, approve the Company's business objectives and business plans for the next year, and issue announcements to provide the basis for the Company's units to formulate the next year's departmental work plan. In addition, the above goals will be presented in the first Board meeting of the next year, and a business goal proposal will be drawn up, and the company's new year's operating priorities and business goals will be submitted to the board for discussion and approval. The operating priorities and business goal and plan will be disclosed publicly through the Company spokesperson system via roadshow.</p>	As the Company's operating objectives are formulated mainly for operations and business, not for research and development, there are no goals and plans for linking intellectual property management.

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

## 1. Information on the Remuneration Committee Members

May 1, 2021

Identity (Note1)	Criteria	Having at least 5 years work experience and professional qualifications listed below			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a 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 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		
Independent Director	Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	James Y. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

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 the Company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company 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 the manager listed in (1) or any person listed in (2) and (3).
- (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 or who appointed representative to be company Director or Supervisor in accordance with Article 27 paragraph 1 or 2, Company Act. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (6) Not a Director, Supervisor, or employee who controlled another company's majority of the company's director seats or voting shares. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (7) Not a chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not applicable in cases where the specific company or institution hold more than twenty percent and not more than fifty percent of the company's issued shares, and where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Stock Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a person of any conditions defined in Article 30 of the Company Law.

## 2. Operational status of the Remuneration Committee

(1) The Company's 3rd Remuneration Committee consists of 3 members. The term of the 3rd Remuneration Committee: From June 30, 2017 to June 15, 2020, the Remuneration Committee met twice (A) in the most recent year. The qualifications and attendance of the members are as follows (statistical period: 2020.1.1–2020.6.23):

Position	Name	Attendance in person (B)	Attendance 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%	

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.

The Company's 4th Remuneration Committee consists of 3 members.

The term of the 4th Remuneration Committee: From June 24, 2020 to June 11, 2023, the Remuneration Committee met once (A) in the most recent year. The qualifications and attendance of the members are as follows (statistical period: 2020.6.24–2020.12.31):

Position	Name	Attendance in person (B)	Attendance by proxy	Attendance Rate (%)【B/A】(Note)	Remarks
Convener	Shiou-Ling Lin	1	0	100%	
Committee Member	Chih-Wei Wu	0	1	0%	
Committee Member	James Y. Chang	1	0	100%	

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.

(2) Important resolutions of the Remuneration Committee:

The Company has stipulated the remuneration policy, scope, types, and regular review system of Directors' and managers' remuneration in the remuneration distribution standards. Each year, the remuneration of Directors and managers is reported to the Remuneration Committee based on the result of performance review and industrial standards and then submitted to the Board of Directors for approval. The Company will regularly evaluate the remuneration of Directors and managers every three years.

Remuneration Committee	Date	Important resolutions
7th meeting of the 3rd term	2020.1.21	<ol style="list-style-type: none"> <li>1. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2019.</li> <li>2. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2019.</li> <li>3. Approval of the assessment of managers' compensation in 2019.</li> </ol> <p>Results: The important resolutions above were approved by all Directors present without any demur.</p> <p>Company's response: Submitted to the Board meeting and approved by all Directors present without any demur.</p> <p>(Note: For the directors' recusal from proposals with conflicts of interest, see details on pages 42-43)</p>
8th meeting of the 3rd term	2020.3.19	<ol style="list-style-type: none"> <li>1. Approval the amendment of the Company's Remuneration Committee Charter</li> <li>2. Approval of amendments to the Manager's Performance Evaluation Standards of the Company</li> <li>3. Approval of the distribution of employee bonus and remuneration of Directors for 2019</li> </ol> <p>Results: The important resolutions above were approved by all Directors present without any demur.</p> <p>Company's response: Submitted to the Board meeting and approved by all Directors present without any demur.</p> <p>(Note: For the directors' recusal from proposals with conflicts of interest, see details on pages 42-43)</p>
1st meeting of the 4th term	2020.7.16	<ol style="list-style-type: none"> <li>1. Approval the review of the Company's Remuneration Committee Charter</li> <li>2. Approval of the review of the Company's Director's Remuneration Payment Standards, Directors Performance Appraisal Standards, Manager's Remuneration Payment Standards, and Manager's Performance Appraisal Standards</li> <li>3. Approval of the assessment and determination of the compensation of Independent Directors and Executive Directors participating in businesses in 2020.</li> <li>4. Approval of the review of the Company's Methods for</li> </ol>



Remuneration Committee	Date	Important resolutions
		<p>Performance Evaluation of Board of Directors</p> <p>Results: The important resolutions above were approved by all Directors present without any demur.</p> <p>Company's response: Submitted to the Board meeting and approved by all Directors present without any demur.</p> <p>(Note: For the directors' recusal from proposals with conflicts of interest, see details on pages 42-43)</p>

3. Other matters to be recorded:

- (1) If the Board of Directors refuses to adopt or amend a suggestion of the remuneration committee, 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., if the remuneration passed by the Board of Directors exceeds the suggestion of the remuneration committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- (2) If there were resolutions of the remuneration committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

(V) Corporate Social Responsibility Implementation Status and Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>The Company's 2020 CSR Report has dedicated chapter (CH1, Section 1.2, pages 19-22) on business risk identification. After comparing the risk issues with the major issues, the Company's annual material issues has been listed, and management policies and guidelines proposed in the subsequent chapters.</p> <p>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:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Supervise the various measures of the CSR topics of each special group of the Committee and review the results regularly.</li> <li>3. Externally disclose the Company's environment, society, and governance.</li> <li>4. Supervise the official website to set up a platform for CSR.</li> <li>5. Assist and coordinate the Company and the special groups of the Committee to handle difficult matters.</li> <li>6. Review the Company's CSR</li> </ol>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			report. In addition, the Board of Directors of the Company passed the 2020 CSR strategy plan resolution of the Company on March 19, 2020 as the policies for implementing the annual CSR objectives. On the same day, the Company's 2019 review report on the implementation of CSR was submitted to the Board of Directors.	
II. Does the Company have a dedicated (or concurrent) unit set up to promote corporate social responsibility and have the senior management authorized by the board of directors to handle matters and report the processing results to the board of directors?	✓		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, 2020.	No material discrepancy.
III. Environmental issues (I) Has the company set an environmental management system designed to be line line with industry characteristics?	✓		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	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			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.	
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?	✓		<p>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.</p> <ol style="list-style-type: none"> <li>1. Use energy-saving T5, LED lamps.</li> <li>2. Set up a rainwater recovery system and use water-saving toilets, faucets and other appliances.</li> <li>3. Set energy-saving sensitization control and solar power generation equipment.</li> <li>4. Replace the traditional ballast with the electronic energy-saving ballast.</li> <li>5. Increase window opening and light guiding in architectural planning.</li> <li>6. Increase ventilation and heat convection in equipment planning, and use natural ventilation to reduce heat.</li> <li>7. Use frequency conversion and energy saving host as air conditioning equipment.</li> <li>8. Carry out shade tree planting green design on roof and in</li> </ol>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			<p>garden.</p> <p>9. Give priority to use green building material seal for interior and exterior decoration.</p> <p>10. The new project of the building aims to obtain the green building certificate. In 2020, 3 projects have obtained the green building candidate certificate or mark.</p> <p>11. Require builders to strengthen environmental maintenance on the site, including air pollution prevention, noise control and water pollution prevention.</p>	
(III) Has the company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?		✓	The Company has identified a total of 19 business risk issues through questionnaires, including a total of 3 environmental aspects, including extreme weather events. The risk level is low and acceptable for the Company. The Company has not taken corresponding measures to regarding this issue.	Minor discrepancy. Assessment only without corresponding measures.
(IV) Does the company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction, and other waste management policies?	✓		<p>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:</p> <p>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.</p> <p>2. Control the paper use for affairs and use of various printed materials, and introduce paperless measures.</p> <p>3. Promote no tie at work, and set the office temperature to 26℃.</p> <p>4. Provide the automatic power</p>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			<p>saving controller and set the mechanism for lighting off in midday rest and closing time.</p> <p>5. Invite professional organizations every half year to handle office lighting and CO2 environmental inspection.</p> <p>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.</p> <p>The Company introduced ISO 14064-1:2018 in 2020 to conduct 2019 internal GHG checking. Through the inspection process and results, the Company understands its greenhouse gas emissions. In the future, we are committed to GHG reduction, slow down the trend of global warming, and be responsible as a part of the global village.</p> <p>The on-site total weight of waste, relevant energy utilization policies, and green office space are set out in the 2019 CSR Report (pages 77–79).</p>	
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<p>The Company has referred to the principles as in the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and formulated the Company’s declaration of human rights while identifying relevant stakeholders, implementing management mitigation measures, and placing relevant information on the official website as a reference</p>	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			for employees and the public. The Company has also referred to the United Nations Convention on the Rights of Persons with Disabilities, the Convention on the Elimination of All Forms of Discrimination against Women, and the Convention on Human Rights for Children and abides by the relevant labor laws and regulations. When it comes to the working conditions regarding general employees, intern hiring, working hours, salary, gender equality, and prevention of sexual harassment, the Company practices in accordance with the law, and has formulated the Code of Ethical Conduct, the Code of Integrity Management, employee service codes, and handling methods for reporting illegal and unethical or dishonest behaviors, and amended the “Working Codes” and announced them in accordance to related laws and regulations. The Company also evaluates the labor laws and regulations on a regular basis to ensure compliance with relevant labor laws and international human rights conventions.	
(II) Has the company formulated and implemented reasonable employee benefit measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?	✓		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	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
(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?	✓		<p>each year.</p> <ol style="list-style-type: none"> <li>1. The Company performs office environment testing every six months (June 16, 2020 and December 15, 2020), 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.</li> <li>2. The Company arranges all employees to accept health check every year (March to May, 2020), and holds health and safety lectures (November 20 and November 27, 2020) 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.</li> <li>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.</li> <li>4. The Company arranges 7 colleagues who accepted emergency personnel training in the office spaces and prepares general standing drugs and related medical supplies, first-aid equipment (such as: AED) to cope with the unexpected situations of employees when working in workplaces.</li> <li>5. The Company does legally offer the safety and health education training courses for occupational safety and health business executives, new employees and</li> </ol>	No material discrepancy.



Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
			<p>ordinary employees, and carries out various safety measures drills or tests (building security check and fire drill) 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.</p> <p>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 2020, there were no occupational injury cases in the whole Company.</p>	
(IV) Does the company establish effective career development and training plans for its employees?	✓		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.	No material discrepancy.
(V) Does the company follow relevant laws and regulations and international standards, and formulate relevant	✓		The Company follows relevant laws and regulations and various consumer protection laws and regulations, and has established strict protection methods for	No material discrepancy.

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Summary	
<p>consumer protection policies and complaint procedures with regard to customer health and safety, customer privacy, marketing and labeling of products and services?</p> <p>(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights?</p>	✓		<p>customer personal information confidentiality measures, 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 special parts of affiliate of the Company's website or service department.</p> <p>The Company actively implements the protection of consumer rights, and there are also dedicated units to handle customer complaint cases, as detailed in the 2020 CSR Report (pages 34–39)</p> <p>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.</p>	No material discrepancy.
V. Does the company refer to general accepted international standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		The Company not only follows the guidelines of GRI Standards for its CSR reports published, but also refers to the Disclosures for the sector and the United Nations Sustainable Development Goals for disclosure, and all the information is verified by Ernst & Young.	No material discrepancy.
VI. Where the company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please specify the difference between its operations and the principles formulated: There is no difference, and the relevant operations are carried out in accordance with the principles.				
VII. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility: Please refer to (VIII) Corporate Responsibility and Ethical Behavior on page 132.				

- Note 1: If Implementation Status is specified “Yes,” please explain the key policies, strategies and measures taken and the current progress; if Implementation Status is specified “No,” please provide reasons and explain any policy, strategy and measure planned for the future.
- Note 2: If the company has prepared a CSR report, Implementation Status may be completed by providing page references to the CSR report instead.
- Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

(VI) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies

Ethical Corporate Management

Item	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons
	Yes	No	Summary	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the commitment of the board of directors and management to actively implement the operation policy?</p>	✓		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 of Integrity Management according to Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies, which was approved by the Board of Directors, disclosed and announce on the internal and external website.	No material discrepancy.

Item	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons
	Yes	No	Summary	
(II) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company's Code of Integrity Management covers all the activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies. The internal audit unit should be based on the evaluation result of unethical conduct to formulate related audit plans and verify the preventional measures. In addition, anyone who finds that the personnel of the Company has violated the integrity management can report to the integrity management unit (CSR committee) of the Company through an independent report mailbox (honest@cathay-red.com.tw) or directly. After the case is filed, the management unit will conduct investigation and processing according to certain procedures, and report the results to the Board of Directors.	No material discrepancy.

Item	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 specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		The Company has established a Code of Ethics and the Code of 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 gifts, 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. The Company reviews and amends the relevant policies regularly; the Codes of Ethical Conduct was late amended on June 30, 2017, and Code of Integrity Management on November 13, 2019.	No material discrepancy.

Item	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons
	Yes	No	Summary	
II. Fulfill operations integrity policy				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		<p>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.</p> <p>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.</p>	No material discrepancy.
(II) Does the company set up a dedicated (part-time) unit that promotes integrity management under the Board of Directors, and regularly (at least once a year) report to the board on its integrity management policies and the implementation of unethical conducts prevention plan?	✓		<p>The Board of Directors appointed CSR Committee as the dedicated unit to promote the integrity management of the Company, and report the execution status on an annual basis. (The review of the effectiveness of the implementation of integrity management in 2020 and the review of the effectiveness of the implementation of corporate social responsibility were reported to the Board of Directors on March 18, 2021. )</p>	No material discrepancy.

Item	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 policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		<p>According to the Company's Code of 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 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.</p> <p>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.</p>	No material discrepancy.



Item	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
(IV) Has the company established effective systems for both accounting and internal control, and the internal audit unit base on the assessment result of the risk of unethical conduct to formulate auditing plan so the unit can the verify the implementation of prevention plan or verified by CPAs?	✓		The Company's accounting system and internal control system are designed and implemented in accordance with the code of ethical management and should be reviewed at any time to ensure its continuous and effective implementation. Both the internal audit and regular CPAs internal control audit are conducted in normal procedures.	No material discrepancy.
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		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 of Integrity Management. In 2020, the Company also organized an education and training seminar for all employees of the Company, for a duration of 1.5 hours with 145 participants. Information on the actions of strengthening integrity management is also disclosed in the Corporate Governance section of the Company's official website.	No material discrepancy.
III. The operation of the Company's whistleblowing system				
(I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	✓		Anyone can make a report through the independent report mailbox (honest@cathay-red.com.tw) or directly to the Company's ethical management unit (CSR Committee). No reporting mail received in 2020.	No material discrepancy.
(II) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?	✓		The provisions of Article 19 of the Company's Code of Integrity Management specify a reporting system, a whistle blowing clause, and a handling procedure for a dedicated unit, with an independent and confidential mechanism.	No material discrepancy.

Item	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 provide proper whistleblower protection?	✓		The provisions of Subparagraph 2, Article 19 of the Company's Code of Ethical Management have stipulated a whistle-blower protection clause that the whistle-blower will not be treated inappropriately.	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 MOPS.	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, follow the principles for related operations.				
VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g. review and amendment of the Company's code of ethical management): the Company approved the Code of Integrity Management at the Board meeting on November 13, 2019. The main amendment was to appoint a responsible unit and establish an independent reporting system, showing the Company's determination in ethical management.				

Note : Regardless “Yes” or “No”, the status shall be stated in the Remarks section.

(VII) Access to the Company's Corporate Governance Best Practice Principles and relevant regulations:

The Company's relevant regulations regarding corporate governance have been disclosed on the MOPS (website: <http://mops.twse.com.tw>)

(VIII) Does the company have other important information to facilitate better understanding of its corporate governance operations

(including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors' and supervisors' continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?

(1) Status of employee rights and employee welfare: Please refer to V. (I) Employee Welfare to (IV) Labor Management Agreements and Employee Rights/Interests Maintenance on pages 129–130.

- (2) Investor Relations: Please refer to pages 56-57 and 62 for II. Shareholding Structure & Shareholders' Rights and VII. Information Disclosure.
- (3) 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.
- (4) Rights of Stakeholders: Please refer to page 88 for (9) Establishment of Communication Channels for Stakeholders.
- (5) Directors' and Supervisors' Training Records (statistical period: January 1, 2020-December 31, 2020):

Name	Organizer	Course	Training Hours
Ching-Kuei Chang	Taiwan Corporate Governance Association	Would Taking a Gun Violate the Trade Secrets Act? —Trade Secrets and Corporate Governance	3
Ching-Kuei Chang	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3
Lee Hung Ming	Taiwan Corporate Governance Association	[CGP-Advanced] The Role of Institutional Investors in Improving Corporate Governance	3
Lee Hung Ming	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3
Chung-Yan Tsai	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3
Chung-Yan Tsai	Taiwan Corporate Governance Association	[Audit Committee Series Courses] How Does the Audit Committee Implement Financial Reports	3
Daniel Tung	Securities & Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3
Daniel Tung	Taiwan Stock Exchange (TWSE)	2020 Seminar on Corporate Governance and Ethical Corporate Management for Directors and Supervisors	3
Chung-Chang Chu	Taiwan Insurance Institute	Seminar on Corporate Governance for Directors (Independent Directors) and Supervisors and Corporate Governance Officers	3
Chung-Chang Chu	Taiwan Corporate Governance Association	A Complete Guide to Information Security for Directors and Supervisors	3
Chin-Liang Lin	Taiwan Corporate Governance Association	Civil and Criminal Liability of Directors of Public Companies	3
Chin-Liang Lin	Taiwan Corporate Governance Association	How to Use Impact Investment to Enhance Corporate Value	3

Name	Organizer	Course	Training Hours
Shiou-Ling Lin	Zong Dao Association of Leadership and Culture	Enhancement of Corporate Governance and Corporate Social Responsibility Culture	3
Shiou-Ling Lin	Independent Director Association Taiwan	The Key Significance of Information Security Strategy to Enterprise Development and Information Security Governance and Protection	3
Chih-Wei Wu	Taiwan Corporate Governance Association	How to Use Impact Investment to Enhance Corporate Value	3
Chih-Wei Wu	Taiwan Corporate Governance Association	Prevention of Insider Trading	3
James Y. Chang	Taiwan Stock Exchange (TWSE)	2020 Seminar on Corporate Governance and Ethical Corporate Management for Directors and Supervisors	3
James Y. Chang	Taiwan Corporate Governance Association	[Audit Committee Series Courses] Advanced Practice Sharing of Audit Committee-M&A Review and Directors' Responsibilities	3

- (6) The implementation of risk management policies and risk evaluation measures: Please refer to pages 377-380 for VI. Assessment of Risk Items in the Most Recent Years and as of the Date of Publication of the Annual Report.
- (7) The implementation of customer relations policies: the Company has a customer service line and dedicates personnel to handle problems related to customers.
- (8) Purchasing insurance for Directors and Supervisors: the Company has purchased D&O insurance for Directors and Supervisors.
- (9) Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), and set up a dedicated area for stakeholders on the company's website, and respond to important corporate social responsibility issues that stakeholders are concerned about appropriately?

Stakeholders	Important issues of concern	Main responsibility of the Company	Communication channels
Shareholders /investors/financial institutions	<ul style="list-style-type: none"> <li>➢ Integrity management</li> <li>➢ Economic performance</li> <li>➢ Corporate governance</li> <li>➢ Sustainable development of the Company</li> <li>➢ Risk management</li> </ul>	<ul style="list-style-type: none"> <li>➢ Commercial behaviors in a fair, honest and transparent manner</li> <li>➢ Providing instant, synchronized, and correct company information in a timely manner, and strive to the symmetric disclosure of investment information</li> <li>➢ Implementing long-term stable dividend policy and providing appropriate return on investment</li> <li>➢ Maintaining good corporate credit and operations with robust financial strategy</li> <li>➢ 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.</li> <li>➢ 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</li> </ul>	<ul style="list-style-type: none"> <li>➢ Contact Person: Mr. Tsai, Operation Management Department</li> <li>➢ Tel: 02-23779968#5311</li> <li>➢ Email: cape0301@cathay-red.com.tw</li> <li>➢ Surveying CSR issues regularly</li> <li>➢ Updating designated sections of the official website</li> <li>➢ Convening annual shareholders' meetings</li> <li>➢ Convening law conferences</li> <li>➢ Announcing annual reports/quarterly financial reports</li> <li>➢ 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.</li> </ul>
Employee	<ul style="list-style-type: none"> <li>➢ Occupational health and safety</li> <li>➢ Labor-management relations</li> <li>➢ Training and education</li> <li>➢ Employee benefits</li> <li>➢ Sustainable development of the Company</li> </ul>	<ul style="list-style-type: none"> <li>➢ Safe and healthy working environment</li> <li>➢ Promote employee health and physical and mental balance</li> <li>➢ Ensure and respect human rights</li> <li>➢ Establish a transparent and smooth communication mechanism</li> <li>➢ Legal and equitable valuation and treatment</li> <li>➢ Attach importance to education and training</li> <li>➢ Diverse employee benefits and care plan</li> <li>➢ Focus on talent cultivation and employee development</li> <li>➢ Gender equality protection</li> </ul>	<ul style="list-style-type: none"> <li>➢ Contact Person Mr. Chen, Operation Management Department Mr. Chao, Human Resources Section</li> <li>➢ Tel: 02-23779968 #5352 and #5110</li> <li>➢ Email: jclassic@cathay-red.com.tw duke@cathay-red.com.tw</li> <li>➢ Surveying CSR issues regularly</li> <li>➢ Updating designated sections of the official website</li> <li>➢ Holding labor management conferences</li> <li>➢ Holding symposiums and publicity meetings</li> <li>➢ Employee meeting</li> </ul>

Client/consumer	<ul style="list-style-type: none"> <li>➤Customer health and safety</li> <li>➤Customer satisfaction</li> <li>➤Legal compliance</li> <li>➤Customer privacy</li> <li>➤Innovation and development</li> </ul>	<ul style="list-style-type: none"> <li>➤Provide products and services with market competitive and high quality</li> <li>➤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 sustainable service</li> <li>➤Advocate all employees to comply with confidentiality agreements and employee response rules for customers</li> <li>➤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.</li> </ul>	<ul style="list-style-type: none"> <li>➤Contact Person: Miss Chen, Technology Department</li> <li>➤Tel: 02-23779968#5740</li> <li>➤Email: service@cathay-red.com.tw</li> <li>➤Surveying CSR issues regularly</li> <li>➤Updating designated sections of the official website</li> <li>➤Unscheduled customer satisfaction survey</li> <li>➤Direct communication</li> </ul>
Partners (suppliers/building contractors/sales agents)	<ul style="list-style-type: none"> <li>➤Supplier CSR promotion</li> <li>➤Purchasing Policies</li> <li>➤Sustainable development of the Company</li> </ul>	<ul style="list-style-type: none"> <li>➤Understand and provide assistance for the companies to implement CSR</li> <li>➤Legal and fair trade.</li> <li>➤Understand the environmental, safety and health matters and specification details.</li> <li>➤Build long-term and mutually-trust business partnership with suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>➤Contact Person: Ms. Cheng, President Office</li> <li>➤Tel: 02-23779968#5800</li> <li>➤Email: CSR: csr@cathay-red.com.tw Integrity: honest@cathay-red.com.tw</li> <li>➤Surveying CSR issues regularly</li> <li>➤Updating designated sections of the official website</li> <li>➤Unscheduled conferences / training sessions</li> <li>➤Regular suppliers assessment</li> <li>➤Organize supplier observation tour</li> <li>➤Direct communication</li> </ul>
Government agencies	<ul style="list-style-type: none"> <li>➤Integrity management</li> <li>➤Legal compliance</li> <li>➤Environmental protection</li> <li>➤Public safety</li> </ul>	<ul style="list-style-type: none"> <li>➤Good corporate citizens should follow government regulations, cooperate with government policies, and maintain good relations with the government.</li> </ul>	<ul style="list-style-type: none"> <li>➤Contact Person: Ms. Cheng, President Office</li> <li>➤Tel: 02-23779968#5800</li> <li>➤Email: csr@cathay-red.com.tw</li> <li>➤Surveying CSR issues regularly</li> <li>➤Updating designated sections of the official website</li> <li>➤Official correspondences</li> <li>➤Irregular discussion meeting/review meeting</li> </ul>

Stakeholders	Important issues of concern	Main responsibility of the Company	Communication channels
Media	<ul style="list-style-type: none"> <li>➤Legal compliance</li> <li>➤Economic performance</li> <li>➤Social welfare</li> <li>➤Environmental protection</li> <li>➤Public safety</li> </ul>	<ul style="list-style-type: none"> <li>➤Maintain the correctness and immediacy of external communication information, and seek to be transparent and open.</li> <li>➤Maintain the brand image of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>➤Contact Person: Ms. Cheng, President Office</li> <li>➤Tel: 02-23779968#5800</li> <li>➤Email: csr@cathay-red.com.tw</li> <li>➤Surveying CSR issues regularly</li> <li>➤Updating designated sections of the official website</li> <li>➤Nonscheduled press conference</li> <li>➤Product launch conference</li> </ul>
Community residents/neighbors	<ul style="list-style-type: none"> <li>➤Community participation</li> <li>➤Sewage and waste emissions</li> <li>➤Community impact</li> <li>➤Community development</li> <li>➤Community charity</li> </ul>	<ul style="list-style-type: none"> <li>➤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).</li> <li>➤Pay attention to site pollution prevention and control and reduce construction dust</li> <li>➤Smooth communication channels reducing the adjacent loss events.</li> <li>➤Invest in public benefit programs like community care and community libraries.</li> </ul>	<ul style="list-style-type: none"> <li>➤Contact Person: Ms. Cheng, President Office</li> <li>➤Tel: 02-23779968#5800</li> <li>➤Email: csr@cathay-red.com.tw</li> <li>➤Surveying CSR issues regularly</li> <li>➤Updating designated sections of the official website</li> <li>➤Neighborhood visit</li> <li>➤Community care activities</li> <li>➤On-site communication of responsible personnel</li> </ul>

## (IX) Implementation of Internal Control System

### 1. Internal Control System Statement

Cathay Real Estate Development Co., Ltd.

#### Internal Control System Statement

Date: March 19, 2021

Based on the results of self-evaluation, the Company's statement on the internal control system for 2020 is as follows:

- I. The Company is positive about that the establishment, implementation and maintenance of the internal control system 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 and 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 criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. 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 results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- 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 of Directors in the meeting held on March 18, 2021. Of the nine directors present, none of them expressed dissenting opinions, and all of them approved the content of this statement.

Cathay Real Estate Development Co., Ltd.

Chairman: Ching-Kuei Chang

President: Lee Hung Ming

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 and as of the publication date of the annual report, penalties imposed on the company and its internal personnel in accordance with the law, penalties imposed on the company's internal personnel for violating the provisions of the internal control system, major deficiencies, and improvements thereto: None.

(XI) Important resolutions of the shareholders' meetings and the Board meetings in the most recent year and as of the publication date of the annual report:

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
The 18th meeting of the 18th Board	2020.1.21	<ol style="list-style-type: none"> <li>1. Approval of authorizing the Chairman to apply for credit from financial institutions within NT\$50 billion</li> <li>2. Approval of the business objectives for 2020</li> <li>3. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2019</li> <li>4. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2019</li> <li>5. Approval of the assessment of managers' compensation in 2019</li> <li>6. Approval of the urban renewal co-development agreement with the affiliate of Lin Yuan Building Urban Renewal Project</li> <li>7. Approval of contracting the project Cathay Lagom of the Company in New Taipei City Xindian to related party San-Ching Engineering Co., Ltd.</li> <li>8. Approval of amendments to the Company's Articles of Association</li> </ol> <p>Note: The important resolutions above have been implemented.</p>
The 19th meeting of the 18th Board	2020.3.19	<ol style="list-style-type: none"> <li>1. Approval of the 2019 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission</li> <li>2. Approval of the 2020 Corporate Social Responsibility Strategy Plan</li> <li>3. Approval of the 2019 Business Report</li> <li>4. Approval of the proposal for distribution of remuneration to employees and Directors for 2019</li> <li>5. Approval of 2019 Individual financial report and consolidated financial report</li> <li>6. Approval of the re-election of Directors of the Company</li> <li>7. Approval of the matters related to stipulating the particulars the 2020 Annual Shareholders' Meeting: date,</li> </ol>

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
		<p>site, acceptance of shareholders' proposals, and the nomination period of director candidates</p> <p>8. Approval of the dissolution of the reinvestment subsidiary Cathay Real Estate Holding Corporation (BVI)</p> <p>9. Approval of the amendment to the Rules of the Meetings of the Board of Directors</p> <p>10. Approval of the amendments to the Company's Remuneration Committee Charter</p> <p>11. Approval of the amendments to the Company's Code of Practice of Corporate Governance</p> <p>12. Approval of the amendments to the Company's Managers' Performance Evaluation Standards</p> <p>Note: The important resolutions above have been implemented.</p>
The 20th meeting of the 18th Board	2020.4.23	<p>1. Approval of earnings distribution for 2019</p> <p>2. Approval of the review of candidate qualifications for the Company's 19th term of Directors (including Independent Directors)</p> <p>3. Approval of the removal of the non-compete clause for the Company's members of the 19th Board of Directors (including Independent Directors).</p> <p>4. Approval of the agenda of 2020 Annual Shareholders' Meeting, change of meeting location and authorize the Chairman to change meeting location based on the status of COVID-19 outbreak</p> <p>5. Approval of the amendments to the relevant provisions of the Company's Internal Control System and Internal Audit Implementation Rules governing the ability to self-prepare financial reports</p> <p>6. Approval of the amendments to the Internal Control System and Internal Audit Implementation Rules for Stock Affairs Unit</p> <p>7. Approval of the amendments to the Company's Audit Committee Charter</p> <p>Note: The important resolutions above have been implemented.</p>
2002 shareholders' meeting	2020.6.12	<p>1. Approval of 2019 business report and financial statements (including consolidated financial statements).</p> <p>2. Approval of 2019 earnings distribution proposal</p> <p>3. Approval of the re-election of Directors of the Company (nine directors in total).</p> <p>Representative of He Xin Industrial Co., Ltd.: Ching-Kuei Chang,</p> <p>Representative of He Xin Industrial Co., Ltd.: Lee Hung</p>

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
		<p>Ming Representative of He Xin Industrial Co., Ltd.: Chung-Yan Tsai Representative of Cathay Charity Foundation: Daniel Tung Representative of Cathay Real Estate Foundation: Chung-Chang Chu Representative of Employee Benefit Committee of Cathay Real Estate: Chin-Liang Lin Shiou-Ling Lin (Independent Director) Chih-Wei Wu (Independent Director) James Y. Chang (Independent Director)</p> <p>4. Approval of removal of the non-compete clause for the Company's members of the 19th Board of Directors. Note: The above matters have been approved at the Shareholders' Meeting. For the implementation of the Shareholders' Meeting, please refer to Page 110-111.</p>
The 1st extraordinary meeting of the 19th Board	2020.6.12	<p>1. Approval of the Company's election of the Chairman of the 19th Board</p> <p>Note: The important resolutions above have been implemented.</p>
The 1st meeting of the 19th Board	2020.6.24	<p>1. Approval of the base date of 2019 cash dividend distribution 2. Approval of authorizing the Chairman to apply for credit from financial institutions within NT\$50 billion 3. Approval of fully authorizing the Chairman to handle pursuant to Subparagraph 6, Article 22 of the Company's Articles of Association 4. Approval of the appointment of members of the 4th Remuneration Committee of the Company 5. Approval of the proposal for establishment of a new joint venture with Mitsui Fudosan Taiwan Co., Ltd. 6. Approval of the review of the Company's Audit Committee Charter</p> <p>Note: The important resolutions above have been implemented.</p>
The 2nd meeting of the 19th Board	2020.7.16	<p>1. Approval of the review of the Company's Remuneration Committee Charter 2. Approval of the review of the Company's Director's Remuneration Payment Standards, Directors Performance Appraisal Standards, Manager's Remuneration Payment Standards, and Manager's Performance Appraisal Standards 3. Approval of the assessment of remuneration of Independent Directors and Executive Directors</p>

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
		<p>participating in businesses in 2020</p> <p>4. Approval of the review of the Company's Methods for Performance Evaluation of Board of Directors</p> <p>Note: The important resolutions above have been implemented.</p>
The 3rd meeting of the 19th Board	2020.8.12	<p>1. Approval of the proposal for establishment of Bannan Realty Co., Ltd. as a joint venture with Mitsui Fudosan Taiwan Co., Ltd.</p> <p>2. Approval of the proposal for joint venture with Cathay Life Insurance Co.,Ltd. to establish a solar energy company</p> <p>3. Approval of the proposal for contracting the Company's Cathay Chuan Ching project in Taoyuan District, Taoyuan City to San-Ching Engineering Co., Ltd.</p> <p>Note: The important resolutions above have been implemented.</p>
The 4th meeting of the 19th Board	2020.11.12	<p>1. Approval of the proposal for filing the Company's 2021 audit plan to the Securities and Futures Bureau of the Financial Supervisory Commission</p> <p>2. Approval of the proposal for CPA replacement and remuneration for 2021</p> <p>3. Approval of the proposal for sales of properties, lands and parking lots of Company's pre-sale projects to related parties</p> <p>4. Approval of the proposal for contracting the old house demolition work of the "Lin Yuan Building Urban Renewal Project" in Daan District, Taipei City, to San-Ching Engineering Co., Ltd.</p> <p>5. Approval of the proposal for disposal of the land at Land No. 132, Jinhua Section, Anping District, Tainan City, to its related party, Jinhua Realty Co., Ltd.</p> <p>6. Approval of the removal of the non-compete clause for managers of the Company</p> <p>Note: The important resolutions above have been implemented.</p>
The 5th meeting of the 19th Board	2021.1.27	<p>1. Approval of authorizing the Chairman to apply for credit from financial institutions within NT\$50 billion</p> <p>2. Approval of the 2021 business objectives</p> <p>3. Approval of the proposal for paying year-end bonus and special incentives to Directors and managers participating in businesses in 2020</p> <p>4. Approval of the assessment of remuneration of Independent Directors and Executive Directors participating in businesses in 2020</p> <p>Note: The important resolutions above have been</p>

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
		implemented.
The 6th meeting of the 19th Board	2021.3.18	<ol style="list-style-type: none"> <li>1. Approval of the proposal for filing the Company's Internal Control System Statement of 2020 to the Securities and Futures Bureau of the Financial Supervisory Commission</li> <li>2. Approval of the 2021 Corporate Social Responsibility Strategy Plan</li> <li>3. Approval of the 2020 Business Report</li> <li>4. Approval of the distribution of remuneration to employees and Directors for 2020</li> <li>5. Approval of the instructions for preparation of the individual financial report and consolidated financial report for 2020</li> <li>6. Approval of the matters related to stipulating the particulars, date, and site of the 2021 Annual Shareholders' Meeting and acceptance of shareholders' proposals.</li> <li>7. Approval of the amendment to the Company's Articles of Association</li> <li>8. Approval of the amendment to the Company's Rules of Procedure for Shareholders' Meetings</li> </ol> <p>Note: The important resolutions above have been implemented.</p>
The 7th meeting of the 19th Board	2021.4.28	<ol style="list-style-type: none"> <li>1. Approval of earnings distribution for 2020</li> <li>2. Approval of removal of the non-compete clause for the Company's Directors.</li> <li>3. Approval of the agenda of the Company's 2021 Annual Shareholders' Meeting</li> <li>4. Approval of the amendments to the Internal Control System and Internal Audit Implementation Rules for Stock Affairs Unit.</li> <li>5. Approval of the proposal for sales of properties, lands and parking lots of Company's pre-sale projects to related parties</li> <li>6. Approval of the proposal for contracting the Company's Cathay XiJing project in Taoyuan District, Taoyuan City, to San-Ching Engineering Co., Ltd.</li> <li>7. Approval of the proposal for acquisition of the right-of-use assets of Taipei International Building, Taichung Chung-Gang Building, and Kaoshiung Zhong-Zheng Building from related parties.</li> </ol> <p>Note: The important resolutions above have been implemented.</p>

- (XII) In recent years and as of the date of publication of the annual report, directors (including independent directors) or supervisors have different opinions on important resolutions passed by the board of directors, for which there is a record or declaration in writing: None.
- (XIII) Summary of the resignation and dismissal of the Company's relevant personnel (including Chairman, President, accounting manager, financial manager, internal audit officer, corporate governance officer, and R&D manager) in the most recent year and as of the publication date of the annual report: None.

## IV. Information of CPA Fees

Table of Audit Fee Range

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA Audit Period (Note 1)	Remarks
			System of Design	Company Registration	Human Resource	Others (Note 2)	Subtotal		
Ernst & Young Taiwan	Jung-Huang, Hsu	3,382	0	0	0	835	835	2020.1.1~2020.12.31	(1) Consolidated business report of affiliates (2) Affiliation report (3) Computer control environment assessment (4) Dividend policy (5) Review of annual report (6) English financial statements (7) CSR assurance report
	Chien-Tse, Huang								

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 on the Changes in CPAs: 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. Conditions of changes in equity transfer and equity pledge of the Chairman, Supervisors, managers, and shareholders who hold more than 10% of shares in the most recent year as of the date of publication of the Annual Report

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

Position	Name	2020		The Current Year up to May 1, 2021	
		Increase (Decrease) in Shareholdings	Increase (Decrease) in Shareholdings Pledged	Increase (Decrease) in Shareholdings	Increase (Decrease) in Shareholdings Pledged
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: Lee Hung Ming	0	0	0	0
Director	Cathay Charity Foundation Representative: Daniel Tung	0	0	0	0
Director	Representative of Cathay Real Estate Foundation: 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
Major shareholder holding 10% of shares	Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.	0	0	0	0
Major shareholder holding 10% of shares	Wan Pao Development Co., Ltd.	0	0	0	0
President	Lee Hung Ming	0	0	0	0
Senior Executive Vice President	Chung-Yan Tsai	0	0	0	0

Position	Name	2020		The Current Year up to May 1, 2021	
		Increase (Decrease) in Shareholdings	Increase (Decrease) in Shareholdings Pledged	Increase (Decrease) in Shareholdings	Increase (Decrease) in Shareholdings Pledged
Senior Executive Vice President	Daniel Tung	0	0	0	0
Executive Vice President	Chin-Liang Lin	0	0	0	0
Senior Vice President	Ku, Shang-Chieh	0	0	0	0
Senior Vice President	Kuo, Chun- Ho	0	0	0	0
Senior Vice President	Chun-An Lin	0	0	0	0
Manager of Operation Management Department	Lo, Yu-Chi	0	0	0	0
Corporate Governance Executive	Yen, Miao-ju	0	0	0	0

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

## VIII. Relationship Among the Company's Top Ten Shareholders

Book closed on April 13, 2021 in share; %

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 (Note 3)		Remarks
	Shares	Percentage	Shares	Percentage	Shares	Percentage	Title (or Name)	Relationship	
Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd. Representative: Li-Qiu Wang	288,067,626	24.84%	0	0	0	0	Cathay Life Insurance Co., Ltd.	Promotor of the fund	
	0	0%							
Wan Pao Development Co., Ltd. Representative: Weng-Chuan Lin	204,114,882	17.60%	0	0	0	0	Lin Yuan Investment Co., Ltd. Wan-Da Investment Co., Ltd.	The Chairman is the same person	
	0	0							
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	87,133,000	7.51%	0	0	0	0	None	None	
	0	0							
Cathay Life Insurance Co., Ltd. Representative: Huang, Tiao-Kuei	68,646,584	5.92%	0	0	0	0	Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.	Promotee of this company	
	0	0							
Lin Yuan Investment Co., Ltd. Representative: Weng-Chuan Lin	54,094,814	4.67%	0	0	0	0	Wan Pao Development Co., Ltd. Wan-Da Investment Co., Ltd.	The Chairman is the same person	
	0	0							
He Xin Industrial Co., Ltd. Representative: Huang, Chung-Hsin	22,000,000	1.90%	0	0	0	0	None	None	
	0	0							
Wan-Da Investment Co., Ltd. Representative: Weng-Chuan Lin	18,351,652	1.58%	0	0	0	0	Wan Pao Development Co., Ltd. Lin Yuan Investment Co., Ltd.	The Chairman is the same person	
	0	0							
SKYWAVE System Corp. Representative: Chen, Cheng-Chih	17,500,000	1.51%	0	0	0	0	None	None	
	0	0							

Taiwan Life Insurance Co., Ltd. Representative: Huang, Ssu-Kuo	16,335,000	1.41%	0	0	0	0	None	None	
	0	0							
Norwegian Central Bank Investment Account under custody of Citibank Taiwan Ltd.	9,111,700	0.79%	0	0	0	0	None	None	
	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 subsidiary, 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, 2021 Unit: Shares; %

Investee (Note)	Investments by the Company		Investments of Directors, Supervisors, managers and subsidiaries directly or indirectly controlled		Comprehensive investment	
	Number of Shares	Shareholding Ratio	Number of Shares	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 Management Co., Ltd.	65,000,000	100.00%	0	0	65,000,000	100.00%
Cathay Hospitality Consulting Co., Ltd.	75,000,000	100.00%	0	0	75,000,000	100.00%
Lin Yuan Property Management Co. Ltd.	1,530,000	51.00%	0	0	1,530,000	51.00%
Cymbal Medical Network Co., Ltd.	15,000,000	100.00%	0	0	15,000,000	100.00%
Xin-De Co., Ltd.	0	0	8,000,000	100%	8,000,000	100.00%
Cymlin Co., Ltd.	0	0	7,600,000	100%	7,600,000	100.00%
Jinhua Realty Co., Ltd.	40,800,000	51.00%	0	0	40,800,000	51.00%
Bannan Realty Co., Ltd.	40,800,000	51.00%	0	0	40,800,000	51.00%

Note: Investment by the Company using the equity method.

Chapter 4 Funding Status

I. Capital and Shares

(I) Source of Capital

Year /Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount (NT\$)	Number of 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	Establishment in Cash	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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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
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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus 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 surplus and capital surplus 218,564,840 new shares issued	None	83 年 6 月 24 日 (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 surplus 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 surplus 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 surplus 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
1999.08	10	1,675,157,186	16,751,571,860	1,675,157,186	16,751,571,860	Capital increased by surplus 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 surplus 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
	Outstanding Shares (stocks listed on Taiwan Stock Exchange)	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) Status of Shareholders

As of April 13, 2021

Item \ Status of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total Shares
Number of Shareholders	1	39	154	49,841	251	50,286
Number of Shares Held	26	196,603,158	640,649,814	226,084,172	96,223,889	1,159,561,059
Shareholding Ratio	0.00%	16.95%	55.25%	19.50%	8.30%	100.00%

## (III) Shareholding Distribution Status

### 1. Common Shares

As of April 13, 2021

Class of Shareholding (Shares)	Number of Shareholders	Shares	Shareholding Ratio
1 to 999	26,047	8,137,469	0.70%
1,000 to 5,000	16,635	38,718,338	3.34%
5,001 to 10,000	3,641	27,718,910	2.39%
10,001 to 15,000	1,210	15,280,968	1.32%
15,001 to 20,000	748	13,500,086	1.17%
20,001 to 30,000	679	17,019,932	1.47%
30,001 to 50,000	548	21,981,384	1.90%
50,001 to 100,000	395	28,781,559	2.48%
100,001 to 200,000	201	29,030,677	2.50%
200,001 to 400,000	87	23,674,712	2.04%
400,001 to 600,000	21	9,985,677	0.86%
600,001 to 800,000	11	7,900,734	0.68%
800,001 to 1,000,000	7	6,300,719	0.54%
1,000,001 or over	56	911,529,894	78.61%
Total Shares	50,286	1,159,561,059	100.00%

### 2. Preference Shares: None

## (IV) List of Major Shareholders

As of April 13, 2021

Shareholder' s Name	Shareholding (Shares)	Shareholding Ratio
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.	87,133,000	7.51%
Cathay Life Insurance Co., Ltd.	68,646,584	5.92%

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

Note 2: Please refer to page 103-104 for the list of top 10 shareholders with the largest shareholdings, as well as the number of share held and percentage.

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

Unit: NT\$

Year			2019	2020	Current Year up to May 1, 2021 (Note 8)
Item					
Market Price per Share (Note 1)	Highest Market Price		30.35	22.40	22.70
	Lowest Market Price		19.20	15.10	18.50
	Average Market Price		23.73	19.58	20.36
Net Value per Share (Note 2)	Before Distribution		21.02	21.09	20.17
	After Distribution		20.02	(Note 10)	(Note 11)
Earnings per Share	Weighted Average Shares (shares)		1,159,561,059	1,159,561,059	1,159,561,059
	Earnings per Share(Note 3)		1.18	1.28	(0.01)
Dividends per Share	Cash Dividends		1	(Note 10)	(Note 11)
	Free allotment	Dividends from Retained Earnings	0	(Note 10)	(Note 11)
		Dividends from Capital Surplus	0	(Note 10)	(Note 11)
	Accumulated Undistributed Dividends(Note 4)		0	0	0
Return on Investment	Price/Earnings Ratio (note 5)		18.98	15.33	(Note 11)
	Price/Dividend Ratio (note 6)		22.40	(Note 10)	(Note 11)
	Cash Dividend Yield Rate (Note 7)		4.46%	(Note 10)	(Note 11)

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: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.



Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5:  $\text{Price / Earnings Ratio} = \text{Average closing price per share in the year} / \text{Earnings per share}$

Note 6:  $\text{Price / Dividend Ratio} = \text{Average closing price per share in the year} / \text{Cash dividends per share}$

Note 7:  $\text{Cash Dividend Yield Rate} = \text{Cash dividend per share} / \text{Average closing price per share in the year}$

Note 8: Net value per share and earnings per share are the data in the first quarter of 2021 reviewed by CPAs; the remaining fields are the data in the current year up to the date of the publication of the annual report.

Note 9: Data of 2019 and 2020 was audited by CPAs, and data of Q1, 2021 was reviewed by CPAs.

Note 10: The distribution of earnings for 2020 has not yet been approved by the shareholders' meeting.

Note 11: Not applicable in specific seasons.

#### (VI) The Company's 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 principles above 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 2020 earnings was passed at the meeting of the Board of Directors on April 28, 2021:

As for the Company's 2020 earnings distribution proposal, a dividend of NT\$1.0 per share will be fully distributed in cash.

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

#### (VII) Status of Resolutions Made by Shareholders' Meetings

1. The following matters have been approved at the shareholders' meeting on June 12, 2020 and hence implemented:

- (1) 2019 Business Report and Financial Statements

- (2) 2019 Earnings Distribution Proposal

Status: July 21, 2020 was the ex-dividend base date, and a cash dividend of NT\$1,159,561,059 was distributed (NT\$1 per share) at the payment date of August 11, 2020. The Company had completed the payment.

- (3) Proposal to lift the non-compete clause for newly elected directors

Status: The non-compete clause was lifted for Director Ching-Kuei Chang, Director Lee Hung Ming, Director, Chung-Yan Tsai, Director Chung-Chang Chu, Director Daniel Tung, Director Chin-Liang Lin, Independent Director Shiou-Ling Lin, and Independent Director Chih-Wei Wu, and announced on the Market Observatory Post System on June 12, 2020.

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

(IX) Compensation of employees, directors, and supervisors

1. The percentage or scope of compensation of employees, Directors and Supervisors as set out in the Articles of Association: Please refer to the dividend policy in Article (6) above.
2. Accounting treatment for any discrepancy between the estimate foundation of current compensation of employees, Directors and Supervisors, calculation foundation of the 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 2020 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 a discrepancy between the actual allocated amount proposed by the shareholders' meeting and the estimated number afterward, it will be listed as the profit and loss in 2021.
3. Employee compensation distribution proposals adopted in board of directors meeting on March 18, 2021:
  - (1) Compensation of employees, Directors and supervisors allocated in cash or stock: Employees were paid with NT\$1,652,000 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 2020 distribution of employee bonuses and compensation of Directors and supervisors in 2019:

The employee bonus of NT\$1,509,000 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. Issuance of Corporate Bonds

Corporate Bond Type (Note 2)	The 1st (Period 2015-1) Secured Corporate Bonds (Note 5)
Issue Date	July 24, 2015
Par Value	NT\$1 million
Issuing and Transaction Location (Note 3)	Not Applicable
Issue Price (NT\$)	Issue by par value
Total Price	NT\$3 billion

Coupon Rate		Fixed annual rate 1.40%
Term		5 years Maturity: July 24, 2020
Guarantee Agency		The Shanghai Commercial & Saving Bank, Ltd. Hsi-Sung Branch, Chang Hwa Bank Ltd.
Trustee		Trust Department, Far Eastern International Bank
Underwriting Institution		Not Applicable
Certificated Lawyer		Lawyer Kuo, Hui-Chi, Yi Cheng Law Firm
CPA		CPA Lin, Li-Huang, Ernst & Young
Repayment Method		Repayment in lump sum upon maturity
Outstanding principal		NT\$3 billion
Terms of redemption or advance repayment		Not Applicable
Restrictive clause (Note 4)		None
Name of credit rating agency, rating date, rating of corporate bonds		None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not Applicable
	Issuance and conversion (exchange or subscription) method	Not Applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Not Applicable
Transfer agent		None

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. Issuance of Preferred Stocks: None.**

### **IV. Issuance of Overseas Depository Receipts: None**

### **V. Issuance of Employee Stock Options: None.**

## VI. Issuance of New Restricted Employee Shares: None

## VII. New Shares Issuance in Connection with Mergers and Acquisitions:

The Company acquired 51% of Lin Yuan Property Management Co., Ltd.' voting shares on May 15, 2020 and gained control over the entity. The basic information of the acquired company is as follow:

Unit: NT\$ thousands

Company Name		Lin Yuan Property Management Co., Ltd.
Company Address		2F., No. 152, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)
Person in charge		Pan Cing Ming
Paid-in capital		30,000
Main business items		Property management, manpower dispatch and parking lots operation service.
Main products		Property management, manpower dispatch and parking lots operation service.
Financial information for the most recent year	Assets	373,113
	Liabilities	257,887
	Equity	115,226
	Operating revenues	1,100,377
	Gross margin	109,033
	Operating income	77,606
	Net income	62,913
	Earnings Per Share (In dollars)	20.97

## VIII. Fund Utilization Plans and Implementation

### (1) 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.

### (2) 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 of business operations of the Company

- (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. Proportion of Consolidated Business Activities in 2020

Unit: NT\$ thousands

Item	Amount	Percentage
Leasing revenue	464,413	3.32%
Construction revenue	11,356,913	81.27%
Service revenue	2,023,608	14.48%
Other operating revenues	128,677	0.93%
Total Shares	13,973,611	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 2021, the Company plans to launch "Cathay Relaxing Sunny Day" in Nangang District and the "Dunnan Lin Yuan" in Daan District in Taipei City; "Cathay Of Riverside" in Sanchong District, New Taipei City; "Cathay XiJing" in Taoyuan City, "Cathay The Park" in Nantun District and a land construction project on Shanxi Road in Beitun District in Taichung City, and "UNi PARK" in cooperation with Japanese company Mitsui & Co., Ltd. in Anping District in Tainan City. In the second half of the year, it is expected to launch "Cathay Leisurely Place" in Nangang District and a land construction project on Wenlin North Road in Beitou District in Taipei City, and will be open for sale depending on the economy and market conditions.

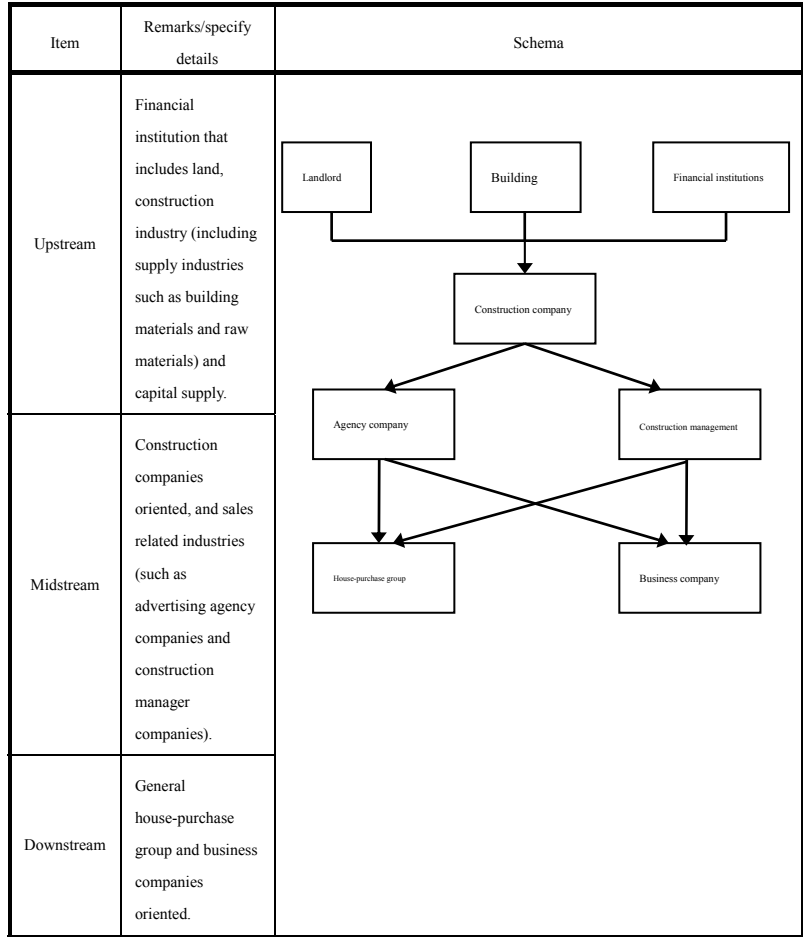
## (II) Industry Overview

### 1. Current state and development of the industry

In recent years, Taiwan's housing market has caused public grievances due to the rapid rise in housing prices. Under the government's implementation of a series of housing policies (luxury tax, real price registration, and Integrated Housing and Land Tax), short-term investors in the real estate market have gradually withdrawn from the market and the buyers for self occupation purposes have gradually dominated the market. In the absence of market confidence, the number of buildings transferred nationwide in 2016 hit a record low, and the overall real estate market entered an adjustment period. However, after 2017, although the housing market is only supported by the demand for self-occupation, the sellers seek to close deals and revise prices at the same time. Housing prices are no longer too high to afford. The number of domestic buildings sold and transferred began to increase year by year, and the balance of building and residential loans has been increased year by year. In 2020, due to the raging of the global pandemic, the boarder blockade measures resulted in abundant domestic hot money and a wave of buying momentum. The number of domestic buildings sold and transferred reached more than 320,000, an annual increase of 8.7%, setting a new high over the past seven years.

On the supply and demand side of the overall housing market: On the supply side, since the overall housing market in 2020 was better than in 2019, the industry's confidence in launching new projects increased. It is expected that the momentum in 2020 will continue in 2021 with stable increase in supply of new projects. As for the demand side, the rigid demand accompanied by a large amount of hot money led to a wave of housing boom last year. However, the current COVID-19 pandemic is still severe, and the government implemented a sound housing market policy at the end of last year, some investors turned to a wait-and-see approach. It is expected that the market will continue to be supported by home buyers for self-occupation purposes in 2021, and the market will be closely linked with the global pandemic situation. On the whole, the real estate market in 2021 will continue the trend of 2020, showing an upward trend in prices with stable transaction volume, while closely linked to the trend of the pandemic. If the pandemic is gradually alleviated in the future, it may lead to a new wave of hot money into the housing market.

## 2. Relationship with Up-, Mid- and Downstream Companies



## 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, improve the development of the real estate market, and fulfill the corporate social responsibility, the Company has been preparing the Cathay Real Estate Index with Taiwan Real Estate Research Center of National Chengchi University from the end of 2002 for 19 years in 2021. More than NT\$3 million of budget is invested in the preparation every year, and it has become one of the important sources of reference 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. The Company continues executing the brand optimization and implement action plan, leverage Cathay's advantages, ensure the comprehensive quality, and engage in digital transformation based on the new thinking of "Quality Lifetime House", and maintain and continue the brand value through sustainable services.

#### (2) Land Development

After the strengthening and stabilizing the core business, we have also introduced our business philosophy and integrated digital technology into the development of real estate and created added value to enhance our competitive edge, expand the business scale, diversify development models, actively participate in the development of commercial and complex buildings, and stride forward toward the vision of becoming a comprehensive developer.

#### (3) Product Planning

Continue to deepen product planning and design capabilities, focus on the consumers' demands and place customers at the center, and comply with the relevant regulations of green buildings, environmental protection, and energy conservation, while emphasizing digital technology, earthquake resistance, environmental protection, safety, energy conservation, and practicality to meet future product trends.

#### (4) Marketing

Build and improve the customer database management system using digital integration and big data analysis, in order to keep abreast of the marketing trends, integrate the Group's resources and synergies, diversify the contents of plans, and create a new sales strategy

#### (5) Customer Service

Use the customer database management system for data analysis and integrate group resources to expand the scope of customer services, strengthen the app functions for customer services, enhance customer services, to meet customers' diverse needs so as to strengthen the Company's brand value and reputation.

### 2. Short-term Development

#### (1) Branding

“Value Creation and Deepening the Brand”, the Company actively differentiates its products and creates brand advantages to obtain recognition from its customers and avoid homogenous price wars.

#### (2) Project Development

The Company will continue to maintain the basic reserve of projects, engage in joint ventures with overseas investors for development, and develop land in diversified ways, such as bidding for more public and private urban renewal projects. On the other hand, we will prudently operate the existing re-investing business step by step and actively work on efficiency optimization and site expansion to increase the service capacity and expand the territory. In addition, we will actively evaluate the layout of the new blue-sea business in order to move towards diversified operations.

#### (3) Product Planning

With sophisticated and practical planning and design concepts, combined with digital 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, sales agents, and relevant fields, diversify the contents of plans, and integrate the Group's synergies.

#### (5) Customer Service

Combine the resources of the Group with digital technology, strengthen the app functions for customer services, 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.

	2019		2020	
	Launched amount (100 Million)	30-day sales rate (%)	Launched amount (100 Million)	30-day sales rate (%)
Taipei	1,790	12.41	2,386	10.67
New Taipei	3,829	10.88	3,449	10.56
Taoyuan	1,895	9.68	1,985	10.53
Hsinchu	567	10.37	586	13.90
Taichung	1,820	13.88	1,913	12.90
Tainan	764	13.11	987	11.84
Kaohsiung	2,060	10.92	1,943	13.68
Nationwide	12,725	11.51	13,249	11.84

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	2019 revenue		2020 revenue	
	Amount	Rank	Amount	Rank
Kantons	8,117,436	11	27,181,548	1
Farglory	19,347,316	3	25,692,155	2
Highwealth	20,373,762	1	18,157,516	3
Dacin	10,760,885	6	15,112,348	4
Guochan	12,728,434	4	14,494,761	5
Genji	11,362,618	5	14,103,408	6
Kuo Yang	1,393,666	-	13,789,342	7
Cathay	9,736,609	8	13,336,228	8
BES Engineering	10,209,045	7	11,860,058	9
Ruentex	8,773,188	10	11,530,175	10
Huaku	19,800,557	2	11,295,781	11
Chonghong	8,793,221	9	8,583,158	12
King's Town	5,804,813	15	8,489,962	13
Prince	5,680,054	16	7,306,687	14
Chien Kuo	4,756,126	18	6,753,748	15
Xinya	7,313,749	13	6,299,072	16
Huang Hsiang	2,704,945	16	5,865,975	17
Hwang Chang	5,335,865	17	5,665,968	18
Zong Tai	3,690,892	20	4,617,207	19
Sakura	7,431,114	12	4,616,492	20

Data source: Market Observatory

### 3. Future supply & demand and growth of the market

According to the quarterly research of Cathay Real Estate Index, the trend of the Cathay Real Estate Index in 2020 indicated that the prices of the national housing market recorded an increase in prices and transaction volume, and the housing market was recovering, with better overall performance as compared with 2019. Looking ahead to the market trend in 2021, it should be able to continue the housing market boom in 2020, showing a steady trend in both prices and transaction volume, but the global pandemic situation will be an indicator that requires continued attention.

On the supply and demand side of the real estate market, last year's transaction volume was better than that in 2019, and the industry's confidence in launching new projects increased. It is expected that the increase in supply of new projects will be stable in 2021. On the demand side, the rigid demand accompanied by a large amount of hot money led to a wave of housing boom last year, and the government promulgated a sound housing market policy at the end of last year in an attempt to curb investment; thus, it is expected that the market will continue to be supported by home buyers for self-occupation purposes in 2021.

Overall, this year's real estate growth is affected by the global pandemic situation and the domestic government's sound housing market policy. However, with the support of rigid demand, the supply and demand are expected to remain stable. The important factors affecting the operation of the real estate market this year are summarized as follows:

#### (1) International situation

Last year, the border blockade measures were implemented due to the raging of COVID-19, and the return of overseas Taiwanese business capital filled the domestic market with abundant hot money, so there was a wave of buying momentum in the second half of the year. Looking ahead to this year, although the situation is still uncertain, positive news, such as research and development of vaccines, is gradually released, and the pandemic is expected to be gradually mitigated, which is expected to boost the housing market.

#### (2) Policy

At the end of last year, the government promulgated a sound housing market policy, mainly for accelerating the promotion of "real price registration 2.0", strengthening the transparency of housing market information, and curbing improper property speculation in the pre-sale market, without affecting home buyers for self-occupation purposes. The interest rates are still low at this stage. Thus, it is expected that the market will continue to be supported by home buyers for self-occupation purposes in 2021.

(3) Economic growth rate

The Directorate-General of Budget, Accounting and Statistics estimates that the economic growth rate in 2021 will be 4.64%.

(4) Interest rate and price

The interest rate will remain low. In the term of price, the Directorate-General of Budget, Accounting and Statistics estimates that the Consumer Price Index (CPI) in 2021 will increase by 1%-1.5%.

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 current interest rate is still low, and under the mindset 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, major constructions, and Taiwanese investment return from China 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 high demand arising from the launch of major construction projects and the return of overseas Taiwanese business capital to build factories leads to a rise in prices of raw materials and wages, which increases construction costs.
- c. There are still many international uncertainties, including the pandemic, the subsequent development of the cross-strait relations, and the progress of the US-China trade negotiations, which may affect the future direction of the housing market.

(3) Countermeasures

- 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.

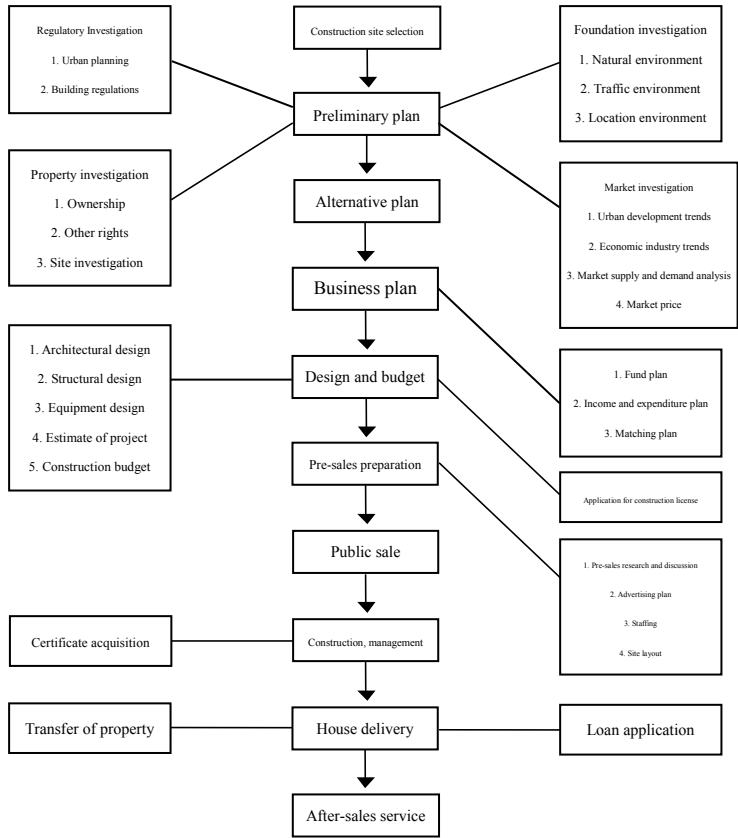
- c. Make effective use of the advantages of the Group's value chain and properly deploy new business investments to strengthen diversified operations and achieve synergy.

## (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 land. 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 or through joint construction with landlords. In addition, project evaluations are carried out for relevant development methods, such as urban renewal, joint development with MRT systems, state-owned land superficies right setting, and BOT, to increase the scale of the Company's development sources.

At present, in consideration of acquisition of raw materials of land, the Company mainly purchases the urban high-quality sections and the land in rezoning areas, supplemented by the land with complete living functions in the suburbs. At present, in



addition to actively participating in the public auction of land by government units, the Company learns about the location, property rights and quantity of relevant land materials in specific areas through the open space survey method, and actively requests the land intermediators for broking to obtain raw materials of land in due course 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

Item	2019				2020				2021 (As of March 31)			
	Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	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.	1,467,349	19.22	Affiliated enterprises	San Ching Engineering Co., Ltd.	1,901,357	17.58	Affiliated enterprises	San Ching Engineering Co., Ltd.	550,310	30.10	Affiliated enterprises
	Others	6,168,178	80.78		Others	8,913,514	82.42		Others	1,278,074	69.90	
	Net purchases	7,635,527	100.00		Net purchases	10,814,871	100.00		Net purchases	1,828,384	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

Item	2019				2020				2021 (As of March 31)			
	Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	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	9,736,609	100.00		Others	13,336,228	100.00		Others	2,087,511	100.00	
	Net sales	9,736,609	100.00		Net sales	13,336,228	100.00		Net sales	2,087,511	100.00	
Reasons for Changes	None				None				None			

(V) Production in the Last Two Years

Unit: NT\$ thousands

Production volume Output Major Products (or by department)	Year	2019			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Apartments, shops, buildings		-	A batch	7,088,054	-	A batch	10,167,505
Rental and Leasing		-	-	320,916	-	-	322,700
Total Shares		-	A batch	7,408,970	-	A batch	10,490,205

(VI) Sales in the Last Two Years

Unit: NT\$ thousands

Sales Output Major Products (or by department)	Year	2019				2020			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Apartments, shops, buildings		327	9,296,499	-	-	603	12,971,111	-	-
Rental and Leasing		-	440,110	-	-	-	365,117	-	-
Others		-	-	-	-	-	-	-	-
Total Shares		327	9,736,609	-	-	603	13,336,228	-	-

**III. Information Regarding Employees in the Most Recent Two Years and  
as of the Date of Publication of Annual Report**

Year		2019	2020	Current year as of April 30, 2021
Number of Employees	Office clerk	141	148	147
	Total Shares	141	148	147
Average Age		43.6	43.3	43.2
Average Year of Services		13.18	12.9	12.85
Education	Ph.D.	0%	0%	0%
	Master's	32.6%	35.1%	34.7%
	Bachelor's Degree	61.7%	60.1%	60.5%
	Senior High School	5.7%	4.8%	4.8%
	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 Wellness**

The Company has always attached great importance to harmonious labor-management relations. In terms of care to the employees, in addition to reasonable treatments and various on-the-job educations, the Company has established the Employees' Welfare Committee 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 2020, the accumulated expenditure on employees' welfare was NT\$31,629,000.

### **(II) Advanced studies and training of employees**

The implementation of Company's education and training:

In 2020, 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 6,387.5 and the total cost was NT\$1,355,000.

Course items	Number of Trainee	Total hours
Professional training	696	4,605
General training	286	1,024.5
Function development	288	758
Total	1,270	6,387.5

### (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 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 July 1, 2005, 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 employee rights/interests maintenance

In respect of the maintenance of employee rights/interests, the Company provides retirement allowance, severance pay, and pension for employee pension in addition to various perfect benefit measures, and other 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	Sponsoring Organization	Number of Shareholders
Architect	Examination authority	8
CPA	Examination authority	2
Real estate broker	Examination authority	10
Land administration agent	Examination authority	5

Appraiser	Examination authority	1
Civil engineer	Examination authority	1
Geotechnical engineer	Examination authority	1
British Royal Chartered Surveyor	Royal Institution of Chartered Surveyors (RICS)	1

#### (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 to prevent wrongdoing; and 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 contingency plan for material accidents of the Company, set up a contingency 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 from 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.

In addition, the Company implements chartered workplace health care services since 2020, based on the concept of protecting labor rights and enhancing labor competitiveness. The services provide professional consultation for employees to promote physical and mental health maintenance, and also identify and evaluate the hazardous factors within the working environment, operations, and organizations that affect the physical and mental health of employees, and put forward plans and recommendations for the improvement of operating environment and sanitation facilities.

#### (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 Cultural 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. 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<sup>2</sup>, 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 resident 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 476 promotions to ease the summer time blood shortage, and lead the prevailing blood donation benevolences.

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

Every summer, Cathay Public Benefit Group organizes camps to expand and diversify children's horizons and inspire them to engage in self-exploration. However, in response to the development of the pandemic, the group suspended the 7th Growth Camp and Dream Realization Plan, and instead it organized events near each school to demonstrate the outcome of the Dream Realization Plan.

### (4) Christmas Warming

Cathay Public Benefit Group has long been caring for the children, the elder and the next generation of indigenous peoples and collected love supplies from December to January and sent them to the by-places, continuously providing warmth and support in every corner in winter.

## 3. Activities related to talent teaching

Hold indoor teaching activities to provide people with the opportunities to learn various talents and skills, 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

In order to encourage students from senior high and vocational schools and above to participate in specific research and public welfare proposals in line with the current trends, the Company invested NT\$400,000 in this plan to reward students with special merits and contributions, and to reward senior high school students from underprivileged backgrounds with outstanding academic performance to study with peach of mind.

### (2) Teach For Taiwan (TFT) Cooperation Scheme

"Caring for children in rural areas" is one of the Cathay Public Benefit Group's strategies. In order to effectively extend the influence of public welfare, the group

supports TFT to recruit and train teachers for rural areas and encourages young talents to step into the classroom to create an equal and high-quality educational environment for children in rural areas, flip education, and improve the quality of education in rural areas.

- (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	Parties	Period	Major Contents	Restrictions
Construction contract	San Ching Engineering Co., Ltd.	March 31, 2020 ~ December 10, 2022	Four projects including the one at Land No. 51, Sixin Section, Xindian District, New Taipei City	None
	San Ching Engineering Co., Ltd.	October 11, 2020 ~ September 30, 2023	Two projects including the one at Land No. 268, Sanmin Section, Taoyuan District, Taoyuan City	None
Real estate transaction	Natural person	January 13, 2020	Contract for acquisition of the construction land at the Jinhua Section, Anping District, Tainan City	None
	Natural person	January 21, 2020	Contract for acquisition of the construction land at the Renping Section, Beitun District, Taichung City	None
	Natural person	July 10, 2020	Contract for acquisition of the construction land at the Ruanciao Section, Beitou District, Taipei City	None
	Natural person	October 8, 2020	Contract for acquisition of the construction land at the Muzha Section, Wenshan District, Taipei City	None
	Natural person	October 21, 2020	Contract for acquisition of the construction land at the Tammei Section, Neihu District, Taipei City	None
	Jinhua Realty Co., Ltd.	November 12, 2020	Contract for disposal of the construction land at the Jinhua Section, Anping District, Tainan 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

Year Item		Financial Summary for The Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		\$34,049,676	\$32,827,177	\$30,748,510	\$31,458,872	\$32,632,135
Property, plant and equipment		84,896	65,471	66,611	72,394	62,785
Intangible assets		786	1,124	778	1,533	2,980
Other assets		14,582,738	13,793,973	15,876,202	16,082,198	16,414,808
Total assets		48,718,096	46,687,745	46,692,101	47,614,997	49,112,708
Current liabilities	Before distribution	11,064,521	11,487,107	17,372,072	18,172,212	19,240,553
	After distribution	12,803,863	12,878,580	19,807,150	19,331,773	(Note 2)
Non-current liabilities		14,675,016	12,432,136	4,245,293	5,064,693	5,416,931
Total liabilities	Before distribution	25,739,537	23,919,243	21,617,365	23,236,905	24,657,484
	After distribution	27,478,879	25,310,716	24,052,443	24,396,466	(Note 2)
Equity attributable to shareholders of the parent		22,978,559	22,768,502	25,074,736	24,378,092	24,455,224
Capital stock		11,595,611	11,595,611	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	18,063	25,783	31,628	39,515
Retained earnings	Before distribution	11,064,867	10,770,163	13,373,271	12,311,946	12,646,352
	After distribution	9,325,525	9,378,690	10,938,193	11,152,385	(Note 2)
Other equity interest		307,674	384,665	80,071	438,907	173,746
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	22,978,559	22,768,502	25,074,736	24,378,092	24,455,224
	After distribution	21,239,217	21,377,029	22,639,658	23,218,531	(Note 2)

Note 1: Financial statements of the Company in 2016 to 2020 were audited. No relevant information in Q1, 2021.

Note 2: The distribution of earnings for 2020 has not yet been approved by the shareholders' meeting.

Note 3: The Company did not conduct any revaluation of assets in 2016 to 2020.

## 2. Based on International Financial Reporting Standards (Consolidated)

Unit: NT\$ thousands

Unit: IN thousands

Year  Item		Financial Summary for the Last Five Years					As of March 31, 2021 Financial summary (Note 1)
		2016	2017	2018	2019	2020	
Current assets		\$34,984,049	\$34,083,427	\$32,529,906	\$32,654,308	\$36,552,869	\$35,567,063
Property, plant and equipment		1,131,539	1,136,419	1,858,494	4,614,222	5,197,866	4,732,895
Intangible assets		30,936	33,008	20,416	24,210	33,407	36,807
Other assets		19,283,152	18,508,334	14,362,572	16,443,390	17,712,786	17,586,488
Total assets		55,429,676	53,761,188	48,771,388	53,736,130	59,496,928	57,923,253
Current liabilities	Before distribution	12,716,135	12,729,074	18,777,777	19,819,000	23,158,275	21,844,281
	After distribution	14,455,477	14,120,547	21,212,855	20,978,561	(Note 2)	(Note 2)
Non-current liabilities		19,134,014	17,807,952	4,652,062	9,435,080	10,939,525	10,372,114
Total liabilities	Before distribution	31,850,149	30,537,026	23,429,839	29,254,080	34,097,800	32,216,395
	After distribution	33,589,491	31,928,499	25,864,917	30,413,641	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent		22,978,559	22,768,502	25,074,736	24,378,092	24,455,224	24,756,055
Capital stock		11,595,611	11,595,611	11,595,611	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	18,063	25,783	31,628	39,515	39,391
Retained earnings	Before distribution	11,064,867	10,770,163	13,373,271	12,311,946	12,646,352	12,635,475
	After distribution	9,325,525	9,378,690	10,938,193	11,152,385	(Note 2)	(Note 2)
Other equity interest		307,674	384,665	80,071	438,907	173,746	485,578
Treasury stock		0	0	0	0	0	0
Non-controlling interest		600,968	455,660	266,813	103,958	943,904	950,803
Total equity	Before distribution	23,579,527	23,224,162	25,341,549	24,482,050	25,399,128	25,706,858
	After distribution	21,840,185	21,832,689	22,906,471	23,322,489	(Note 2)	(Note 2)

Note 1: Financial statements of the Company in 2016 to 2020 were audited. Financial information as of March 31, 2021 has been reviewed by CPAs.

Note 2: The distribution of earnings for 2020 has not yet been approved by the shareholders' meeting.

Note 3: The Company did not conduct any revaluation of assets in 2016 to 2020.

(II) Condensed Statement of Comprehensive Income

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

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

Year Item	Financial Summary for The Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	\$17,408,316	\$10,610,084	\$12,812,525	\$9,736,609	\$13,336,228
Gross profit	4,467,141	2,354,577	3,268,503	2,327,639	2,846,023
Operating income (loss)	3,880,079	1,667,343	2,340,979	1,400,160	1,852,477
Non-operating income and expenses	(340,346)	(295,471)	1,493,829	104,527	(204,241)
Income before tax	3,539,733	1,371,872	3,834,808	1,504,687	1,648,236
Income from operations of continued segments - after tax	3,017,907	1,444,638	3,609,611	1,370,505	1,483,980
Income from discontinued operations	0	0	0	0	0
Net income (loss)	3,017,907	1,444,638	3,609,611	1,370,505	1,483,980
Other comprehensive income (income after tax)	(332,791)	76,991	(335,754)	362,084	(255,174)
Total comprehensive income	2,685,116	1,521,629	3,273,857	1,732,589	1,228,806
Net income attributable to shareholders of the parent	3,017,907	1,444,638	3,609,611	1,370,505	1,483,980
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	2,685,116	1,521,629	3,273,857	1,732,589	1,228,806
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	2.06	1.25	3.11	1.18	1.28

Note 1: Financial statements of the Company in 2016 to 2020 were audited. No relevant information in Q1, 2021.

## 2. Based on International Financial Reporting Standards (Consolidated)

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

<div> <div>Year</div> <div>Item</div> </div>	Financial Summary for the Last Five Years					As of March 31, 2021 Financial summary (Note 1)
	2016	2017	2018	2019	2020	
Operating revenue	\$18,695,526	\$12,270,182	\$14,294,770	\$11,623,928	\$13,973,611	\$2,759,948
Gross profit	4,509,997	2,586,811	3,718,199	3,162,589	3,158,762	525,843
Operating income (loss)	3,402,230	1,341,775	2,228,233	1,499,287	1,551,329	47,072
Non-operating income and expenses	(69,222)	(150,297)	2,280,747	71,051	133,955	(43,334)
Income before tax	3,333,008	1,191,478	4,508,980	1,570,338	1,685,284	3,738
Income from operations of continued segments - after tax	2,838,245	1,241,625	4,241,797	1,400,358	1,516,787	(3,978)
Income from discontinued operations	0	0	0	0	0	0
Net income (loss)	2,838,245	1,241,625	4,241,797	1,400,358	1,516,787	(3,978)
Other comprehensive income (income after tax)	(423,429)	103,720	(260,946)	331,893	(256,312)	311,832
Total comprehensive income	2,414,816	1,345,345	3,980,851	1,732,251	1,260,475	307,854
Net income attributable to shareholders of the parent	3,017,907	1,444,638	3,609,611	1,370,505	1,483,980	(10,877)
Net income attributable to non-controlling interests	(179,662)	(203,013)	632,186	29,853	32,807	6,899
Comprehensive income attributable to Shareholders of the parent	2,685,116	1,521,629	3,273,857	1,732,589	1,228,806	300,955
Comprehensive income attributable to non-controlling interest	(270,300)	(176,284)	706,994	(338)	31,669	6,899
Earnings per share	2.06	1.25	3.11	1.18	1.28	(0.01)

Note 1: Financial statements of the Company in 2016 to 2020 were audited. Financial information as of March 31, 2021 has been reviewed by CPAs.

(III) Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2016	Ernst & Young Taiwan	Lin, Li-Huang, Huang, Chien-Tse	Standard unqualified opinion
2017	Ernst & Young Taiwan	Lin, Li-Huang, Huang, Chien-Tse	Standard unqualified opinion
2018	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang (Note 1)	Standard unqualified opinion
2019	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang	Standard unqualified opinion
2020	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang	Standard unqualified opinion

Note 1: 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. Financial Analysis for The Last Five Years

(I) Based on International Financial Reporting Standards (Parent Company Only)

Items \ Year		Financial Summary for The Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	52.83	51.23	46.30	48.80	50.21
	Ratio of long-term capital to property, plant and equipment	44,352.61	53,765.36	44,016.68	40,670.08	47,578.67
Solvency (%)	Current ratio	307.74	285.77	177.00	173.12	169.60
	Quick ratio	37.00	33.11	26.70	27.07	28.19
	Interest earned ratio	13.23	5.85	16.48	7.23	8.76
Operating performance	Accounts receivable turnover (times)	372.16	168.80	76.78	55.97	72.65
	Average collection period	0.98	2.16	4.75	6.52	5.02
	Inventory turnover (times)	0.40	0.28	0.35	0.28	0.39
	Accounts payable turnover (times)	18.07	10.16	11.20	7.92	11.90
	Average days in sales	912.50	1,303.57	1,042.85	1,303.57	935.89
	Property, plant and equipment turnover (times)	199.39	141.12	194.01	140.09	197.31
	Total assets turnover (times)	0.34	0.22	0.27	0.21	0.28
Profitability	Return on total assets (%)	5.84	3.04	7.73	2.92	3.19
	Return on stockholders' equity (%)	12.51	6.32	15.09	5.54	6.08
	Pre-tax income to paid-in capital (%)	30.53	11.83	33.07	12.98	14.21
	Profit ratio (%)	17.34	13.62	28.17	14.08	11.13
	Earnings per share (NT\$)	2.06	1.25	3.11	1.18	1.28
Cash flow (%)	Cash flow ratio	60.83	12.03	14.48	7.99	12.99
	Cash flow adequacy ratio	54.67	67.36	70.74	113.43	134.77
	Cash reinvestment ratio	24.08	(1.39)	6.29	(5.41)	7.06
Leverage	Operating leverage	1.11	1.22	1.15	1.23	1.22
	Financial leverage	1.00	1.00	1.00	1.01	1.04

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

1. The interest earned ratio increased by 21% due to the increase in net profit before income tax and interest expenses of the period.
2. The accounts receivable turnover increased by 30% due to the increase in net sales of the period.
3. Average collection period decreased by 23% due to the increase in the accounts receivable turnover of the period.
4. The inventory turnover increased by 39% due to the increase in the cost of sales of the period.
5. The accounts payable turnover (times) increased by 50% due to the increase in cost of sales of the period.
6. The average days in sales decreased by 28% due to the increase in the inventory turnover of the period.
7. The property, plant and equipment turnover increased by 41% due to the increase in net sales of the period.
8. The total assets turnover increased by 33% due to the increase in net sales of the period.
9. Profit ratio decreased by 21% due to the increase in net sales of the period.
10. Cash flow ratio increased by 63% due to the increase in net cash inflow from operating activities.
11. The cash reinvestment ratio increased by 230% due to the increase in net cash inflow from operating activities of the period.

Note 1: No relevant information in Q1, 2021.

#### 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 accounts receivable and business operations) = Net sales/Average accounts receivable balance in various periods (including bills receivable resulting from accounts receivable and business operations).
- (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 accounts payable and business operations) = Cost of sales/Average accounts payable balance in various periods (including bills payable resulting from accounts payable and business operations).
- (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).

## (II) Based on International Financial Reporting Standards (Consolidated)

<div> <div></div> <div>Year</div> <div>Items</div> </div>		Financial Summary for The Last Five Years					As of March 31, 2021 Financial Information
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt ratio	57.46	56.80	48.04	54.44	57.31	55.62
	Ratio of long-term capital to property, plant and equipment	3,774.82	3,610.65	1,613.87	735.06	699.11	762.30
Solvency (%)	Current ratio	275.12	267.76	173.24	164.76	157.84	162.82
	Quick ratio	36.83	36.39	32.03	28.53	30.71	26.10
	Interest earned ratio	7.51	3.02	12.73	5.02	5.54	0.74
Operating performance	Accounts receivable turnover (times)	91.32	47.94	36.74	29.33	34.49	28.99
	Average collection period	3.99	7.61	9.93	12.44	10.58	12.59
	Inventory turnover (times)	0.44	0.33	0.39	0.32	0.39	0.31
	Accounts payable turnover (times)	11.56	8.08	10.34	8.39	10.76	9.16
	Average days in sales	829.54	1,106.06	935.89	1,140.62	935.89	1,177.41
	Property, plant and equipment turnover (times)	16.25	10.82	9.55	3.59	2.85	2.22
	Total assets turnover (times)	0.32	0.22	0.28	0.23	0.25	0.19
Profitability	Return on total assets (%)	5.15	2.65	8.48	2.95	2.99	0.31
	Return on stockholders' equity (%)	11.44	5.31	17.47	5.62	6.08	0.00
	Pre-tax income to paid-in capital (%)	28.74	10.28	38.89	13.54	14.53	0.13
	Profit ratio (%)	15.18	10.12	29.67	12.05	10.85	0.00
	Earnings per share (NT\$)	2.06	1.25	3.11	1.18	1.28	(0.01)
Cash flow (%)	Cash flow ratio	49.82	7.55	13.47	11.52	7.78	(4.11)
	Cash flow adequacy ratio	45.40	52.00	57.56	64.32	61.88	54.43
	Cash reinvestment ratio	21.74	(2.78)	5.95	(0.69)	2.68	(3.76)
Leverage	Operating leverage	1.27	1.68	1.40	1.68	1.64	7.49
	Financial leverage	1.07	1.22	1.06	1.10	1.17	(4.68)

Note 1: Due to the denominator or numerator of the calculation formula is zero or negative, the item is not calculated.

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

1. Inventory turnover increased by 22% due to the increase in the cost of sales of the period.
2. The accounts payable turnover (times) increased by 28% due to the increase in the cost of sales of the period.
3. Property, plant and equipment turnover (times) decreased by 21% due to the increase in the property, plant and equipment of the period.
4. The cash flow ratio decreased by 32% due to the decrease in net cash flow from operating activities of the period.
5. Reinvestment ratio increased by 488% due to the increase in net cash inflow from operating activities of the period.

#### 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 (including accounts receivable and notes receivable generated from operations) turnover = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
- (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 accounts payable and business operations) = Cost of sales/Average accounts payable balance in various periods (including bills payable resulting from accounts payable and business operations).
- (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 Audit Report in the Most Recent Year**

#### **Audit Committee's Report**

The Board of Directors prepared the Company's 2020 Business Report, Financial Statements (including consolidated financial statements), and an earnings proposal, of which the Financial Statements (including consolidated financial statements) have been audited and certified by Jung-Huang Hsu and Chien-Tse Huang, CPAs at Ernst & Young, by whom an audit report has been issued.

The above mentioned reports and statements produced and submitted by the Board of Directors have been audited by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and there is no inconformity. Meanwhile, the report has been prepared as required. Please check and approve.

Sincerely

Cathay Real Estate Development Co., Ltd.

Audit Committee

Convener: Shiou-Ling Lin

April 28, 2021

**IV. Parent Company only Financial Report Audited and Certified by CPAs in the Most Recent Year**

**CATHAY REAL ESTATE DEVELOPMENT CO., LTD.**

**Parent Company Only Financial Statements**

**For the Years Ended**

**December 31, 2020 and 2019**

**Report of Independent Auditors**

The reader is advised that 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, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **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, 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 2020 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 Company properly disclose information relating the construction income of financial statement. Please refer Note 4 and Note 6.

## **Valuation of Construction Land**

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 company properly disclose information relating the construction land valuation of financial statement. Please refer Note 4, Note 5 and Note 6.

## **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 2020 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 18, 2021

#### 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.

## CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31, 2020		December 31, 2019	
Code	Items	Notes	Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	4, 6(1) & 7	\$1,969,434	4	\$1,638,228	4
1120	Financial assets at fair value through other comprehensive income-current	4 & 6(2)	2,437,036	5	2,454,341	5
1150	Notes receivable, net	4 & 6(3), (20)	31,527	-	39,048	-
1170	Accounts receivable, net	4, 6(4), (20) & 7	240,921	1	55,615	-
1200	Others receivables	7	13,009	-	9,568	-
1220	Current tax assets	4	-	-	59	-
130x	Inventories	4, 6(5) & 7	27,204,407	55	26,538,616	56
1410	Prepayments		2,928	-	1,228	-
1470	Others current assets		99,844	-	50,409	-
1480	Incremental costs of obtaining contracts-current	4, 6(5), (19)	633,029	1	671,760	1
11xx	Total current assets		32,632,135	66	31,458,872	66
	Non-currents Assets					
1517	Financial assets at fair value through other comprehensive income-non-current	4 & 6(2)	2,074,071	4	2,234,695	5
1550	Investment accounted for using equity method	4 & 6(6)	2,093,701	4	1,542,646	3
1600	Property, plant and equipment	4, 6(7) & 7	62,785	-	72,394	-
1755	Right-of-use assets	4, 6(21) & 7	16,346	-	38,373	-
1760	Investment properties, net	4 & 6(8)	10,648,019	22	10,891,199	23
1780	Intangible assets	4 & 6(9)	2,980	-	1,533	-
1840	Deferred tax assets	4 & 6(25)	330,426	1	428,022	1
1900	Other non-currents assets	6(10) & 7	1,252,245	3	947,263	2
15xx	Total non-currents assets		16,480,573	34	16,156,125	34
1xxx	Total Assets		\$49,112,708	100	\$47,614,997	100

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

## CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheets (continued)

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
Code	Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term loans	4, 6(11) & 7	\$6,610,000	13	\$6,900,000	15
2110	Short-term notes payable	4 & 6(12)	1,418,854	3	499,540	1
2130	Contract liabilities-current	4 & 6(19)	4,421,199	9	3,526,415	8
2150	Notes payable		60,802	-	144,213	-
2170	Accounts payable		856,757	2	440,989	1
2180	Accounts payable-related parties	7	49,026	-	211,266	-
2200	Other payables		322,956	1	189,958	-
2230	Current tax liabilities	4	21,588	-	59,821	-
2280	Lease liabilities-current	4, 6(21) & 7	12,317	-	19,300	-
2300	Other current liabilities		67,054	-	180,710	-
2320	Long-term loans-current portion	4 & 6(13), (14)	5,400,000	11	6,000,000	13
21xx	Total current liabilities		19,240,553	39	18,172,212	38
	Non-Current Liabilities					
2540	Long-term loans	4 & 6(14)	5,229,741	11	4,799,510	10
2570	Deferred tax liabilities	4 & 6(25)	10,049	-	10,049	-
2580	Lease liabilities-non-current	4, 6(21) & 7	2,100	-	13,952	-
2600	Other non-current liabilities	6(15) & 7	175,041	-	241,182	1
25xx	Total non-current liabilities		5,416,931	11	5,064,693	11
2xxx	Total Liabilities		24,657,484	50	23,236,905	49
	Equity	4				
3100	Capital stock					
3110	Common stock	6(16)	11,595,611	24	11,595,611	24
3200	Capital surplus	6(17)	39,515	-	31,628	-
3300	Retained earnings	6(18)				
3310	Legal capital reserve		4,489,507	9	4,352,457	9
3320	Special capital reserve		504,189	1	504,189	1
3350	Unappropriated retained earnings		7,652,656	16	7,455,300	16
	Total retained earnings		12,646,352	26	12,311,946	26
3400	Other equity		173,746	-	438,907	1
3xxx	Total Equity		24,455,224	50	24,378,092	51
	Total Liabilities and Equity		\$49,112,708	100	\$47,614,997	100

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

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(8), (19), (21) & 7	\$13,336,228	100	\$9,736,609	100
5000	Operating costs	4, 6(5), (7), (8), (15),(21),(22) & 7	(10,490,205)	(79)	(7,408,970)	(76)
5900	Gross margin		2,846,023	21	2,327,639	24
5910	Unrealized sales profit		(30,259)	-	-	-
5920	Realized sales profit		41	-	41	-
5950	Gross margin, net		2,815,805	21	2,327,680	24
6000	Operating expenses	4, 6(7),(8),(15),(21),(22) & 7				
6200	Administrative expenses		(963,362)	(7)	(927,488)	(10)
6450	Expected credit profit (loss)	4 & 6(20)	34	-	(32)	-
	Total operating expenses		(963,328)	(7)	(927,520)	(10)
6900	Operating income		1,852,477	14	1,400,160	14
7000	Non-operating income and expenses	4, 6(23) & 7				
7100	Interest income		1,156	-	2,613	-
7010	Other income		178,979	1	175,854	2
7020	Other gains or losses		87,799	1	(13,254)	-
7050	Finance costs		(72,909)	(1)	(9,911)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4 & 6(6)	(399,266)	(3)	(50,775)	(1)
	Total non-operating income and expenses		(204,241)	(2)	104,527	1
7900	Income before Income tax		1,648,236	12	1,504,687	15
7950	Income tax (expense) benefit	4 & 6(25)	(164,256)	(1)	(134,182)	(1)
8200	Net income		1,483,980	11	1,370,505	14
8300	Other comprehensive income	6(24), (25)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		(733)	-	(6,710)	-
8316	Valuation gain (losses) on equity instruments at fair value through other comprehensive income		(164,942)	(1)	368,350	4
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		(1,480)	-	675	-
8349	Income tax related to items not be reclassified to profit or loss in subsequent periods		146	-	1,342	-
8360	To be reclassified to profit or loss in subsequent periods					
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		(88,165)	(1)	(1,573)	-
	Other comprehensive (losses) income, net of tax		(255,174)	(2)	362,084	4
8500	Total comprehensive income		\$1,228,806	9	\$1,732,589	18
	Earnings Per Share (In dollars)	6(26)				
9750	Basic earnings per share		\$1.28		\$1.18	
9850	Diluted earnings per share		\$1.28		\$1.18	

(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  
For the Years Ended December 31, 2020 and 2019

	Code	Items	Capital Stock	Capital Surplus	Retained Earnings			Other Equity			Total Equity
					Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized (Losses) Gains from Financial Assets at Fair Value through Other Comprehensive Income	Re-measurements of Defined Benefit Plans	
			3100	3200	3310	3320	3350	3410	3420	3445	3XXX
	A1	Balance on January 1, 2019	\$11,595,611	\$25,783	\$5,991,496	\$504,189	\$8,877,586	\$89,738	\$63,607	\$23,940	\$25,074,736
	B1	Appropriation and distribution of earnings for the year 2018	-	-	-	-	-	-	-	-	-
	B5	Legal capital reserve	-	-	360,961	-	(360,961)	-	-	-	-
	B5	Cash dividends on common stock	-	-	-	-	(2,435,078)	-	-	-	(2,435,078)
	C17	Changes in other capital surplus	-	5,845	-	-	-	-	-	-	5,845
	D1	Net income for the year ended December 31, 2019	-	-	-	-	1,370,505	-	-	-	1,370,505
	D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2019	-	-	-	-	-	(1,573)	368,350	(4,693)	362,084
	D5	Total comprehensive income (loss)	-	-	-	-	1,370,505	(1,573)	368,350	(4,693)	1,732,589
	Q1	Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	3,248	-	(3,248)	-	-
	Z1	Balance on December 31, 2019	11,595,611	31,628	4,352,457	504,189	7,455,300	88,165	331,495	19,247	24,378,092
	B1	Appropriation and distribution of earnings for the year 2019	-	-	137,050	-	(137,050)	-	-	-	-
	B5	Legal Capital Reserve	-	-	-	-	(1,159,561)	-	-	-	(1,159,561)
	B5	Cash dividends on common stock	-	-	-	-	-	-	-	-	-
	C17	Changes in other capital surplus	-	7,887	-	-	-	-	-	-	7,887
	D1	Net income for the year ended December 31, 2020	-	-	-	-	1,483,980	-	-	-	1,483,980
	D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2020	-	-	-	-	-	(88,165)	(164,943)	(2,066)	(255,174)
	D5	Total comprehensive income (loss)	-	-	-	-	1,483,980	(88,165)	(164,943)	(2,066)	1,228,806
	Q1	Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	9,987	-	(9,987)	-	-
	Z1	Balance on December 31, 2020	\$11,595,611	\$39,515	\$4,489,507	\$504,189	\$7,652,656	\$-	\$156,565	\$17,181	\$24,455,224

(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 December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2020	2019
		Amount	Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	\$1,648,236	\$1,504,687
A20000	Adjustments:		
A20100	Depreciation	224,971	212,170
A20200	Amortization	877	734
A20300	Expected credit loss (gain)	(34)	32
A20900	Interest expenses	72,909	9,911
A21200	Interest income	(1,156)	(2,613)
A21300	Dividend income	(117,922)	(97,167)
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	399,266	50,775
A22500	Loss (gain) on disposal of property, plant and equipment	(972)	(2,338)
A23100	Loss (gain) on disposal of investments	(87,569)	-
A23900	Unrealized sales profit (loss)	30,259	-
A29900	Others	(2,575)	-
A30000	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	7,521	(15,884)
A31150	Decrease (increase) in accounts receivable	(185,272)	272,916
A31180	Decrease (increase) in other receivables	(3,439)	(7,374)
A31200	Decrease (increase) in inventories	(542,168)	(540,272)
A31230	Decrease (increase) in prepayments	(1,700)	117,845
A31240	Decrease (increase) in other current assets	(49,435)	304,431
A31270	Decrease (increase) in incremental costs of obtaining contracts	38,731	(190,163)
A31990	Decrease (increase) in other operating assets	61,809	242,278
A32125	Increase (decrease) in contract liabilities	894,784	(99,914)
A32130	Increase (decrease) in notes payable	(83,411)	53,828
A32150	Increase (decrease) in accounts payable	415,767	48,539
A32160	Increase (decrease) in accounts payable-related parties	(162,240)	(379,268)
A32180	Increase (decrease) in other payables	158,946	(6,922)
A32230	Increase (decrease) in other current liabilities	(113,656)	66,051
A33000	Cash inflow generated from operations	2,602,527	1,542,282
A33100	Interest received	1,154	1,307
A33500	Income taxes paid	(104,687)	(92,101)
AAAA	Net cash generated by operating activities	2,498,994	1,451,488
BBBB	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(67,123)
B00030	Return of capital deduction from financial assets at fair value through other comprehensive income	-	4,975
B01800	Acquisition of investment accounted for using equity method	(1,119,247)	(400,000)
B01900	Disposal of investment accounted for using equity method	8,796	-
B02400	Return of capital deduction from investment accounted for using equity method	-	354,661
B02700	Acquisition of property, plant and equipment	(17,561)	(26,153)
B02800	Disposal of property, plant and equipment	7,957	4,141
B04500	Acquisition of intangible assets	(2,324)	(1,489)
B05350	Acquisition of right-of-use assets	-	(7,606)
B06700	Increase in other non-current assets	(304,982)	-
B06800	Decrease in other non-current assets	-	107,231
B07600	Dividends received	261,279	103,453
BBBB	Net cash generated by (used in) investing activities	(1,166,082)	72,090
CCCC	Cash flow from financing activities		
C00200	Decrease in short-term loans	(290,000)	(1,250,000)
C00500	Increase in short-term notes payable	919,314	499,540
C01600	Proceeds from long-term loans	3,729,741	4,799,510
C01700	Repayment of long-term loans	(3,899,510)	(2,198,050)
C04020	Repayment of principal of lease liabilities	(20,223)	(9,677)
C04400	Decrease in other non-current liabilities	(66,874)	(2,722)
C04500	Payment of cash dividends	(1,159,561)	(2,435,078)
C05600	Interests paid	(214,164)	(214,335)
C09900	Other financing activities	(429)	-
CCCC	Net cash used in financing activities	(1,001,706)	(810,812)
EEEE	Net increase in cash and cash equivalents	331,206	712,766
E00100	Cash and cash equivalents, beginning of period	1,638,228	925,462
E00200	Cash and cash equivalents, end of period	\$1,969,434	\$1,638,228

(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, 2020 and 2019**  
**(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

### **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 parent company only financial statements for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 18, 2021.

### **3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS**

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

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### **A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- a. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- b. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- c. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	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
2	IFRS 17 "Insurance Contracts"	1 January 2023
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
5	Disclosure Initiative - Accounting Policies - Amendments to IAS 1	1 January 2023
6	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023

- 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:

- a. direct participation features (the Variable Fee Approach);
- b. simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

### **C. Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

### **D. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements**

#### **a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

#### **b. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

#### **c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

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### **d. Annual Improvements to IFRS Standards 2018 - 2020**

#### *Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

#### *Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

#### *Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

#### *Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

### **E. Disclosure Initiative - Accounting Policies - Amendments to IAS 1**

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

### **F. Definition of Accounting Estimates - Amendments to IAS 8**

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended 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, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

##### **(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.

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.

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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 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.



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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**

The following asset is classified as current. All other assets are classified as non-current:

- 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

The following liability is classified as current. All other liabilities are classified as non-current:

- 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

### **(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.

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Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments 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 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.

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- 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

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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.

### **B. Impairment of financial assets**

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.
- d. For lease receivables arising from transactions within the scope of IFRS 16, The Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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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.

### **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 are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

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### **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 expired.

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.

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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 building and land 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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

### **(10) 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

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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 raised from the accounting of investment subsidiaries in accordance with IFRS No.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. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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.



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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*. 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.

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.

### **(11) 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 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.

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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

Leasehold improvements: The shorter of lease terms or economic useful lives

Other equipment: 3~10 years

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.

### **(12) Investment property**

The Company's owned 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. Subsequent to initial recognition, 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*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	4~50 years
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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 transfers to or from investment properties when there is a change in use for these assets.

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.

**(13) Leases**

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price received by the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, The Company estimates the stand-alone price, maximizing the use of observable information.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. And this practical expedient has been applied to all eligible rent concessions.

**Company as a lessee**

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the income statement.

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For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

### **Company as a lessor**

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## **(14) 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.

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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 (3 years).

## **(15) 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 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 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.

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

### **(16) Revenue recognition**

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

#### **Construction income**

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.

### **(17) 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 interests and other costs that an entity incurs relating to the borrowing of funds.

### **(18) 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.

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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.

### **(19) 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.

**(20) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## **5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's parent company only financial statements requires 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 liability 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:

Operating 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

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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, 2020, the deferred income tax assets that the Company has not recognize, please refer to Note 6 for more details.

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### **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**

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.

## **6. CONTENTS OF SIGNIFICANT ACCOUNTS**

### **(1) Cash and cash equivalents**

	As of December 31,	
	2020	2019
Cash on hand and petty cash	\$291	\$299
Checking accounts and demand deposit	1,439,400	1,572,969
Cash equivalent-short-term notes	529,743	64,960
Total	<u>\$1,969,434</u>	<u>\$1,638,228</u>

The Company's cash and cash equivalents were not pledged as collateral or restricted for uses.

### **(2) Financial assets at fair value through other comprehensive income**

	As of December 31,	
	2020	2019
Equity instruments investments measured at fair value through other comprehensive income - current:		
Listed company's stocks	<u>\$2,437,036</u>	<u>\$2,454,341</u>
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Unlisted company's stocks	<u>\$2,074,071</u>	<u>\$2,234,695</u>

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The Company's financial assets at fair value through over comprehensive income were not pledged as collateral or restricted for uses.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follow:

	For the years ended December 31,	
	2020	2019
Related to investments held at the end of the reporting period	\$117,922	\$97,167
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$117,922</u>	<u>\$97,167</u>

In consideration of the Company's investment strategy, the Company disposed, and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2020 and 2019 are as follow:

	For the years ended December 31,	
	2020	2019
The fair value of the investments at the date of derecognition	\$12,987	\$4,975
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	9,987	3,248

### **(3) Notes receivable**

	As of December 31,	
	2020	2019
Notes receivable arising from operating activities	\$31,527	\$39,048
Less: loss allowance	-	-
Notes receivable, net	<u>\$31,527</u>	<u>\$39,048</u>

The Company's notes receivables were not pledged as collateral or restricted for uses.

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The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(20) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

### **(4) Accounts receivable and accounts receivable -related parties**

	As of December 31,	
	2020	2019
Accounts receivable	\$240,887	\$46,170
Less: loss allowance	(10)	(44)
Subtotal	240,877	46,126
Accounts receivable - related parties	44	9,489
Less: loss allowance	-	-
Subtotal	44	9,489
Total	\$240,921	\$55,615

The Company's accounts receivable and accounts receivable- related parties were not pledged as collateral or restricted for uses.

Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Company were NT\$240,931 thousand and NT\$55,659 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6.(20) for more details on impairment of accounts receivable. Please refer to Note 12 for more details on credit risk.

### **(5) Inventories**

	As of December 31,	
	2020	2019
Construction land	\$8,497,634	\$7,146,181
Construction in progress	13,030,307	16,011,003
Buildings and land held for sale	2,914,124	2,847,829
Subtotal	24,442,065	26,005,013
Prepayment for land purchases	2,762,342	533,603
Total	\$27,204,407	\$26,538,616

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.

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B. The net realizable value of the construction land held by the Company is based on the nature of the land, using either land development analysis approach, comparison method or announced current land value method. The land development analysis approach is based on the changes in land value the development and improvement bring according to the legal use and the intensity of use of the land. The approach estimates the total sales amount after development or construction, deducting the direct costs, indirect costs, capital interests and profits during the development period. The comparison method is evaluated based on the transaction price of similar lands in neighboring areas in the most recent year. The announced current land value method is based on the assessment of the current value of the land announced by the Department of Land Affairs, Ministry of the Interior.

C. Significant Construction projects were as follow:

Construction Project	Amount	Percentage of Completion
City Landmark	\$1,309,062	67.00%
Park Beautiful Mansion	1,029,794	39.00%
Cathay Mega+	1,010,390	30.00%
Have a Rich Year	1,395,238	12.00%
Cathay Lagom	1,203,810	23.00%
Liberty Stationery Corp.	2,471,512	11.00%
Cathay ChuanQing	1,231,429	2.00%

D. The total interests capitalized of the inventories mentioned above were NT\$123,623 thousand and NT\$199,612 thousand for the years ended December 31, 2020 and 2019, respectively. The interest expenses before capitalization were NT\$196,532 thousand and NT\$209,523 thousand, respectively.

The monthly capitalization interest rates of loans for inventories were 0.0628%~0.2763% and 0.0976%~0.2019% for the years ended December 31, 2020 and 2019, respectively.

E. To successfully construct and deliver the building and housing to the customers, the Company uses the following trust accounts for the construction in progress:

Construction Project (Amount)	Trustee	Period
Park Beautiful Mansion (NT\$14,520 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 Rivers, Cathay's Home I (NT\$57,336 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.



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Construction Project (Amount)	Trustee	Period
HYGGE (NT\$45,312 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.
Tree Rivers, Cathay's Home II (NT\$32,449 thousand)	Cathay United Bank	From December 26, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
City Landmark (NT\$90,533 thousand)	Cathay United Bank	From April 17, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Uptown (NT\$78,821 thousand)	Cathay United Bank	From May 20, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Have a Rich Year (NT\$122,727 thousand)	Cathay United Bank	From May 31, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Lagom (NT\$113,230 thousand)	Cathay United Bank	From July 3, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Mega+ (NT\$102,069 thousand)	Cathay United Bank	From August 1, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay ChuanQing (NT\$124,973 thousand)	Cathay United Bank	From May 5, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Opulence (NT\$279,163 thousand)	Cathay United Bank	From July 3, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay XiJing (NT\$ 0 thousand)	Cathay United Bank	From November 9, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

As of December 31, 2020, the Company has established a deed of trust with the bank for the construction above to help manage the funds of the presold customers paid. The trust period ends after the construction is completed and the first ownership registration of the property. The balance of the managed funds by the Company in accordance with the above trust deed is NT\$1,061,133 thousand, which is equal to the amount receivable of the presold contract. There is no delay in the delivery of the trust account.

- F. The costs of inventories recognized in expenses amount to NT\$10,167,505 thousand and NT\$7,088,054 thousand for the years ended to December 31, 2020 and 2019, including the inventory valuation losses NT\$0 thousand for both the years ended December 31, 2020 and 2019.

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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 is amortized when the house is handed over to the customers.

**(6) Investments accounted for using the equity method**

The following table lists the investments for using the equity method of the Company:

Investee	As of December 31,			
	2020		2019	
	Percentage of Ownership		Percentage of Ownership	
	Amount	(%)	Amount	(%)
Investment of subsidiaries:				
Cathay Real Estate Management Co., Ltd.	\$115,014	100%	\$117,650	100%
Cathay Healthcare Management Co., Ltd.	585,785	85%	579,491	85%
Cathay Hospitality Management Co., Ltd.	132,418	100%	160,854	100%
Cathay Hospitality Consulting Co., Ltd.	332,026	100%	576,223	100%
Cathay Real Estate Holding Corporation	-	-	9,449	100%
Cymbal Medical Network Co., Ltd.	87,000	100%	98,979	100%
Lin Yuan Property Management Co., Ltd.	58,767	51%	-	-
Jinhua Realty Co., Ltd.	376,917	51%	-	-
Bannan Realty Co., Ltd.	405,774	51%	-	-
Total	<u>\$2,093,701</u>		<u>\$1,542,646</u>	

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.

A. Changes of the investments for using the equity method:

Jinhua Realty Co., Ltd. and Bannan Realty Co., Ltd. were established in 2020; After acquiring 41% shares of Lin Yuan Property Management Co., Ltd. in May, 2020, the Company held 51% of its equity and gained control over the entity. Cymbal Medical Network Co., Ltd. was established in 2019.

Cathay Real Estate Holding Corporation was liquidated in August 2020.

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- B. The Company acquired 51% of Lin Yuan Property Management Co., Ltd.'s voting shares on May 15, 2020. The transfer price of this transaction and the fair value of the originally held equity on the acquisition date was lower than the fair value of identifiable net asset. The difference was recognized as bargain purchase gains. Please refer to Note 6.(27).
- C. The Company's investments accounted for using the equity method were not pledged as collateral or restricted for uses.

### **(7) Property, plant and equipment**

	As of December 31,	
	2020	2019
Owner occupied property, plant and equipment	\$5,713	\$4,686
Property, plant and equipment leased out under operating leases	57,072	67,708
Total	<u>\$62,785</u>	<u>\$72,394</u>

#### A. Owner occupied property, plant and equipment

	Land	Buildings	Leasehold improvement	Other equipment	Total
Cost:					
As of January 1, 2019	\$1,346	\$1,829	\$19,449	\$15,713	\$38,337
Additions	-	-	-	302	302
Disposals	-	-	-	(358)	(358)
As of December 31, 2019	1,346	1,829	19,449	15,657	38,281
Additions	-	-	2,046	457	2,503
As of December 31, 2020	<u>\$1,346</u>	<u>\$1,829</u>	<u>\$21,495</u>	<u>\$16,114</u>	<u>\$40,784</u>

	Land	Buildings	Leasehold improvement	Other equipment	Total
Depreciation and impairment:					
As of January 1, 2019	\$-	\$341	\$19,449	\$12,647	\$32,437
Depreciation	-	35	-	1,481	1,516
Disposals	-	-	-	(358)	(358)
As of December 31, 2019	-	376	19,449	13,770	33,595
Depreciation	-	36	298	1,142	1,476
As of December 31, 2020	<u>\$-</u>	<u>\$412</u>	<u>\$19,747</u>	<u>\$14,912</u>	<u>\$35,071</u>

#### Net carrying amount:

As of December 31, 2020	<u>\$1,346</u>	<u>\$1,417</u>	<u>\$1,748</u>	<u>\$1,202</u>	<u>\$5,713</u>
As of December 31, 2019	<u>\$1,346</u>	<u>\$1,453</u>	<u>\$-</u>	<u>\$1,887</u>	<u>\$4,686</u>

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B. Property, plant and equipment leased out under operating leases

	Transportation equipment
Cost:	
As of January 1, 2019	\$107,676
Additions	25,851
Disposals	<u>(16,702)</u>
As of December 31, 2019	116,825
Additions	15,058
Disposals	<u>(13,725)</u>
As of December 31, 2020	<u><u>\$118,158</u></u>
Depreciation and impairment:	
As of January 1, 2019	\$46,965
Depreciation	17,051
Disposals	<u>(14,899)</u>
As of December 31, 2019	49,117
Depreciation	18,709
Disposals	<u>(6,740)</u>
As of December 31, 2020	<u><u>\$61,086</u></u>
Net carrying amount:	
As of December 31, 2020	<u><u>\$57,072</u></u>
As of December 31, 2019	<u><u>\$67,708</u></u>

C. 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.

D. The Company's Property, plant and equipment are not capitalized from financial costs.

E. The Company's Property, plant and equipment were not pledged as collateral or restricted for uses.

**(8) Investment property**

	Land	Buildings	Total
Cost:			
As of January 1, 2019	\$7,176,478	\$6,267,572	\$13,444,050
Transfers from prepaid equipment	77,133	115,279	192,412
Disposals	<u>(100,068)</u>	<u>(188,489)</u>	<u>(288,557)</u>
As of December 31, 2019	7,153,543	6,194,362	13,347,905
Additions from subsequent expenditure	-	15,327	15,327
Disposals	<u>(17,101)</u>	<u>(151,249)</u>	<u>(168,350)</u>
As of December 31, 2020	<u><u>\$7,136,442</u></u>	<u><u>\$6,058,440</u></u>	<u><u>\$13,194,882</u></u>

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	Land	Buildings	Total
Depreciation and impairment:			
As of January 1, 2019	\$-	\$2,321,366	\$2,321,366
Depreciation	-	181,618	181,618
Disposals	-	(46,278)	(46,278)
As of December 31, 2019	-	2,456,706	2,456,706
Depreciation	-	181,371	181,371
Disposals	-	(91,214)	(91,214)
As of December 31, 2020	\$-	\$2,546,863	\$2,546,863
Net carrying amount:			
As of December 31, 2020	\$7,136,442	\$3,511,577	\$10,648,019
As of December 31, 2019	\$7,153,543	\$3,737,656	\$10,891,199

	For the years ended December 31,	
	2020	2019
Rental income from investment property	\$338,788	\$415,372
Less:		
Direct operating expenses from investment property generating rental income	(82,156)	(105,881)
Direct operating expenses from investment property not generating rental income	(37,958)	(13,024)
Total	\$218,674	\$296,467

The investment properties held by the Company were not valued at fair value. The amounts of the fair value were only for disclosure. The fair value of the investment properties held by the Company were NT\$15,898,086 thousand and NT\$16,094,191 thousand as of December 31, 2020 and 2019, respectively, which were valued by an independent external appraisal expert and internal valuation. The evaluation method was comparison method and based on the recent 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.

**(9) Intangible assets**

	Computer software
Cost:	
As of January 1, 2019	\$34,776
Addition-acquired separately	1,489
Disposals	(812)
As of December 31, 2019	35,453
Addition-acquired separately	2,324
As of December 31, 2020	\$37,777

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	Computer software
Amortization and impairment:	
As of January 1, 2019	\$33,998
Amortization	734
Disposals	(812)
As of December 31, 2019	33,920
Amortization	877
As of December 31, 2020	<u>\$34,797</u>
Net carrying amount:	
As of December 31, 2020	<u>\$2,980</u>
As of December 31, 2019	<u>\$1,533</u>
Amortization expense of intangible assets were as follow:	

	For the years ended December 31,	
	2020	2019
Operating expenses	<u>\$877</u>	<u>\$734</u>

**(10) Other non-current assets**

	As of December 31,	
	2020	2019
Construction land	\$18,425	\$18,425
Prepaid expenses-equipment	3,441	1,431
Refundable deposits	1,214,115	911,143
Other non-current assets- other	16,264	16,264
Total	<u>\$1,252,245</u>	<u>\$947,263</u>

According to the 1999.3.26 (1999) Explanation Decree (6) No.19350 issued by the Securities and Futures Commission, the above construction land temporarily registered under a third party's name was disclosed as follows:

	As of December 31,				
Items	2020	2019	Type	Purpose	Securities
Land Serial NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	<u>\$18,425</u>	<u>\$18,425</u>	Purchases / Sales	Development	Mortgage setting and commitment

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**(11) Short-term loans**

	As of December 31,	
	2020	2019
Unsecured bank loans	\$6,610,000	\$6,650,000
Secured bank loans	-	250,000
Total	\$6,610,000	\$6,900,000
Interest rate	0.75%~0.89%	0.85%~1.00%

A. The Company's unused short-term lines of credits amounted to NT\$11,698,990 thousand and NT\$16,154,290 thousand as of December 31, 2020 and 2019, respectively.

B. Please refer to Note 8 for more details on investment property pledged as security for short-term borrowings.

**(12) Short-term notes payable**

	As of December 31,	
	2020	2019
Short-term notes and bills payable	\$1,420,000	\$500,000
Less: unamortized discount	(1,146)	(460)
Net	\$1,418,854	\$499,540
Interest rate	0.29%~0.30%	0.43%

**(13) Bonds payable**

	As of December 31,	
	2020	2019
Domestic secured bonds	\$-	\$3,000,000
Less: current portion	-	(3,000,000)
Net	\$-	\$-

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 on due day.

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### (14) Long-term loans

Details of long-term loans as of December 31, 2020 and 2019 are as follows:

	As of December 31, 2020	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$9,900,000	0.85%~0.87%	Effective July 2019 to July 2023, repayments on due day.
Long-term credit notes payable	729,741	0.29%	Effective August 2020 to August 2023, repayments on due day.
Subtotal	10,629,741		
Less: current portion	(5,400,000)		
Total	<u>\$5,229,741</u>		

	As of December 31, 2019	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$7,400,000	0.90%~1.18%	Effective January 2019 to July 2022, repayments on due day.
Long-term notes payable	399,510	0.43%	Effective October 2019 to July 2021, repayments on due day.
Subtotal	7,799,510		
Less: current portion	(3,000,000)		
Total	<u>\$4,799,510</u>		

### (15) 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, 2020 and 2019, the expenses related to defined contribution plan amounted to NT\$4,095 thousand and NT\$3,776 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,



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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.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under emendation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$549 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020 and 2019, the average duration of defined benefit obligation of the Company were expected to be 8.3 years and 9.5 years.

Amounts to be recognized in profit or loss for the years ended December 31, 2020 and 2019 are summarized as follows:

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current period service cost	\$6,400	\$5,750
Net interest on the net defined benefit liability (asset)	618	741
Total	<u>\$7,018</u>	<u>\$6,491</u>

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

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	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Present value of defined benefit obligation	\$160,220	\$168,903	\$167,520
Fair value of plan assets	(80,971)	(78,539)	(82,081)
Other non-current liabilities-accrued pension liabilities recognized on the balance sheets	\$79,249	\$90,364	\$85,439

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2019	\$167,520	\$(82,081)	\$85,439
Net defined benefit cost			
Current service cost	5,750	-	5,750
Interest expense (income)	1,522	(781)	741
Subtotal	7,272	(781)	6,491
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	3,604	-	3,604
Experience adjustment	9,189	-	9,189
Remeasurement of plan assets	-	(6,083)	(6,083)
Subtotal	12,793	(6,083)	6,710
Payments from the plan	(18,682)	14,650	(4,032)
Contributions by employer	-	(4,244)	(4,244)
As of December 31, 2019	168,903	(78,539)	90,364
Net defined benefit cost			
Current service cost	6,400	-	6,400
Interest expense (income)	1,164	(546)	618
Subtotal	7,564	(546)	7,018
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	5,114	-	5,114
Experience adjustment	(3,016)	-	(3,016)
Remeasurement of plan assets	-	(1,365)	(1,365)
Subtotal	2,098	(1,365)	733
Payments from the plan	(18,345)	5,939	(12,406)
Contributions by employer	-	(6,460)	(6,460)
As of December 31, 2020	\$160,220	\$(80,971)	\$79,249

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2020	2019
Discount rate	0.32%	0.70%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at December 31, 2020 and 2019 was as follow:

	For the year ended December 31,			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.25%	\$-	\$3,365	\$-	\$3,969
Discount rate decreases by 0.25%	3,365	-	4,223	-
Future salary increases by 0.5%	6,569	-	8,107	-
Future salary decreases by 0.5%	-	6,249	-	7,601

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.

### **(16) Common stock**

The Company's authorized capital was NT\$ 20,000,000 thousand and issued capital was NT\$ 11,595,611 thousand as of December 31, 2020 and 2019, respectively. The Company has issued 1,159,561 thousand shares as of December 31, 2020 and 2019, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

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**(17) Capital surplus**

	As of December 31,	
	2020	2019
Treasury share transactions	\$10,407	\$10,407
Others - overdue dividends	29,108	21,221
Total	<u>\$39,515</u>	<u>\$31,628</u>

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.

**(18) Retained earnings**

**A. Legal reserve**

According to the Company Act, the Company needs to set aside 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 December 31, 2020, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

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### **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
- 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 December 31, 2019 and 2018, the details of earnings distribution and dividends per share were resolved by the shareholder's meeting on June 12, 2020 and June 14, 2019, were as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash Dividend per share (NT dollars)	
	2019	2018	2019	2018
Legal reserve	\$137,050	\$360,961		
Common stock - cash dividend	1,159,561	2,435,078	\$1.0	\$2.1

E. Please refer to Note 6.(22) for details of bonus to employees and directors.

### **(19) Operating revenues**

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers		
Sales of buildings and land	\$12,971,111	\$9,296,499
Rental income	365,117	440,110
Total	\$13,336,228	\$9,736,609

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The relevant information of the Company's revenue are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2020

	Property and real estate investment development department
Rental income	\$365,117
Sales of buildings and lands	12,971,111
Total	<u>\$13,336,228</u>
Revenue recognition point:	
At a point in time	\$12,971,111
Over time	365,117
Total	<u>\$13,336,228</u>

For the year ended December 31, 2019

	Property and real estate investment development department
Rental income	\$440,110
Sales of buildings and lands	9,296,499
Total	<u>\$9,736,609</u>
Revenue recognition point:	
At a point in time	\$9,296,499
Over time	440,110
Total	<u>\$9,736,609</u>

B. Contract balances

Contract liabilities – current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Sales of goods	\$4,421,199	\$3,526,415	\$3,626,329

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For the years ended December 31, 2020 and 2019, the movement in the contract liabilities are as follows:

	For the years ended December 31,	
	2020	2019
Revenue recognized during the year that was included in the balance at the beginning of the year	\$(1,578,105)	\$(2,029,261)
Increase in receipt in advance during the period	2,472,889	1,929,347

### **C. Assets recognized from the revenue from contracts with customers**

Incremental costs of obtaining contracts

	As of December 31,	
	2020	2019
Sales of goods	\$633,029	\$671,760

The amortized amount of the incremental cost of the Company's acquisition of the contract for the years ended December 31, 2020 and 2019 were NT\$279,282 thousand and NT\$157,247 thousand, respectively.

### **(20) Expected credit losses/ (gains)**

	For the years ended December 31,	
	2020	2019
Operating expenses-expected credit losses/ (gains)		
Accounts receivable	\$(34)	\$32

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 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. The details of the loss allowance measured as of December 31, 2020 and 2019 was as follows:

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December 31, 2020

	Neither past due (Note)	Past due					
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	Total
Gross carrying amount	\$271,610	\$848	\$-	\$-	\$-	\$-	\$272,458
Loss ratio	-	1.14%	-	-	-	-	
Lifetime expected credit losses	-	10	-	-	-	-	10
Total	\$271,610	\$838	\$-	\$-	\$-	\$-	\$272,448

December 31, 2019

	Neither past due (Note)	Past due					
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	Total
Gross carrying amount	\$48,677	\$1,735	\$2,518	\$41,777	\$-	\$-	\$94,707
Loss ratio	-	0.01%	0.05%	0.10%	-	-	
Lifetime expected credit losses	-	-	2	42	-	-	44
Total	\$48,677	\$1,735	\$2,516	\$41,735	\$-	\$-	\$94,663

Note: The Company's notes receivable is not overdue.

For the years ended December 31, 2020 and 2019, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Notes receivable	Accounts receivable
As of January 1, 2019	\$-	\$12
Addition/(reversal) for the current period	-	32
Amounts written off during the period as uncollectible	-	-
As of December 31, 2019	-	44
Addition/(reversal) for the current period	-	(34)
Amounts written off during the period as uncollectible	-	-
As of December 31, 2020	\$-	\$10

### (21) Operating leases

A. Operating lease commitments - Company as lessee

The Company leases various property, including land and buildings. These leases have terms between two and three years.



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The effect that leases have on the financial position, financial performance and cash flows of the Company are as follow:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of December 31,	
	2020	2019
Land	\$8,263	\$15,513
Buildings	8,083	22,860
Total	<u>\$16,346</u>	<u>\$38,373</u>

For the years ended December 31, 2020 and 2019, the Company's additions to right-of-use assets amounting to NT\$1,388 thousand and NT\$7,606 thousand, respectively.

(b) Lease liability

	As of December 31,	
	2020	2019
Lease liability	<u>\$14,417</u>	<u>\$33,252</u>
Current	\$12,317	\$19,300
Non-current	2,100	13,952

Please refer to Note 6.(23).D for the interest on lease liability recognized during the years ended December 31, 2020 and 2019 and refer to Note 12.(5) for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

b. Amounts recognized in the income statement

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Land	\$7,250	\$4,542
Buildings	16,165	7,443
Total	<u>\$23,415</u>	<u>\$11,985</u>

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c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expense relating to short-term leases	\$278	\$8,602
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	-	-
The expense relating to variable lease payments not included in the measurement of lease liabilities	-	-

As of December 31, 2020 and 2019, the short-term lease portfolio promised by the Company and the types of lease targets related to the aforementioned short-term lease expenses are similar.

d. Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases amounting to NT\$20,927 thousand and NT\$25,885 thousand, respectively.

B. Company as lessor

Please refer to Note 6.(8) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$365,117	\$440,110

Please refer to Note 6.(7) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2020 and 2019 are as follow:

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	As of December 31,	
	2020	2019
Not later than 1 year	\$210,897	\$212,461
Later than 1 year and not later than 2 years	210,037	210,897
Later than 2 year and not later than 3 years	210,037	210,037
Later than 3 year and not later than 4 years	210,037	210,037
Later than 4 year and not later than 5 years	210,037	210,037
Later than five years	87,516	297,744
Total	<u>\$1,138,561</u>	<u>\$1,351,213</u>

**(22) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:**

Function  Description	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	\$32,285	\$155,055	\$187,340	\$33,914	\$135,040	\$168,954
Labor and health insurance	-	12,424	12,424	-	12,489	12,489
Pension	-	11,113	11,113	-	10,267	10,267
Director's remuneration	-	7,800	7,800	-	7,755	7,755
Depreciation and depletion	200,080	24,891	224,971	198,669	13,501	212,170
Amortization	-	877	877	-	734	734

- A. On December 31, 2020 and 2019, the numbers of employees were 148 and 145 respectively, among which the numbers of directors who have not served as employees were both 4.
- B. The average employee benefits expense for the years ended December 31, 2020 and 2019 were NT\$1,464 thousand and NT\$1,360 thousand, respectively. ("Total employee benefits expense for the year - Total director's remuneration for the year" / "Number of employees for the year - Number of directors who have not served as employees for the year")
- C. The average salaries and wages for the years ended December 31, 2020 and 2019 were NT\$1,301 thousand and NT\$1,198 thousand, respectively ("Total salaries and wages for the year" / "Number of employees for the year - Number of directors who have not served as employees for the year"). The average salaries and wages increased by 8.60% ("Average salaries and wages for the year - Average salaries and wages last year" / "Average salaries and wages last year").

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- D. The Company established an audit committee instead of supervisors.
- E. The Company's policy of salaries and wages for directors, managers and employees is as follows: In order to attract, keep and motivate talents for the balance of sustainable running and risk control, the Company follows "Directors' Remuneration Guidelines", "Managers' Remuneration Guidelines", employees' salaries regulations and other related regulations to decide salaries and wages. Also, the Company comprehensively considers individuals' responsibility, the market, contribution, performance and expected or realized risks. Related regulations are modified and reviewed on regular basis based on actual operation.
- F. Employees' Compensation and Directors' Remuneration

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 Group 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\$1,652 thousand and NT\$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, 2020. The amount of employees' compensation and directors' remuneration recognized in the year ended December 31, 2019 was NT\$1,509 thousand and NT\$2,400 thousand, respectively. The aforementioned amounts were listed under salary expenses. If the abovementioned employees' compensation and directors' remuneration estimations are different from the actual distributed amount resolved by the board of director's meeting, the difference will be recognized as profit or loss in the next period.

The Company's the board of director's meeting on March 19, 2020 resolved to distribute NT\$1,509 thousand and NT\$2,400 thousand of employee's and director's compensation in cash. There are no material differences exist between the estimated amount and the actual distribution.

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**(23) Non-operating income and expenses**

A. Interest income

	For the years ended December 31,	
	2020	2019
Deposit interest	\$726	\$1,926
Others	430	687
Total	<u>\$1,156</u>	<u>\$2,613</u>

B. Other income

	For the years ended December 31,	
	2020	2019
Dividend income	\$117,922	\$97,167
Other	61,057	78,687
Total	<u>\$178,979</u>	<u>\$175,854</u>

C. Other gains and losses

	For the years ended December 31,	
	2020	2019
Gains on disposal and abandon of property, plant and equipment	\$972	\$2,338
Gains on disposal of investment	87,569	-
Other	(742)	(15,592)
Total	<u>\$87,799</u>	<u>\$(13,254)</u>

D. Finance costs

	For the years ended December 31,	
	2020	2019
Interest on borrowings from bank	\$72,483	\$9,734
Interest on lease liabilities	426	177
Total	<u>\$72,909</u>	<u>\$9,911</u>

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### (24) Components of other comprehensive income

For the year ended December 31, 2020

	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	\$(733)	\$-	\$(733)	\$146	\$(587)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(164,942)	-	(164,942)	-	(164,942)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,480)	-	(1,480)	-	(1,480)
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	(596)	(87,569)	(88,165)	-	(88,165)
Total of other comprehensive income	\$(167,751)	\$(87,569)	\$(255,320)	\$146	\$(255,174)

For the year ended December 31, 2019

	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	\$(6,710)	\$-	\$(6,710)	\$1,342	\$(5,368)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	368,350	-	368,350	-	368,350
Share of other comprehensive income of associates and joint ventures accounted for using equity method	675	-	675	-	675
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	(1,573)	-	(1,573)	-	(1,573)
Total of other comprehensive income	\$360,742	\$-	\$360,742	\$1,342	\$362,084

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**(25)Income taxes**

The major components of income tax expense were as follows:

Income tax recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expense (income):		
Current income tax payable	\$3,857	\$59,927
Current land value increment tax charge	65,158	91,994
Adjustments in respect of current income tax of prior periods	(2,501)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	97,742	(17,739)
Total income tax expense (income)	<u>\$164,256</u>	<u>\$134,182</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2020	2019
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$(146)</u>	<u>\$(1,342)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2020	2019
Accounting profit (loss) before tax from continuing operations	<u>\$1,648,236</u>	<u>\$1,504,687</u>
Tax at the domestic rates applicable to profits in the country concerned	\$329,647	\$300,937
Tax effect of revenues exempt from taxation	(219,430)	(266,524)
Tax effect of non-deductible expenses	118,072	23,208
Tax effect of deferred tax assets/liabilities	(130,547)	(75,360)
Surtax on undistributed retain earnings	3,857	59,927
Adjustments in respect of current income tax of prior periods	(2,501)	-
Current land value increment tax	65,158	91,994
Total income tax expense (income) recognized in profit or loss	<u>\$164,256</u>	<u>\$134,182</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS - land value increment tax	\$(10,049)	\$-	\$-	\$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	(3,094)	-	93,652
Depreciation difference for tax purpose - investment property	101,539	(2,744)	-	98,795
Depreciation difference for tax purpose of property, plants and Equipment - interest capitalization	2,332	(97)	-	2,235
Investments accounted for using equity method	64,158	(64,158)	-	-
Unrealized intragroup profits and losses	112	6,044	-	6,156
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	28,665	(25,796)	-	2,869
Non-current liability - defined benefit liability	13,751	(2,222)	146	11,675
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	119,312	(5,675)	-	113,637
Deferred tax income/(expense)		<u>\$(97,742)</u>	<u>\$146</u>	
Net deferred tax assets/(liabilities)	<u>\$417,973</u>			<u>\$320,377</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$428,022</u>			<u>\$330,426</u>
Deferred tax liabilities	<u>\$(10,049)</u>			<u>\$(10,049)</u>

For the year ended December 31, 2019

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS - land value increment tax	\$(10,049)	\$-	\$-	\$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	-	-	96,746
Depreciation difference for tax purpose - investment property	101,539	-	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment - interest capitalization	2,430	(98)	-	2,332
Investments accounted for using equity method	70,016	(5,858)	-	64,158



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		Deferred tax income (expense) recognized in	Deferred tax income (expense) recognized in other comprehensive	
	Beginning balance	profit or loss	income	Ending balance
Unrealized intragroup profits and losses	120	(8)	-	112
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	28,665	-	-	28,665
Non-current liability - defined benefit liability	12,766	(357)	1,342	13,751
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	95,252	24,060	-	119,312
Deferred tax income/ (expense)		\$17,739	\$1,342	
Net deferred tax assets/(liabilities)	\$398,892			\$417,973
Reflected in balance sheet as follows:				
Deferred tax assets	\$408,941			\$428,022
Deferred tax liabilities	\$(10,049)			\$(10,049)

The following table contains information of the unused tax losses of the Company:

		Unused tax losses as of December 31,		
Year	Tax losses for the period	2020	2019	Expiration year
2018	1,086,163	\$262,954	\$968,658	2019~2028

### Unrecognized deferred tax assets

As of December 31 2020, and 2019, the deferred tax assets have not been recognized amount to NT\$52,591 thousand and NT\$193,732 thousand, respectively.

### The assessment of income tax returns

The Company's income tax return has been assessed and approved by the tax authorities through 2018.

## **(26) 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.

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Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2020	2019
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$1,483,980	\$1,370,505
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Basic earnings per share (NT\$)	\$1.28	\$1.18
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$1,483,980	\$1,370,505
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Effect of dilution:		
Employee compensation-stock (in thousands)	111	117
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,159,672	1,159,678
Diluted earnings per share (NT\$)	\$1.28	\$1.18

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.

### **(27) Business combinations**

#### **Acquisition of Lin Yuan Property Management Co., Ltd.**

On May 15, 2020, the Company acquired 51% of voting shares of Lin Yuan Property Management Co., Ltd., which provides services such as property management, manpower dispatch and parking lots operation. The Company acquired Lin Yuan Property Management Co., Ltd. to develop intellectual buildings and parking lots, expand real estate management market and increase investment profits.

The Company has elected to measure the non-controlling interest by its proportion of the fair value of the acquiree's identifiable assets.

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The fair value of the identifiable assets and liabilities of Lin Yuan Property Management Co., Ltd. as at the date of acquisition were:

	<u>Fair value recognized on the acquisition date</u>
Assets	
Cash and cash equivalents	\$202,436
Accounts receivable	58,249
Prepayments	386
Others current assets	5,000
Others equipment	236
Investment property	9,480
Intangible assets	169
Deferred tax assets	15,097
Other non-currents assets	1,753
Subtotal	<u>292,806</u>
Liabilities	
Accounts payable	43,800
Other payables	26,696
Current tax liabilities	10,520
Other current liabilities	2,201
Other Non-current liabilities	74,670
Subtotal	<u>157,887</u>
Identifiable net assets	<u><u>\$134,919</u></u>

Bargain purchase gain is calculated as follows:

Purchase consideration	\$53,247
Add: fair value of the equity the Company originally held on acquisition date	12,987
Add: non-controlling interests at fair value	66,110
Less: identifiable net assets at fair value	<u>(134,919)</u>
Bargain purchase gain	<u><u>\$(2,575)</u></u>

Analysis of cash flows on acquisition:

Cash paid	\$53,247
Net cash acquired with the subsidiary	<u>(202,436)</u>
Net cash flow	<u><u>\$(149,189)</u></u>

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From the acquisition date May 15, 2020 to December 31, 2020, Lin Yuan Property Management Co., Ltd. has contributed NT\$20,547 thousand to the profit for the year from continuing operations. If the combination had taken place at the beginning of the year, the profit for the year from continuing operations for the Company would have been NT\$1,495,519 thousand.

### **7. RELATED PARTY TRANSACTIONS**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

#### **(1) 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 Hospitality Consulting Co., Ltd. (Cathay Hospitality Consulting)	Subsidiary
Jinhua Realty Co., Ltd. (Jinhua Realty)	Subsidiary
Bannan Realty Co., Ltd. (Bannan Realty)	Subsidiary
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Subsidiary (Note)
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Lin Yuan Investment Co., Ltd. (Lin Yuan Investment)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others

Note : Lin Yuan Property Management Co., Ltd. was acquired by the Company on May 15, 2020 and became the Company's subsidiary.

#### **(2) Significant transactions with the related parties**

The Company's related party transactions would not be disclosed when the individual amount is less than 3 million.

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A. Cash in banks and short-term loans

For the year ended December 31, 2020					
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	\$5,248,560	\$1,217,710	0.05%	\$37
	Checking accounts	3,492,959	110,652	-	-
	Securities accounts	1,050,098	17,518	0.01%	6
	Short-term loan	250,000	-	1.00%	(60)
For the year ended December 31, 2019					
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	\$5,183,804	\$785,344	0.05%	\$352
	Checking accounts	2,225,101	54,477	-	-
	Securities accounts	866,483	169,914	0.01%	11
	Short-term loan	2,040,000	250,000	1.00%	(1,160)

B. Purchase

		For the years ended December 31,	
Name of the related parties	Type	2020	2019
Others:			
San Ching Engineering	Building constructing or expansion	\$1,901,357	\$1,467,349
Cathay United Bank	Management fee of trust service	7,732	4,936
Total		<u>\$1,909,089</u>	<u>\$1,472,285</u>

- The purchase price to the above related parties was determined through agreement based on the market rates.
- The total price of the commissioned construction and consultancy contracts signed by the Company and San Ching Engineering was NT\$7,325,649 thousand and NT\$10,111,544 thousand as of December 31, 2020 and 2019, respectively.

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C. Sales

a. Sales revenue

		For the years ended	
		December 31,	
Name of the related parties	Type	2020	2019
Subsidiary:			
Jinhua Realty	Sales of construction land	\$1,614,198	\$-

The transaction price and collection terms above were not significantly different from those with the non-related parties.

b. Rental Income

		For the years ended December 31,	
Name of the related parties	Type	2020	2019
Subsidiary:			
Cathay Hospitality	Office and vehicles rental	\$32,815	\$31,555
Cathay Hospitality Consulting	Office and vehicles rental	30,964	30,295
Others:			
Cathay Life Insurance	Office and vehicles rental	7,977	8,057
Cathay United Bank	Office and vehicles rental	18,594	18,438
San Ching Engineering	Vehicles rental	2,641	3,388
Total		\$92,991	\$91,733

The rental period is 2 to 5 years and rents are collected monthly according to the contract.

D. Notes and accounts receivable – 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,	
	2020	2019
Others:		
Nangang One	\$-	\$3,696
Nangang Two	-	4,704
Total	\$-	\$8,400

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E. Notes and 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,	
	2020	2019
Others:		
San Ching Engineering	\$48,574	\$210,853

F. Lease - related parties

a. Right-of-use assets

	As of December 31,	
	2020	2019
Others:		
Cathay Life Insurance	\$8,083	\$22,861

The Company acquired right-of-use assets from Cathay Life Insurance amounting to NT\$1,388 thousand and NT\$30,304 thousand for the years ended December 31, 2020 and 2019, respectively.

b. Lease liabilities

	As of December 31,	
	2020	2019
Others:		
Cathay Life Insurance	\$8,168	\$22,920

c. Interest expenses

	For the years ended December 31,	
	2020	2019
Others:		
Cathay Life Insurance	\$275	\$177

G. Others

a. Other receivables

Name of the related parties	Items	As of December 31,	
		2020	2019
Subsidiary:			
Bannan Realty	Business commission fee	\$4,719	\$-

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b. Refundable deposits

Name of the related parties	Items	As of December 31,	
		2020	2019
Others:			
Cathay Life Insurance	Rent deposit	\$4,090	\$3,959
Lin Yuan Investment	Joint construction deposit	8,000	-
Total		\$12,090	\$3,959

c. Guarantee deposit received

Name of the related parties	Items	As of December 31,	
		2020	2019
Others:			
Cathay United Bank	Rent deposit	\$4,446	\$4,625

d. Construction in progress

In 2020, the Company executed the urban renewal project of Lin Yuan Building and paid NT\$3,960 thousand for landlords' relocation fee and rent subsidy, which was listed in Inventory-construction in progress.

2019: None.

H. Other income

		For the years ended	
		December 31,	
Name of the related parties	Items	2020	2019
Subsidiary :			
Bannan Realty	Business commission fee	\$4,719	\$-
Others:			
Cathay Life Insurance	Management fee and planning fee	3,445	4,280
Cathay United Bank	Management fee and planning fee	4,852	4,846
Nangang One	Consulting service	-	7,040
Nangang Two	Consulting service	-	8,960
Total		\$13,016	\$25,126



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I. Operating costs

		For the years ended	
		December 31,	
Name of the related parties	Items	2020	2019
Subsidiary:			
	Management and repairing		
Lin Yuan Property	fee	\$40,183	\$38,656
Others:			
Cathay Century	Insurance fee	6,041	6,182
Total		\$46,224	\$44,838

J. Operating expenses

		For the years ended	
		December 31,	
Name of the related parties	Items	2020	2019
Others:			
Cathay Life Insurance	Office renting	\$278	\$16,162
San Ching Engineering	Service fee	2,410	10,901
Total		\$2,688	\$27,063

K. Property transaction

The property transaction between the Company and the related parties are as follows:

For the year ended December 31, 2020		
Name of the related parties	Subject matter	Purchase price
Subsidiary:		
Lin Yuan Property	Business facilities	\$15,327
Others:		
San Ching Engineering	Shares of Lin Yuan Property	53,247
Total		<u>\$68,574</u>

For the year ended December 31, 2019		
Name of the related parties	Subject matter	Purchase price
Subsidiary:		
Lin Yuan Property	Business facilities	<u>\$7,759</u>

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### **L. Key management personnel compensation**

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$36,049	\$24,945
Post-employment benefits	323	108
Total	\$36,372	\$25,053

## **8. PLEDGED ASSETS**

The following assets were pledged to banks as collaterals for bank loans:

Items	As of December 31,		Secured liabilities
	2020	2019	
Inventories	\$2,640,000	\$3,897,159	Short-term loan & Long-term loan
Investment property	8,057,172	8,057,172	Short-term loan & Long-term loan
Total	<u>\$10,697,172</u>	<u>\$11,954,331</u>	

Pledged or mortgaged assets are expressed in terms of collateral amounts.

## **9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES**

### **(1) Significant contract**

Besides Note 7.(2).B, as of December 31, 2020, the total contract price of the construction contracts signed by the Company with non-related parties was NT\$9,037,011 thousand, in which NT\$4,846,793 thousand was not paid.

### **(2) Others**

Guarantee notes issued for borrowings (financing) were NT\$40,505,300 thousand as of December 31, 2020.

## **10. SIGNIFICANT DISASTER LOSSES**

None.

## **11. SIGNIFICANT SUBSEQUENT EVENTS**

None.

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**12. OTHERS**

**(1) Categories of financial instruments**

**Financial Assets**

	As of December 31,	
	2020	2019
Financial assets at fair value through other comprehensive income	\$4,511,107	\$4,689,036
Financial assets at amortized cost:		
Cash and Cash equivalents	1,969,143	1,637,929
Notes receivable	31,527	39,048
Accounts receivable	240,921	55,615
Other receivables	13,009	9,568
Refundable deposits	1,214,115	911,143
Subtotal	3,468,715	2,653,303
Total	\$7,979,822	\$7,342,339

**Financial Liabilities**

	As of December 31,	
	2020	2019
Financial liabilities at amortized cost:		
Short-term loans	\$6,610,000	\$6,900,000
Short-term notes payable	1,418,854	499,540
Accounts payables	1,289,541	986,426
Bonds payable (including current portion)	-	3,000,000
Long-term loans (including current portion)	10,629,741	7,799,510
Lease liabilities	14,417	33,252
Guarantee deposit received	82,459	137,444
Total	\$20,045,012	\$19,356,172

**(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 activities. The Company identifies measures and manages the above-mentioned risks based on the Company's policy and risk appetite.

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The Company 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 Company consistently complies with its financial risk management policies.

### **(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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's net investments in foreign subsidiaries. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The Company mainly engaged in various business activities in Taiwan, and the foreign currency held is not significant. Therefore, the Company's risk due to changes in foreign currency exchange rates is not significant.

#### **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\$8,029 thousand and NT\$7,400 thousand for the years ended December 31, 2020 and 2019, respectively.

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### **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 and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT\$206,400 thousand and NT\$218,560 thousand for the years ended December 31, 2020 and 2019 on the equity attributable to the Company.

Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

### **(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 receivable and notes receivable) 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, 2020 and 2019, accounts receivable from top ten customers represented low percentage of the total accounts receivable of the Company. 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 and no material default risk. Therefore, there is no significant credit risk for these counterparties.

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### (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

	As of December 31, 2020				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$13,533,145	\$5,274,869	\$-	\$-	\$18,808,014
Accounts payable	1,289,541	-	-	-	1,289,541
Lease liabilities	12,317	2,100	-	-	14,417
Guarantee deposits	24,093	38,609	11,467	8,290	82,459

	As of December 31, 2019				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$10,505,616	\$4,878,196	\$-	\$-	\$15,383,812
Accounts payable	986,426	-	-	-	986,426
Bonds payable	3,042,000	-	-	-	3,042,000
Lease liabilities	19,300	13,952	-	-	33,252
Guarantee deposits	33,752	36,454	11,045	56,193	137,444

### (6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2020:

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings and Bonds payable (including current portion)	Lease liabilities	Total
As of January 1, 2020	\$6,900,000	\$499,540	\$10,799,510	\$33,252	\$18,232,302
Cash flows	(290,000)	919,314	(169,769)	(20,649)	438,896
Non-cash changes					
Interest on lease liabilities	-	-	-	426	426
Other (Note)	-	-	-	1,388	1,388
As of December 31, 2020	\$6,610,000	\$1,418,854	\$10,629,741	\$14,417	\$18,673,012

Note: Lease liabilities that meet the lease recognition requirements in this period.

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Reconciliations of the liabilities for the year ended December 31, 2019:

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings and Bonds payable (including current portion)	Lease liabilities	Total
As of January 1, 2019	\$8,150,000	\$-	\$8,198,050	\$-	\$16,348,050
Cash flows	(1,250,000)	499,540	2,601,460	(9,677)	1,841,323
Non-cash changes					
Interest on lease liabilities	-	-	-	177	177
Other (Note)	-	-	-	42,752	42,752
As of December 31, 2019	\$6,900,000	\$499,540	\$10,799,510	\$33,252	\$18,232,302

Note: Lease liabilities that meet the lease recognition requirements in this period.

### **(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, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short 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 (including 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, similar company's stock price-to-equity ratio).

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### **B. Fair value of financial instruments measured at amortized cost**

The carrying amount of the Company's financial instruments measured at amortized cost (including cash and cash equivalents, receivables, payables and other current liabilities) measured at amortized cost approximate their fair value.

## **(8) Fair value measurement hierarchy**

### **A. Fair value measurement hierarchy**

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted 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 liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

### **B. Fair value measurement hierarchy of the Company's assets and liabilities**

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	\$2,437,036	\$1,690,972	\$383,099	\$4,511,107



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As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	\$2,454,341	\$1,916,850	\$317,845	\$4,689,036

The Company had no assets and liabilities recurring measured at fair value transferring between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

Reconciliation for recurring fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset measured at fair value through other comprehensive income
	Stocks
As of January 1, 2020	\$317,845
Total gains and losses recognized for the year ended 31, December 2020:	
Amount recognized in OCI	78,241
Disposals	(12,987)
As of December 31, 2020	\$383,099
	Asset measured at fair value through other comprehensive income
	Stocks
As of January 1, 2019	\$319,451
Total gains and losses recognized for the year ended 31, December 2019:	
Amount recognized in OCI	3,369
Disposals	(4,975)
As of December 31, 2019	\$317,845

Total gains and losses recognized in profit or loss is NT\$75,136 thousand and NT\$3,326 thousand for the years ended December 31, 2020 and 2019, respectively.

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### 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 of December 31, 2020

	Valuation	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	30%~50%	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\$34,998 thousand
	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\$17,530 thousand

As of December 31, 2019

	Valuation	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\$18,863 thousand
	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\$18,579 thousand

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### **(9) Significant assets and liabilities denominated in foreign currencies**

The Company did not hold major foreign currency financial assets and liabilities as of December 31, 2020.

	As of December 31, 2019		
	Foreign currency	Exchange rate	NTD
Financial assets			
Investment accounted for using equity method			
USD	\$313	30.201	\$9,449

### **(10) 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: None
- C. Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 3.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 4.
- F. Disposal of property with amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 5.
- G. Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 6.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: None.
- I. Derivative financial instruments undertaken: None.
- J. Significant intercompany transactions between consolidated entities: Please refer to Table 7.

**(2) Investee information**

- A. Financings provided to others: None.
- B. Endorsement/guarantee provided to others: Please refer to Table 1.
- C. Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures): Please refer to Table 8.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of property with amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- G. Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of the paid-in capital or more: None.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: None.
- I. Derivative financial instruments undertaken: None.
- J. Names, locations and related information of investee companies: Please refer to Table 9.

**(3) Investment in Mainland China**

Please refer to Table 10.

**(4) Information on Major Shareholders**

Please refer to Table 11.

**14. OPERATING SEGMENT INFORMATION**

The Company is not required to prepare operating segment information according to article 22, Regulations Governing the Preparation of Financial Reports by Securities Issuers. The Company has disclosed the operating segment information in the consolidated financial statement.

Table 1: Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party (Note3)	Maximum Balance for the Period (Note4)	Ending Balance (Note5)	Actual Amount Borrowed (Note6)	Amount of Collateral	Percentage	Limit on the Endorsement/ Guarantee Amount (Note3)	Parent Company Endorsed / Guaranteed for the Subsidiaries (Note7)	Subsidiaries Endorsed/ Guaranteed for the Parent Company (Note7)	Endorsement or Guarantee for Entities in China (Note7)
		Company Name	Relationship (Note2)										
1	Cadbury Healthcare Co., Ltd.	Hangzhou Kunming Health Consulting Limited	3	\$206,747	\$28,508	\$-	\$-	\$-	0.00%	\$413,494	Y	N	Y
Note	A. Limit of the Endorsement / Guarantee Amount for Receiving Party : NT\$689,157 thousand *30% B. Limit on the Endorsement/Guarantee Amount : NT\$689,157 thousand*60%												

Unit : NT\$1,000

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 90% 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.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed

Note3 : Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note4 : Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided.

Note5 : Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note6 : Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note7 : Fill in "Y" for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 2: Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures)

Holding Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2020				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay Real Estate Development Co., Ltd.	Stock — Cathay Financial Holdings Co., Ltd.	Others	Financial assets at fair value through other comprehensive income-current	57,681,332	\$2,437,036	0.44%	\$2,437,036	
"	Stock — Symphox Information Co., Ltd.	Others	Financial assets at fair value through other comprehensive income-non-current	5,489,000	114,830	11.00%	114,830	
"	Stock — Taiwan Star Telecom Co., Ltd.	None	"	195,000,000	1,690,973	3.68%	1,690,973	
"	Stock — Gong Cheng Industrial Co.	None	"	1,580,083	-	3.23%	-	
"	Stock — Gian Feng Investment Co., Ltd.	None	"	2,000,000	25,922	10.00%	25,922	
"	Stock — MetroWalk international Co., Ltd.	None	"	3,448,276	92,965	1.72%	92,965	
"	Stock — Budworth Investments Limited	None	"	30,314	45	3.33%	45	
"	Stock — Nangang International One Co., Ltd.	Others	"	7,485,000	74,828	4.99%	74,828	
"	Stock — Nangang International Two Co., Ltd.	Others	"	7,485,000	74,508	4.99%	74,508	

Note : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Table 3: Individual securities acquired or disposed of with accumulated amount exceeding NTS300 million or 20% of the paid-in capital

Unit : NTS1,000												
Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As of January 1, 2020		Purchase (Note 3)		Sell (Note 3)		As of December 31, 2020	
					Shares	Amount	Shares (In thousand)	Amount	Shares	Price	Book Cost	Gain / Loss
Cathay Real Estate Development Co., Ltd.	The stocks of Jinhua Realty Co., Ltd.	Investments accounted for using equity method	(Note5)	Subsidiary	-	\$-	40,800,000	\$408,000	-	\$-	\$-	\$408,000
"	The stocks of Hamaan Realty Co., Ltd.	Investments accounted for using equity method	(Note5)	Subsidiary	-	\$-	40,800,000	\$408,000	-	\$-	\$-	\$408,000

Note 1 : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2 : Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3 : The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NTS300 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 NTS10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

Note 5 : Initial acquisition.

Table 4: Acquisition of property with the amount exceeding NTS300 million or 20% of the 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		
Cathay Real Estate Development Co., Ltd.	Land Serial No. 132, Jinhua Section, Anping District, Tainan City	2020.01.13	\$1,500,000	Installment by agreement	Legal person	None	-	-	-	\$-	Negotiation by two parties	Construction
"	Land Serial No. 256,257,273, Remping Section, Beitun District, Taichung City (Note)	2020.01.21	1,518,151	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction
"	Land Serial No. 74, Ruangjiao Section, Beitou District, Taipei City	2020.07.10	697,376	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction
"	Land Serial No. 433 etc., Muzha Section, Wenshan District, Taipei City	2020.09.30	1,399,701	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction
"	Land Serial No. 112, Section 5, Tammei Section, Neihu District, Taipei City	2020.10.21	1,160,998	Installment by agreement	Legal person and Individual	None	-	-	-	-	Negotiation by two parties	Construction

Note: It was originally Land Serial 2-3 etc. of Shuinnan Section, Beitun District, Taichung City, acquired on January 21, 2020. The contract price is NT\$1,518,144 thousand.

The contract price was adjusted to NT\$1,518,151 thousand after the rezoning of the land due to the change in area.

After the rezoning, it became Land Serial No 256,257,273, Remping Section, Beitun District.



Table 5: Disposal of property with the amount exceeding NT\$300 million or 20% of the paid-in capital

Unit : NT\$1,000												
Company	Property Name	Transaction Date	Original date of property acquisition	Carrying Value	Transaction Amount (Contract price )	Status of Receivable	Disposal of profit and loss (Note)	Counterparty	Relationship with the Company	Purpose of Disposal	References for Determining Price	Others
Cathay Real Estate Development Co., Ltd.	Land Serial No. 132, Jinhua Section, Aiping District, Tainan City	2020.11.12	2020.1.13	\$1,583,939	\$1,614,198	Installment by agreement	\$30,259	Jinhua Realty Co., Ltd.	Subsidiary	The Company's operation plan	Valuation report from Real estate appraiser	None

Note : The disposal of profit and loss are recognized as the unrealized sales profit of the related parties.

Table 6: Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of paid-in capital or more

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	
Cathay Real Estate Development Co., Ltd. Cathay Real Estate Development Co., Ltd.		Sam Ching Engineering Co., Ltd Jinhua Realty Co., Ltd.	Associate Subsidiary	Construction-in-progress	\$1,901,357	17.58%	Not applicable	\$-	-	\$48,574	5.03% (Note)	Construction
				Land held for construction site	\$1,614,198	12.10%	Not applicable	-	-	-	Obtain disposal benefits	

Unit : NT\$1,000

Unit : NT\$1,000

Note : The notes/accounts payable of parent company only financial statements.

Table 7: Significant intercompany transactions between consolidated entities

No. (Note 1)		Company name	Counterparty	Relationship (Note 2)	Account	Transaction Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Rent income	\$209	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Operating expenses—advertising fee	-	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Operating expenses—entertainment expenses	182	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Other income	4	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Deferred credits—guarantee on inter-affiliate accounts	13,334	Regular	0.02%
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Cost of rental sales	1,800	Regular	0.01%
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Rent income	-	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Healthcare Management Co., Ltd.	1	Construction cost	106	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Healthcare Management Co., Ltd.	1	Operating expenses—advertising fee	18	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Healthcare Management Co., Ltd.	1	Rent income	28	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Management Co., Ltd.	1	Operating expenses—advertising fee	1,659	Regular	0.01%
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Management Co., Ltd.	1	Operating expenses—entertainment expenses	95	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Management Co., Ltd.	1	Operating expenses—miscellaneous expenses	1,038	Regular	0.01%
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Management Co., Ltd.	1	Operating expenses—entertainment expenses	617	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Hospitality Management Co., Ltd.	1	Operating expenses—service fee	60	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	1	Operating expenses—miscellaneous expenses	502	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Cost of rental sales	26,794	Regular	0.19%
0	0	Cathy Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Operating expenses—advertising fee	1,486	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Other receivables	1,486	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Other income	1,486	Regular	0.01%
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Rent income	66	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Guarantee deposits received	40	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Construction revenue	1,614,135	Regular	11.75%
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Operating expenses—advertising fee	15,539	Regular	0.11%
0	0	Cathy Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Unrealized profit from sales	30,559	Regular	0.22%
0	0	Cathy Real Estate Development Co., Ltd.	Bunnan Realty Co., Ltd.	1	Other receivables	4,719	Regular	0.01%
0	0	Cathy Real Estate Development Co., Ltd.	Bunnan Realty Co., Ltd.	1	Other income	4,719	Regular	0.03%
0	0	Cathy Real Estate Development Co., Ltd.	Bunnan Realty Co., Ltd.	1	Rent income	29	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Bunnan Realty Co., Ltd.	1	Guarantee deposits received	29	Regular	-
0	0	Cathy Real Estate Development Co., Ltd.	Cathy Real Estate Management Co., Ltd.	2	Realized gain from inter-affiliate accounts	12,133	Regular	0.02%
1	1	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Investment property—buildings	847	Regular	-
1	1	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Accumulated depreciation—investment property	326	Regular	-
1	1	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Cost of rental sales	41	Regular	-
1	1	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Management fee income	1,800	Regular	0.01%
1	1	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Operating expenses—service fee	166	Regular	-
2	2	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Realized gain from inter-affiliate accounts	46	Regular	-
2	2	Cathy Real Estate Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Service income	-	Regular	-
3	3	Cathy Hospitality Consulting Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Rent	209	Regular	-
3	3	Cathy Hospitality Consulting Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Hospitality income	277	Regular	-
3	3	Cathy Hospitality Consulting Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Operating expenses—miscellaneous expenses	4	Regular	-
4	4	Cathy Hospitality Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Rent	1,659	Regular	0.1%
4	4	Cathy Hospitality Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Realized gain from inter-affiliate accounts	1,500	Regular	0.01%
4	4	Cathy Hospitality Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Technical service income	502	Regular	-
5	5	Lin Yuan Property Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Maintenance income	26,794	Regular	0.19%
5	5	Lin Yuan Property Management Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Operating expenses—service fee	1,486	Regular	-
6	6	Jinhua Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Accounts payable—related parties	1,486	Regular	-
6	6	Jinhua Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Operating expenses—service fee	1,486	Regular	0.01%
6	6	Jinhua Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Refundable deposits	66	Regular	-
6	6	Jinhua Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Land held for construction site	40	Regular	-
7	7	Bunnan Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Accounts payable—related parties	1,614,198	Regular	2.71%
7	7	Bunnan Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Operating expenses—service fee	4,719	Regular	0.01%
7	7	Bunnan Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Realized gain from inter-affiliate accounts	4,719	Regular	-
7	7	Bunnan Realty Co., Ltd.	Cathy Real Estate Development Co., Ltd.	2	Refundable deposits	23	Regular	-

Unit: NT\$1,000

Note 1: The Company is coded "0".  
 (1) The subsidiaries are coded starting from "1" in the order.

Note 2: The types of the transactions are coded as follows:  
 (1) Intercompany transactions between consolidated entities;  
 (2) Subsidiaries to the Company is coded "2".

Note 3: The calculation for the Percentage of consolidated total operating revenues or total assets, if it recognized as assets, or liabilities, and it should be calculated by the ending balance for the consolidated assets.  
 If recognized as profit or loss and it should be calculated by the ending balance for the consolidated revenue.

Table 8: Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures) (Investee information)

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December 31, 2020				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	149	0.01%	149	

Unit: NT\$1,000 ; Share

Note : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

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Table 9: Names, locations and related information of investee companies (excluding Mainland China)

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, 2020	Balance at December 31, 2019	Number of shares	Percentage			
Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	\$-	\$242,747 (USD 9,592)	-	-	\$ (376)	\$ (376)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	27,576	27,576	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	106,646	90,647	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	650,000	400,000	65,000,000	100.00%	(286,161)	(278,435)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Consulting Co., Ltd.	ROC	Service industry	750,000	750,000	75,000,000	100.00%	(257,350)	(244,197)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	100,000	100,000	10,000,000	100.00%	(11,979)	(11,979)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	ROC	Apartment building management service industry	68,809	-	1,530,000	51.00%	40,288	20,549	Subsidiary
Cathay Real Estate Development Co., Ltd.	Jinlun Realty Co., Ltd.	ROC	Housing and Building Development and Rental industry	408,000	-	40,800,000	51.00%	(1,616)	(824)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	ROC	Housing and Building Development and Rental industry	408,000	-	40,800,000	51.00%	(4,366)	(2,227)	Subsidiary
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	ROC	Manpower dispatch and leasing industry	80,000	80,000	8,000,000	100.00%	(5,509)	(5,509)	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Cymlin Co., Ltd.	ROC	Manpower dispatch and leasing industry	26,000	-	2,600,000	100.00%	(204)	(204)	Second-tier subsidiary
Cathay Healthcare Management Co., Ltd.	Cathay Healthcare Management Limited (BVI)	British Virgin Islands	General trade and investing	-	103,122 (USD 3,400)	-	-	-	-	Second-tier subsidiary
Cathay Real Estate Holding Corporation	GCH Commercial Company Limited	Cayman Islands	Investing	-	2,641 (USD 90)	-	-	-	-	Second-tier subsidiary
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Cayman Islands	Business management	-	103,122 (USD 3,400)	-	-	-	-	Third-tier subsidiary

Unit: NT\$1,000; US\$1,000; Share

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.

Note 3: Excluding the current profit and loss before the acquisition.

Table 10: Investment in Mainland China

Investee company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow(Note3)						
Taiilm 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)	\$-	\$-	0.00%	\$-	\$-	-
Hangzhou Kunming Health Consulting Limited(Note3)	Consultancy	\$115,827 (USD 3,820)	(1)	\$103,122 (USD 3,400)	\$12,705 (USD420)	\$-	\$115,827 (USD 3,820)	\$(19,536)	85%	\$(16,606) (b).2	\$-	-

Unit : NTS1,000 ; USD\$1,000

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$115,827 (USD 3,820)	\$4,053,324 (USD 142,182)	\$14,673,134

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 under preparation, should take note.
- (b) If the investees' net income is base on these three condition, should take note.
  - (1) The investees' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.
  - (2) The investees' finance statement has certification by the parent company in Taiwan.
  - (3) Others.

Note3: Currently being dissolved and liquidated

Table 11: Information of major shareholder

Shareholders	Shares	Total Shares Owned	Ownership Percentage
Employee Pension 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.		87,133,000	7.51%
Cathay Life Insurance Co., Ltd.		72,200,584	6.22%

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THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

1.Statement of Cash and Cash Equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Cash on hand and petty Cash		\$291	
Bank deposits		1,439,400	
Cash equivalent	date due: January 8, 2021 interest rate:0.2%	529,743	
Total		<u>\$1,969,434</u>	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

2. Statement of Financial Assets at Fair Value through Other Comprehensive Income-Current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Type and Name of the Securities	Description	Share	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	57,681,332	\$10	\$576,813	-	<u>\$2,103,800</u>	Not applicable	\$42.25	<u>\$2,437,036</u>	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

3. Statement of Notes Receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
HYGGE	Premises ticket of buildings and land	\$980	The amount of individual item in others does not exceed 5% of the account balance.
Cathay Plus+	Premises ticket of buildings and land	1,981	
City Landmark	Premises ticket of buildings and land	500	
Others	Premises ticket of buildings , land and rent	28,066	
Subtotal		31,527	
Less: loss allowance		-	
Net amount		\$31,527	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

4. Statement of Accounts Receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
<u>Third parties</u>			
Housing sales		\$240,039	
Others		848	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		240,887	
Less: loss allowance		(10)	
Net amount		<u>240,877</u>	
<u>Related parties</u>			
Others		44	The amount of individual item in others does not exceed 5% of the account balance.
Less: loss allowance		-	
Net amount		<u>44</u>	
Total		<u><u>\$240,921</u></u>	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5. Statement of Inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount		Notes
		Cost	Net Realizable Value	
Construction land	Buildings and land	\$8,497,634	\$14,200,670	Lower cost and net realizable value
Construction in progress		13,030,307	20,554,731	Lower cost and net realizable value
Buildings and land held for sale		2,914,124	3,730,298	Please refer schedule 5.1
Subtotal		24,442,065	38,485,699	Lower cost and net realizable value
Prepayment for Land Purchases		2,762,342	2,762,342	Listed at cost. However, the Company's list prices for housing are all greater than the estimated cost of real estate
Net Amount		<u>\$27,204,407</u>	<u>\$41,248,041</u>	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5.1. Statement of Inventories — Construction in Progress — Buildings and Land

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Project name	Beginning Balance as of January 1, 2020	Addition Cost of Construction	Reduction (Transfer to Building and land held for sale)	Ending balance as of December 31, 2020	Note
Tree Rivers, Cathay's Home II	\$1,435,625	\$268,732	\$-	\$1,704,357	
Tree Rivers, Cathay's Home I	1,066,834	230,012	-	1,296,846	
Taoyuan City Central Road Section 2	1,958,826	19,039	-	1,977,865	
Liberty Stationery Corp.	451,013	447,507	-	898,520	
Cathay Uptown	740,372	155,803	-	896,175	
Cathay the Seeds of Happiness	2,067,245	974,655	3,041,900	-	
Cathay Plus+	1,398,082	528,119	1,926,201	-	
Cathay Mega+	1,064,863	325,512	-	1,390,375	
City Landmark	1,878,793	432,638	-	2,311,431	
Cathay O2 Fu Building	2,434,370	298,383	2,732,753	-	
Others	1,514,980	1,866,526	826,768	2,554,738	
Total	\$16,011,003	\$5,546,926	\$8,527,622	\$13,030,307	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

6. Statement of Financial Asset Measured at Fair Value through Other Comprehensive Income- Non-Current

For the year ended December 31, 2020

Type and Name of the Securities	(Expressed in thousands of NT and USD)									
	Beginning balance as of January 1, 2020		Addition		Disposal		Unrealized evaluation gains and losses		Ending balance as of December 31, 2020	
	Share	Fair Value	Share	Amount	Share	Amount	Amount	Amount	Share	Fair Value
Stock										
Gong Cheng Industrial Co., Ltd.	1,580,083	\$-	-	\$-	-	\$-	\$-	\$-	1,580,083	\$-
MetroWalk International Co., Ltd.	3,448,276	77,379	-	-	-	-	15,586	15,586	3,448,276	92,965
Gian Feng Investment Co., Ltd.	2,000,000	26,160	-	-	-	-	(238)	(238)	2,000,000	25,922
Budworth Investment Limited	30,314	45	-	-	-	-	-	-	30,314	45
Nangang International One Co., Ltd.	7,485,000	74,957	-	-	-	-	(129)	(129)	7,485,000	74,828
Nangang International Two Co., Ltd.	7,485,000	74,751	-	-	-	-	(243)	(243)	7,485,000	74,508
Lin Yuan Property Management Co., Ltd.	300,000	9,882	-	-	300,000	12,987	3,105	3,105	-	-
Symphox Information Co., Ltd.	5,489,000	54,671	-	-	-	-	60,159	60,159	5,489,000	114,830
Taiwan Star Telecom Co., Ltd.	195,000,000	1,916,850	-	-	-	-	(225,877)	(225,877)	195,000,000	1,690,973
Total		<u>\$2,234,695</u>		<u>\$-</u>		<u>\$12,987</u>	<u>\$(147,637)</u>			<u>\$2,074,071</u>

Note 1 : The disposal in the current period is to obtain control after increasing the shareholding, and transfer it to the investments accounted for using the equity method.

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

7. Statement of Changes in Investments Accounted for Using the Equity Method  
For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance as of January 1, 2020			Addition		Disposal		Ending balance as of December 31, 2020		Market Value		Guarantee or pledged Notes	
	Shares	Percentage of Ownership (%)	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership (%)	Amount	Unit Price		
Cathay Real Estate Management Co., Ltd.	5,000,000	100.00%	\$117,650	-	\$27,576 (Note1)	-	\$30,212 (Note2,5)	5,000,000	100.00%	\$115,014	\$23.00	\$115,014	None
Cathay Healthcare Management Co., Ltd.	46,750,000	85.00%	579,491	-	90,647 (Note1)	-	84,353 (Note2,3,5)	46,750,000	85.00%	585,785	12.53	585,785	"
Cathay Hospitality Management Co., Ltd.	40,000,000	100.00%	160,854	25,000,000	250,000 (Note4)	-	278,336 (Note1,8)	65,000,000	100.00%	132,418	1.81	132,418	"
Cathay Hospitality Consulting Co., Ltd.	75,000,000	100.00%	576,223	-	-	-	244,197 (Note1)	75,000,000	100.00%	332,026	4.03	332,026	"
Cathay Real Estate Holding Corporation	9,591,891	100.00%	9,449	-	-	-	9,449 (Note1,3,7)	-	-	-	-	-	"
Cymbal Medical Network Co., Ltd.	10,000,000	100.00%	98,979	-	-	-	11,979 (Note1)	10,000,000	100.00%	87,000	8.70	87,000	"
Lin Yuan Property Management Co., Ltd.	-	-	-	1,530,000	89,358 (Note1,4,6)	-	30,591 (Note2,5)	1,530,000	51.00%	58,767	38.41	58,767	"
Jinhua Realty Co., Ltd.	-	-	-	40,800,000	408,000 (Note4)	-	31,083 (Note1,9)	40,800,000	51.00%	376,917	9.98	376,917	"
Burnan Realty Co., Ltd.	-	-	-	40,800,000	408,000 (Note4)	-	2,226 (Note1)	40,800,000	51.00%	405,774	9.95	405,774	"
Total			\$1,542,646		\$1,273,581		\$722,526			\$2,093,701			

NOTE 1 : Share of profit or loss of subsidiaries, associates and joint ventures and profit or loss from IFRS 16.

NOTE 2 : Cash dividend from Investee.

NOTE 3 : Recognition of cumulative translation adjustment of Investee.

NOTE 4 : Increase of the investment in the current period.

NOTE 5 : Remeasurements of defined benefit plans.

NOTE 6 : Bargain purchase gain

NOTE 7 : Liquidation in the current period

NOTE 8 : Adjustment of unrealized gain or loss on financial instrument

NOTE 9 : Parent subsidiary relationship adjustment of unrealized intragroup profits and losses



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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

8. Statement of Changes in Right-of-use Assets

For the year ended December 31, 2020

Item	(Expressed in thousands of New Taiwan Dollars)				Note
	Beginning Balance as of January 1, 2020	Addition	Disposal	Ending balance as of December 31, 2020	
Land	\$20,055	\$-	\$-	\$20,055	
Buildiding	30,303	1,388	-	31,691	
Total	<u>\$50,358</u>	<u>\$1,388</u>	<u>\$-</u>	<u>\$51,746</u>	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

## 9. Statement of Changes in Accumulated Depreciation of Right-of-use Assets

For the year ended December 31, 2020

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English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

10. Statement of Other Non-Current Assets

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Guarantee deposits paid			
<u>Third parties</u>			
Muzha	Deposit	\$98,170	
Nangang	Deposit	194,601	
Beitou	Deposit	330,337	
Xindian(I)	Deposit	100,980	
Xindian(II)	Deposit	164,820	
Other		313,117	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		1,202,025	
<u>Related parties</u>			
Others	Deposit of Rent	12,090	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		12,090	
Total		1,214,115	
Land held for construction site	the farm required in the name of third party	18,425	
Prepaid equipment		3,441	
Other non-current assets		16,264	
Total		1,252,245	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

11. Statement of Short-Term Loans

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)						
Type	Bank	Ending Balance	Period	Interest rate	Limited	Guarantee or pledged
Credit loan	Mizuho Bank	\$1,450,000	2020/7~2021/1	0.75%~0.89%	\$1,450,000	None
	Bank of China	650,000	2020/12~2021/1	0.75%~0.89%	1,500,000	"
	Sumitomo Mitsui Bank	860,000	2020/10~2021/3	0.75%~0.89%	900,000	"
	China Construction Bank	2,000,000	2020/10~2021/4	0.75%~0.89%	3,000,000	"
	Agricultural Bank of Taiwan	500,000	2020/5~2021/5	0.75%~0.89%	500,000	"
	Hua Nan Commercial Bank	1,150,000	2020/8~2021/8	0.75%~0.89%	1,150,000	"
	Total	\$6,610,000				
						Association guarantor is the Chairman of the Company

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

12. Statement of Short-Term Notes Payable

December 31, 2020

Items	Bank	Period	Interest rate	(Expressed in thousands of New Taiwan Dollars)		
				Issued amount	Amount unamortized discount	Book value
Short-term notes	DBS Bank	2020.11~2021.04	0.29%~0.30%	\$1,000,000	\$921	\$999,079
	The Shanghai Commercial & Savings Bank	2020.09~2021.03	0.29%~0.30%	420,000	225	419,775
	Total			\$1,420,000	\$1,146	\$1,418,854

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

13. Statement of Contract Liabilities-Current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Advance Real Estate Receipts			
Tree Rivers, Cathay's Home II		\$362,022	
Tree Rivers, Cathay's Home I		335,296	
Cathay The Seeds of Happiness		523,949	
Park Beautiful Mansion		305,170	
HYGGE		268,473	
Cathay Uptown		275,386	
Cathay Opulence		281,985	
Have a Rich Year		237,331	
Cathay Mega+		283,118	
City Landmark		661,692	
Others	Advance real estate receipts and rent	886,777	The amount of individual item in others does not exceed 5% of the account balance.
Total		<u>\$4,421,199</u>	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

14. Statement of Notes Payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Shin Nan Natural Gas Co., Ltd.		\$4,392	
Others		56,410	The amount of individual item in others does not exceed 5% of the account balance.
Total		<u>\$60,802</u>	
		<u><u>\$60,802</u></u>	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

15. Statement of Accounts Payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
(1)Transaction with third parties			
Cathay Fu Tu	Final cost payable	\$76,273	
Cathay The Seeds of Happiness	Final cost payable	328,742	
Cathay Shui Hsiu	Final cost payable	65,874	
Cathay Plus+	Final cost payable	142,555	
Cathay O2 Fu Building	Final cost payable	73,326	
Others		169,987	The amount of individual item in others does not exceed 5% of the account balance.
Total		<u>\$856,757</u>	
(2)Transaction with related parties			
San Ching Engineering	Final cost payable and warranty payable	\$48,574	
Others		452	The amount of individual item in others does not exceed 5% of the account balance.
Total		<u>\$49,026</u>	



English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

16. Detail List of Other Payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Payroll and bonus payable		\$62,912	The amount of individual item in others does not exceed 5% of the account balance.
Commission payable		58,436	
Cost of rental sales		16,610	
Dividend payable		47,662	
Dividend refundable		30,090	
Business tax payable		78,887	
Others		28,359	
Total		<u>\$322,956</u>	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

17. Statement of Lease Liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Rental Period	Discount Rate	Ending Balance	Note
Land	Advertising land	2019.08.01~2022.07.31	1.62%	\$6,249	
Building	Office building	2019.07.01~2021.06.30	1.57%~1.64%	8,168	
Total				<u>\$14,417</u>	
Current				<u>\$12,317</u>	
Non-current				<u>2,100</u>	
Total				<u>\$14,417</u>	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

18. Statement of Long-Term Loans

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)						
Creditor	Description	Amount	Period	Interest Rate	Guarantee or pledged	Note
Chang Hwa Commercial Bank		\$2,400,000	2019.07~2021.07	0.85%-0.87%	None	Association guarantor is the Chairman of the Company.
Hua Nan Commercial Bank		6,000,000	2020.07~2023.07	0.85%-0.87%	"	Association guarantor is the Chairman of the Company.
Far Eastern International Bank		1,500,000	2019.07~2022.07	0.85%-0.87%	"	Association guarantor is the Chairman of the Company.
The Shanghai Commercial & Savings Bank		729,741	2020.08~2023.08	0.29%	"	Association guarantor is the Chairman of the Company.
Subtotal		10,629,741				
Less : current portion		(5,400,000)				
Total		\$5,229,741				

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

19. Statement of Other Non-Current Liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Net defined benefit liability		\$79,249	
Guarantee deposits received			
<u>Third parties</u>			
Home Media Group Ltd.	Housing deposit	12,237	
Din Tai Fung Co., Ltd.	Housing deposit	6,000	
Others	Housing deposit	58,038	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		76,275	
<u>Related parties</u>			
Cathay United Bank Co., Ltd.	Housing deposit	4,446	
Others	Housing deposit	1,738	The amount of individual item in others does not exceed 5% of the account balance.
Subtotal		6,184	
Subtotal		82,459	
Other liabilities	Deferred credits- unrealized gains on inter-affiliate accounts	13,333	
Total		\$175,041	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

20. Statement of Operating Revenues

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Rental Income		\$365,117	
Land Income		7,608,561	
Building Income		5,362,550	
Total		<u>\$13,336,228</u>	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

21. Statement of Operating Costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Lease costs		\$322,700	
Land costs		5,878,900	
Building costs		4,288,605	
Total		<u>\$10,490,205</u>	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

22. Statement of Operating Expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount	Notes
Selling expenses	Advertising etc.	\$569,850	The amount of individual item in others does not exceed 5% of the account balance.
Salary and wages		175,509	
Taxes		85,597	
Expected credit gains		(34)	
Other expenses		132,406	
Total		<u>\$963,328</u>	

**V. Consolidated Financial Report Audited and Certified by CPAs in the Most Recent Year**

**CATHAY REAL ESTATE DEVELOPMENT CO., LTD.**

**AND SUBSIDIARIES**

**Consolidated Financial Statements**

**For the Years Ended**

**December 31, 2020 And 2019**

**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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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, 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 2020 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.

### **Revenue recognition**

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 Company properly disclose information relating the construction income of financial statement. Please refer Note 4.(17) and Note 6.(18).

### **Valuation of Construction Land**

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 company properly disclose information relating the construction land valuation of financial statement. Please refer Note 4.(9), Note 5.(2).(E) and Note 6.(5).

## **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 2020 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 the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019.

Hsu, Jung Huang  
Huang, Chien Che  
Ernst & Young, Taiwan  
March 18, 2021

#### Notice to Readers

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. AND SUBSIDIARIES  
Consolidated Balance Sheets  
December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31, 2020		December 31, 2019	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Assets					
1100	Cash and cash equivalents	4, 6(1) & 7	\$3,395,624	6	\$2,123,443	4
1120	Financial assets at fair value through other comprehensive income-current	4 & 6(2)	2,437,036	4	2,454,341	5
1150	Notes receivable, net	4 & 6(3),(19)	32,406	-	40,032	-
1170	Accounts receivable, net	4, 6(4),(19) & 7	471,478	1	266,410	-
1200	Others receivables		30,590	-	32,220	-
1220	Current tax assets	4	61	-	145	-
130x	Inventories	4, 6(5) & 7	28,989,058	48	26,551,128	50
1410	Prepayments		451,391	1	448,484	1
1470	Others current assets	7	112,196	-	66,345	-
1480	Incremental costs of obtaining contracts-current	4, 6(5),(18)	633,029	1	671,760	1
11xx	Total current assets		36,552,869	61	32,654,308	61
	Non-current Assets					
1517	Financial assets at fair value through other comprehensive income-non-current	4 & 6(2)	2,074,370	3	2,234,994	4
1600	Property, plant and equipment	4 & 6(6)	5,197,866	9	4,614,222	9
1755	Right-of-use assets	4, 6(20) & 7	5,133,962	9	4,032,193	7
1760	Investment properties, net	4 & 6(7)	8,369,250	14	8,644,878	16
1780	Intangible assets	4 & 6(8)	33,407	-	24,210	-
1840	Deferred tax assets	4 & 6(24)	479,335	1	544,270	1
1900	Other non-currents assets	6(9) & 7	1,655,869	3	987,055	2
15xx	Total non-currents assets		22,944,059	39	21,081,822	39
1xxx	Total Assets		\$59,496,928	100	\$53,736,130	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. AND SUBSIDIARIES  
Consolidated Balance Sheets (Continued)  
December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Liabilities					
2100	Short-term loans	4, 6(10) & 7	\$7,351,000	12	\$7,263,000	14
2110	Short-term notes payable	4 & 6(11)	3,090,501	5	1,034,540	2
2130	Contract liabilities-current	3 & 6(18)	4,506,622	8	3,575,923	7
2150	Notes payable		60,802	-	144,213	-
2170	Accounts payable		1,028,322	2	513,373	1
2180	Accounts payable-related parties	7	50,716	-	213,133	-
2200	Other payables		1,163,616	2	501,797	1
2230	Current tax liabilities	4	56,243	-	84,308	-
2280	Lease liabilities-current	4, 6(20) & 7	349,495	1	290,712	1
2300	Other current liabilities		100,958	-	198,001	-
2320	Long-term loans-current portion	4 & 6(12),(13)	5,400,000	9	6,000,000	11
21xx	Total current liabilities		23,158,275	39	19,819,000	37
	Non-Current Liabilities					
2540	Long-term loans	4 & 6(13)	5,509,741	9	5,102,682	9
2570	Deferred tax liabilities	4 & 6(24)	10,049	-	10,049	-
2580	Lease liabilities-non-current	4, 6(20) & 7	5,160,464	9	4,082,899	8
2600	Other non-current liabilities	6(14) & 7	259,271	-	239,450	-
25xx	Total non-current liabilities		10,939,525	18	9,435,080	17
2xxx	Total Liabilities		34,097,800	57	29,254,080	54
	Equity attributable to stockholders of the parent	4				
3100	Capital stock					
3110	Common stock	6(15)	11,595,611	20	11,595,611	22
3200	Capital surplus	6(16)	39,515	-	31,628	-
3300	Retained earnings	6(17)				
3310	Legal capital reserve		4,489,507	7	4,352,457	8
3320	Special capital reserve		504,189	1	504,189	1
3350	Unappropriated retained earnings		7,652,656	13	7,455,300	14
	Total retained earnings		12,646,352	21	12,311,946	23
3400	Other equity		173,746	-	438,907	1
31xx	Total equity attributable to stockholders of the parent		24,455,224	41	24,378,092	46
36xx	Non-controlling interests	6(17)	943,904	2	103,958	-
3xxx	Total Equity		25,399,128	43	24,482,050	46
	Total Liabilities and Equity		\$59,496,928	100	\$53,736,130	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. AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2020 and 2019  
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

		(Expressed in thousands of New Taiwan Dollars)					
Code	Items	Notes	2020		2019		
			Amount	%	Amount	%	
4000	Operating revenues	4, 6(7),(18),(20) & 7	\$13,973,611	100	\$11,623,928	100	
5000	Operating costs	6(5),(7),(8),(14),(20),(21) & 7	(10,814,849)	(77)	(8,461,339)	(73)	
5900	Gross margin		3,158,762	23	3,162,589	27	
6000	Operating expenses	6(7),(8),(14),(20),(21) & 7					
6200	Administrative expenses		(1,607,467)	(12)	(1,663,270)	(14)	
6450	Expected credit profit (loss)	4 & 6(19)	34	-	(32)	-	
	Total operating expenses		(1,607,433)	(12)	(1,663,302)	(14)	
6900	Operating income		1,551,329	11	1,499,287	13	
7000	Non-operating income and expenses	4, 6(22) & 7					
7100	Interest income		3,083	-	4,665	-	
7010	Other income		276,733	2	180,394	2	
7020	Other gains or losses		73,854	1	27,322	-	
7050	Finance costs		(219,715)	(2)	(141,330)	(1)	
	Total non-operating income and expenses		133,955	1	71,051	1	
7900	Income before Income tax		1,685,284	12	1,570,338	14	
7950	Income tax (expense) benefit	4 & 6(24)	(168,497)	(1)	(169,980)	(2)	
8200	Net income		1,516,787	11	1,400,358	12	
8300	Other Comprehensive Income	6(23),(24)					
8310	Not to be reclassified to profit or loss in subsequent periods						
8311	Remeasurements of defined benefit plans		(3,934)	-	(5,937)	-	
8316	Valuation gain (losses) on equity instruments at fair value through other comprehensive income		(164,942)	(1)	368,350	3	
8349	Income tax related to items not be reclassified to profit or loss in subsequent periods		786	-	1,187	-	
8360	To be reclassified to profit or loss in subsequent periods						
8361	Exchange differences resulting from translating the financial statements of foreign operations		(88,222)	(1)	(30,917)	-	
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		-	-	(790)	-	
	Other comprehensive (losses) income, net of tax		(256,312)	(2)	331,893	3	
8500	Total comprehensive (losses) income		\$1,260,475	9	\$1,732,251	15	
8600	Net income (losses) attributable to:						
8610	Shareholders of the parent		\$1,483,980	11	\$1,370,505	12	
8620	Non-controlling interests		32,807	-	29,853	-	
			\$1,516,787	11	\$1,400,358	12	
8700	Total comprehensive income (losses) attributable to:						
8710	Shareholders of the parent		\$1,228,806	9	\$1,732,589	15	
8720	Non-controlling interests		31,669	-	(338)	-	
			\$1,260,475	9	\$1,732,251	15	
	Earnings Per Share (In dollars)	6(25)					
9750	Basic earnings per share		\$1.28		\$1.18		
9850	Diluted earnings per share		\$1.28		\$1.18		

(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. AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2020 and 2019

		Equity attributable to stockholders of the parent										(Expressed in thousands of New Taiwan Dollars)		
		Retained Earnings					Other Equity					Total	Non-Controlling Interests	Total Equity
		Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized (Losses) Gains from Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurements of Defined Benefit Plans					
Code	Items	3100	3200	3310	3320	3350	3410	3420	3445	31XX	36XX	3XXX		
A1	Balance on January 1, 2019	\$11,595,611	\$25,783	\$3,991,496	\$504,189	\$8,877,586	\$89,738	\$3,607	\$23,940	\$25,074,736	\$266,813	\$25,341,549		
B1	Appropriation and distribution of earnings for the year 2018	-	-	-	-	-	-	-	-	-	-	-		
B5	Legal capital reserve	-	-	360,961	-	(360,961)	-	-	-	(2,435,078)	-	(2,435,078)		
B5	Cash dividends on common stock	-	-	-	-	(2,435,078)	-	-	-	-	-	-		
C17	Changes in other capital surplus	-	5,845	-	-	-	-	-	-	5,845	-	5,845		
D1	Net income for the year ended December 31, 2019	-	-	-	-	1,370,505	-	-	-	1,370,505	29,853	1,400,358		
D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2019	-	-	-	-	-	(1,573)	368,350	(4,693)	362,084	(30,191)	331,893		
D5	Total comprehensive income (loss)	-	-	-	-	1,370,505	(1,573)	368,350	(4,693)	1,732,589	(338)	1,732,251		
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(162,517)	(162,517)		
Q1	Disposal of financial instruments at fair value through other comprehensive income	-	-	-	-	3,248	-	(3,248)	-	-	-	-		
Z1	Balance on December 31, 2019	11,595,611	31,628	4,352,457	504,189	7,455,300	88,165	331,495	19,247	24,378,092	103,958	24,482,050		
B1	Appropriation and distribution of earnings for the year 2019	-	-	-	-	-	-	-	-	-	-	-		
B5	Legal capital reserve	-	-	137,050	-	(137,050)	-	-	-	(1,159,561)	-	(1,159,561)		
B5	Cash dividends on common stock	-	-	-	-	(1,159,561)	-	-	-	-	-	-		
C17	Changes in other capital surplus	-	7,887	-	-	-	-	-	-	7,887	-	7,887		
D1	Net income for the year ended December 31, 2020	-	-	-	-	1,483,980	-	-	-	1,483,980	32,807	1,516,787		
D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2020	-	-	-	-	-	(88,165)	(164,943)	(2,066)	(255,174)	(1,138)	(256,312)		
D5	Total comprehensive income (loss)	-	-	-	-	1,483,980	(88,165)	(164,943)	(2,066)	1,228,806	31,669	1,260,475		
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	808,277	808,277		
Q1	Disposal of financial instruments at fair value through other comprehensive income	-	-	-	-	9,987	-	(9,987)	-	-	-	-		
Z1	Balance on December 31, 2020	\$11,595,611	\$39,515	\$4,489,507	\$504,189	\$7,652,656	\$-	\$156,565	\$17,181	\$24,455,224	\$943,904	\$25,399,128		

(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. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2020 Amount	2019 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	\$1,685,284	\$1,570,338
A20000	Adjustments:		
A20100	Depreciation	888,272	756,620
A20200	Amortization	14,587	12,310
A20300	Expected credit loss (gain)	(34)	32
A20900	Interest expenses	219,715	141,330
A21200	Interest income	(3,083)	(4,665)
A21300	Dividend income	(117,922)	(97,167)
A22500	Loss (gain) on disposal of property, plant and equipment	9,195	2,496
A22600	Property, plant and equipment transfer to expense	-	51
A22800	Loss (gain) on disposal of intangible assets	973	-
A23100	Loss (gain) on disposal of investments	(87,423)	(45,221)
A29900	Others	(2,575)	-
A30000	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	7,626	(15,823)
A31150	Decrease (increase) in accounts receivable	(146,785)	197,192
A31180	Decrease (increase) in other receivables	(7,311)	390,837
A31200	Decrease (increase) in inventories	(2,313,894)	(540,491)
A31230	Decrease (increase) in prepayments	(2,522)	62,545
A31240	Decrease (increase) in other current assets	(40,851)	315,810
A31270	Decrease (increase) in incremental costs of obtaining contracts	38,731	(190,163)
A31990	Decrease (increase) in other operating assets	64,522	242,278
A32125	Increase (decrease) in contract liabilities	930,699	(75,689)
A32130	Increase (decrease) in notes payable	(83,411)	53,828
A32150	Increase (decrease) in accounts payable	471,148	51,988
A32160	Increase (decrease) in accounts payable-related parties	(162,417)	(382,577)
A32180	Increase (decrease) in other payables	661,071	(102,098)
A32230	Increase (decrease) in other current liabilities	(99,390)	75,270
A33000	Cash inflow generated from operations	<u>1,924,205</u>	<u>2,419,031</u>
A33100	Interest received	3,229	4,708
A33500	Income taxes paid	<u>(126,180)</u>	<u>(139,618)</u>
AAAA	Net cash generated by operating activities	<u>1,801,254</u>	<u>2,284,121</u>
BBBB	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(67,123)
B00030	Return of capital deduction from financial assets at fair value through other comprehensive income	-	4,975
B01900	Disposal of investments accounted for using the equity method	8,795	1,748
B02200	Net cash flow from acquisition of subsidiaries	149,189	-
B02700	Acquisition of property, plant and equipment	(950,540)	(508,922)
B02800	Disposal of property, plant and equipment	8,446	6,341
B04500	Acquisition of intangible assets	(24,242)	(11,623)
B05350	Acquisition of right-of-use asset	-	(7,606)
B06700	Increase in other non-current assets	(642,408)	-
B06800	Decrease in other non-current assets	-	89,166
B07600	Dividends received	<u>117,922</u>	<u>97,167</u>
BBBB	Net cash used in investing activities	<u>(1,332,838)</u>	<u>(395,877)</u>
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	88,000	-
C00200	Decrease in short-term loans	-	(1,452,000)
C00500	Increase in short-term notes payable	2,055,961	774,540
C01600	Proceeds from long-term debt	4,009,741	5,102,682
C01700	Repayment of long-term loans	(4,202,682)	(2,605,285)
C04020	Repayment of principal of lease liabilities	(308,628)	(229,542)
C04400	Decrease in other non-current liabilities	(58,782)	(1,077)
C04500	Payment of cash dividends	(1,159,561)	(2,435,078)
C05600	Interests paid	(361,382)	(346,439)
C05800	Change in non-controlling interests	742,167	(162,517)
C09900	Other financing activities	(429)	-
CCCC	Net cash generated by (used in) financing activities	<u>804,405</u>	<u>(1,354,716)</u>
DDDD	Effect of currency exchange rate on cash and cash equivalents	<u>(640)</u>	<u>(30,242)</u>
EEEE	Net increase in cash and cash equivalents	<u>1,272,181</u>	<u>503,286</u>
E00100	Cash and cash equivalents, beginning of period	<u>2,123,443</u>	<u>1,620,157</u>
E00200	Cash and cash equivalents, end of period	<u>\$3,395,624</u>	<u>\$2,123,443</u>

(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.**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2020 and 2019**

**(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

### **1. HISTORY AND ORGANIZATION**

Cathay Real Estate Development Co., Ltd. (the “Company”) was incorporated on December 1, 1964. The main businesses of The Group 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, 2020 and 2019 were authorized for issue by the Board of Directors on March 18, 2021.

### **3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS**

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. The remaining new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

## **English Translation of Financial Statements Originally Issued in Chinese**

### **A. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- a. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- b. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- c. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	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
2	IFRS 17 "Insurance Contracts"	1 January 2023
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
4	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
5	Disclosure Initiative - Accounting Policies - Amendments to IAS 1	1 January 2023
6	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023

- 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

## **English Translation of Financial Statements Originally Issued in Chinese**

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:

- a. direct participation features (the Variable Fee Approach);
- b. simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

## **English Translation of Financial Statements Originally Issued in Chinese**

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

### **C. Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

### **D. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements**

#### **a. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

#### **b. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

#### **c. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

## **English Translation of Financial Statements Originally Issued in Chinese**

### **d. Annual Improvements to IFRS Standards 2018 - 2020**

#### *Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

#### *Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

#### *Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

#### *Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

### **E. Disclosure Initiative - Accounting Policies - Amendments to IAS 1**

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

### **F. Definition of Accounting Estimates - Amendments to IAS 8**

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

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. The new or amended 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 years ended December 31, 2020 and 2019 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.



## **English Translation of Financial Statements Originally Issued in Chinese**

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:

Investor	Subsidiaries	Main business	Percentage of ownership (%)	
			December 31, 2020	December 31, 2019
The Company	Cathay Real Estate Management Co., Ltd.	Construction management	100.00%	100.00%
The Company	Cathay Healthcare Management Co., Ltd.	Consultancy	85%	85%
The Company	Cathay Hospitality Management Co., Ltd.	Service industry	100.00%	100.00%
The Company	Cathay Hospitality Consulting Co., Ltd.	Service industry	100.00%	100.00%
The Company	Cymbal Medical Network Co., Ltd.	Wholesale of Drugs, Medical Goods	100.00%	100.00%
The Company	Cathay Real Estate Holding Corporation	General trade & investing	-	100.00%
The Company	Lin Yuan Property Management Co., Ltd.	Apartment building management service industry	51.00%	-
The Company	Jinhua Realty Co., Ltd.	Residential and building development leasing and sale industry	51.00%	-
The Company	Bannan Realty Co., Ltd.	Residential and building development leasing and sale industry	51.00%	-

## **English Translation of Financial Statements Originally Issued in Chinese**

Investor	Subsidiaries	Main business	Percentage of ownership (%)	
			December 31,	December 31,
			2020	2019
Cymbal Medical Network Co., Ltd.	Cymder Co., Ltd.	Manpower dispatch and leasing industry	100.00%	100.00%
Cymbal Medical Network Co., Ltd.	Cymlin Co., Ltd.	Manpower dispatch and leasing industry	100.00%	-
Cathay Healthcare Management CO., LTD	Cathay Healthcare Management Limited (BVI)	General trade & investing	-	100.00%
Cathay Healthcare Management CO., LTD	Hangzhou Kunning Health Consulting Limited Ltd.	Consultancy	-	100.00%
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Investing	-	66.67%
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Business management	-	100.00%
Cathay Healthcare Management Limited (Cayman)	Hangzhou Kunning Health Consulting Limited Ltd.	Consultancy	-	Note 1

Note 1: Due to the need for business development, the subsidiary Cathay Healthcare Management Co., Ltd. has changed the investment structure and invested in Hangzhou Kunning Health Consulting Limited Ltd. directly, which was approved by Investment Commission, MOEA.

### **C. The changing of the subsidiaries:**

Subsidiaries added in the current consolidated financial statements : Cymlin Co., Ltd, Jinhua Realty and Bannan Realty were established in 2020, and the Group has included them as consolidated entities since it obtained control on the acquisition date. After acquiring 41% shares of Lin Yuan Property Management Co., Ltd. in May, 2020, the Group held 51% of its equity and gained control over the entity and included it as a consolidated entity since then.

Subsidiaries excluded from the current consolidated financial statements : CCH Commercial Company Limited, Cathay Real Estate Holding Corporation, Cathay Healthcare Management Limited (BVI), Cathay Healthcare Management Limited (Cayman) and Hangzhou Kunning Health Consulting Limited Ltd. were liquidated. The Group has lost control of the aforementioned subsidiaries since the date of liquidation and has not included them as the consolidated entities since then.

## **English Translation of Financial Statements Originally Issued in Chinese**

a. The analysis of assets and liabilities at the date of loss of control is as follows:

Cash and cash equivalents	\$11,978
Other receivables	494
Other payables	(446)
Disposal of net assets	<u>\$12,026</u>

b. The benefit (loss) of excluding the subsidiary

The fair value of the remaining investment on the date of loss of control	\$11,880
Disposal of net assets	(12,026)
Conversion adjustment	87,569
Disposal of benefits	<u>\$87,423</u>

### **(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* 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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**

The following asset is classified as current. All other assets are classified as non-current:

- 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

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The following liability is classified as current. All other liabilities are classified as non-current:

- 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

### **(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* 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 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**

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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:

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- 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.

### **B. Impairment of financial assets**

The Group 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 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;

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- 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.
- d. For lease receivables arising from transactions within the scope of IFRS 16, 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.

### **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.



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### D. Financial liabilities and equity

#### Classification between liabilities or equity

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.

#### Equity instruments

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.

#### Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments 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

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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 building and land 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.

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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 to IFRS 15, the sales commission is the incremental cost of acquiring 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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

### **(11) 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 prorated 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 prorated basis when the Group disposes of the associate.

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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*. 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.

### **(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 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.

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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

Leasehold improvements: The shorter of lease terms or economic useful lives

Right-of-use assets: 1~25 years

Other equipment: 2~26 years

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**

The Group's owned 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. Subsequent to initial recognition, 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*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	1~50 years
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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 transfers to or from investment properties when there is a change in use for these assets.

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**

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price received by the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. And this practical expedient has been applied to all eligible rent concessions.

**Group as a lessee**

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;

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- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the income statement.

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For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

### **Group as a lessor**

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

## **(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.



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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.

## **(16) 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

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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.

### **(17) Revenue recognition**

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

#### **Construction income**

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 providing consulting, accommodation and dining service. 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.

**(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 Group 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 Group 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 Group 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 Group 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.

**(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.

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### **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

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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.

### **(21) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination,

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irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

### **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 liability 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)

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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 countries 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

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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, 2020, the deferred income tax assets that the Group has not recognize, please refer to Note 6 for more details.

### **E. Inventory evaluation**

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**

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.

## **6. CONTENTS OF SIGNIFICANT ACCOUNTS**

### **(1) Cash and cash equivalents**

	As of December 31,	
	2020	2019
Cash on hand and petty cash	\$4,365	\$5,152
Checking accounts and demand deposit	2,639,666	1,922,906
Time deposits	221,850	88,500
Cash equivalent-short-term notes	529,743	106,885
Total	<u>\$3,395,624</u>	<u>\$2,123,443</u>

The Group's cash and cash equivalents were not pledged as collateral or restricted for uses.



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**(2) Financial assets at fair value through other comprehensive income**

	As of December 31,	
	2020	2019
Equity instruments investments measured at fair value through other comprehensive income - current:		
Listed company's stocks	\$2,437,036	\$2,454,341
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Unlisted company's stocks	\$2,074,370	\$2,234,994

The Group's financial assets at fair value through over comprehensive income were not pledged as collateral or restricted for uses.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follow:

	For the years ended December 31,	
	2020	2019
Related to investments held at the end of the reporting period	\$117,922	\$97,167
Related to investments derecognized during the period	-	-
Dividends recognized during the period	\$117,922	\$97,167

In consideration of the Group's investment strategy, the Group disposed, and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2020 and 2019 are as follow:

	For the years ended December 31,	
	2020	2019
The fair value of the investments at the date of derecognition	\$12,987	\$4,975
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	9,987	3,248

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**(3) Notes receivable**

	As of December 31,	
	2020	2019
Notes receivable arising from operating activities	\$32,406	\$40,032
Less: loss allowance	-	-
Notes receivable, net	\$32,406	\$40,032

The Group's notes receivables were not pledged as collateral or restricted for uses.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6.(19) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

**(4) Accounts receivable and accounts receivable -related parties**

	As of December 31,	
	2020	2019
Accounts receivable	\$466,068	\$253,454
Less: loss allowance	(10)	(44)
Subtotal	466,058	253,410
Accounts receivable - related parties	5,420	13,000
Less: loss allowance	-	-
Subtotal	5,420	13,000
Total	\$471,478	\$266,410

The Group's accounts receivable and accounts receivable - related parties were not pledged as collateral or restricted for uses.

Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Group were NT\$471,488 thousand and NT\$266,454 thousand as of December 31, 2020 and 2019, respectively. Please refer to Note 6.(19) for more details on impairment of accounts receivable. Please refer to Note 12 for more details on credit risk management.

**(5) Inventories**

	As of December 31,	
	2020	2019
Construction land	\$10,081,987	\$7,146,181
Construction in progress	13,215,355	16,011,003

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	As of December 31,	
	2020	2019
Buildings and land held for sale	2,914,124	2,847,829
Others	15,250	12,512
Subtotal	26,226,716	26,017,525
Prepayment for land purchases	2,762,342	533,603
Total	<u>\$28,989,058</u>	<u>\$26,551,128</u>

- 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 nature of the land, using either land development analysis approach, comparison method or announced current land value method. The land development analysis approach is based on the changes in land value the development and improvement bring according to the legal use and the intensity of use of the land. The approach estimates the total sales amount after development or construction, deducting the direct costs, indirect costs, capital interests and profits during the development period. The comparison method is evaluated based on the transaction price of similar lands in neighboring areas in the most recent year. The announced current land value method is based on the assessment of the current value of the land announced by the Department of Land Affairs, Ministry of the Interior.
- C. Significant Construction projects were as follow:

Construction Project	Amount	Percentage of Completion
City Landmark	\$1,309,062	67.00%
Park Beautiful Mansion	1,029,794	39.00%
Cathay Mega+	1,010,390	30.00%
Have a Rich Year	1,395,238	12.00%
Cathay Lagom	1,203,810	23.00%
Liberty Stationery Corp.	2,471,512	11.00%
Cathay ChuanQing	1,231,429	2.00%

- D. The total interest capitalizes of the inventories mentioned above was found to be NT\$124,036 thousand and NT\$199,612 thousand for the years ended December 31, 2020 and 2019, respectively. The interest expense before capitalizing were NT\$343,751 thousand and NT\$340,942 thousand, respectively.

The monthly capitalization interest rate of loan for inventories were 0.0383%~0.2763% and 0.0976%~0.2019% for the years ended December 31, 2020 and 2019, respectively.

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E. To successfully construct and deliver the building and housing to the customers, the Group uses the following trust accounts for the construction in progress:

Construction Project (Amount)	Trustee	Period
Park Beautiful Mansion (NT\$14,520 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 Rivers, Cathay's Home I (NT\$57,336 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\$45,312 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.
Tree Rivers, Cathay's Home II (NT\$32,449 thousand)	Cathay United Bank	From December 26, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
City Landmark (NT\$90,533 thousand)	Cathay United Bank	From April 17, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Uptown (NT\$78,821 thousand)	Cathay United Bank	From May 20, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Have a Rich Year (NT\$122,727 thousand)	Cathay United Bank	From May 31, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Lagom (NT\$113,230 thousand)	Cathay United Bank	From July 3, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Mega+ (NT\$102,069 thousand)	Cathay United Bank	From August 1, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay ChuanQing (NT\$124,973 thousand)	Cathay United Bank	From May 5, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Opulence (NT\$279,163 thousand)	Cathay United Bank	From July 3, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay XiJing (NT\$ 0 thousand)	Cathay United Bank	From November 9, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

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As of December 31, 2020, the Group has established a deed of trust with the bank for the construction above to help manage the funds of the presold customers paid. The trust period ends after the construction is completed and the first ownership registration of the property. The balance of the managed funds by the Group in accordance with the above trust deed is NT\$1,061,133 thousand, which is equal to the amount receivable 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\$8,583,459 thousand and NT\$7,088,054 thousand for the years ended to December 31, 2020 and 2019, including the inventory valuation losses NT\$0 thousand for both the years ended December 31, 2020 and 2019.

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 is amortized when the house is handed over to the customers.

### **(6) Property, plant and equipment**

	As of December 31,	
	2020	2019
Owner occupied property, plant and equipment	\$4,656,443	\$4,050,958
Property, plant and equipment leased out under operating leases	541,423	563,264
<b>Total</b>	<b>\$5,197,866</b>	<b>\$4,614,222</b>

A. Owner occupied property, plant and equipment

	Land	Buildings	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost						
As of January 1, 2019	\$1,346	\$1,829	\$913,553	\$377,973	\$517,865	\$1,812,566
Additions	-	-	53,389	30,104	348,540	432,033
Disposals	-	-	-	(5,024)	-	(5,024)
Transfer	1,615,343	1,176,636	541,182	101,609	(646,186)	2,788,584
Exchange differences	-	-	-	(38)	-	(38)
As of December 31, 2019	1,616,689	1,178,465	1,508,124	504,624	220,219	5,028,121
Additions	-	2,713	525,159	61,035	309,881	898,788
Acquisitions through business combinations	-	-	-	236	-	236

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	Land	Buildings	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Disposals	-	-	(1,535)	(4,682)	-	(6,217)
Transfer	-	-	30,790	18,351	(74,139)	(24,998)
Exchange differences	-	-	-	(32)	-	(32)
As of December 31, 2020	<u>\$1,616,689</u>	<u>\$1,181,178</u>	<u>\$2,062,538</u>	<u>\$579,532</u>	<u>\$455,961</u>	<u>\$5,895,898</u>
Depreciation and impairment:						
As of January 1, 2019	\$-	\$341	\$241,119	\$259,994	\$-	\$501,454
Depreciation	-	36	127,912	69,246	-	197,194
Disposals	-	-	-	(4,898)	-	(4,898)
Transfer	-	283,121	-	305	-	283,426
Exchange differences	-	-	-	(13)	-	(13)
As of December 31, 2019	-	283,498	369,031	324,634	-	977,163
Depreciation	-	43,692	153,237	70,188	-	267,117
Disposals	-	-	(663)	(4,143)	-	(4,806)
Exchange differences	-	-	-	(19)	-	(19)
As of December 31, 2020	<u>\$-</u>	<u>\$327,190</u>	<u>\$521,605</u>	<u>\$390,660</u>	<u>\$-</u>	<u>\$1,239,455</u>
Net carrying amount:						
As of December 31, 2020	<u>\$1,616,689</u>	<u>\$853,988</u>	<u>\$1,540,933</u>	<u>\$188,872</u>	<u>\$455,961</u>	<u>\$4,656,443</u>
As of December 31, 2019	<u>\$1,616,689</u>	<u>\$894,967</u>	<u>\$1,139,093</u>	<u>\$179,990</u>	<u>\$220,219</u>	<u>\$4,050,958</u>

### B. Property, plant and equipment leased out under operating lease

	Leasehold Improvement	Other equipment	Transportation equipment	Total
Cost				
As of January 1, 2019	\$355,155	\$373,576	\$107,675	\$836,406
Additions	21,722	29,316	25,851	76,889
Disposals	-	(17,089)	(16,702)	(33,791)
As of December 31, 2019	376,877	385,803	116,824	879,504
Additions	4,080	32,614	15,058	51,752
Disposals	(2,953)	(15,767)	(13,724)	(32,444)
As of December 31, 2020	<u>\$378,004</u>	<u>\$402,650</u>	<u>\$118,158</u>	<u>\$898,812</u>
Depreciation and impairment:				
As of January 1, 2019	\$96,371	\$145,688	\$46,965	\$289,024
Depreciation	16,741	18,505	17,050	52,296
Disposals	-	(10,181)	(14,899)	(25,080)
As of December 31, 2019	113,112	154,012	49,116	316,240
Depreciation	17,087	21,567	18,709	57,363
Disposals	(340)	(9,135)	(6,739)	(16,214)
As of December 31, 2020	<u>\$129,859</u>	<u>\$166,444</u>	<u>\$61,086</u>	<u>\$357,389</u>
Net carrying amount:				
As of December 31, 2020	<u>\$248,145</u>	<u>\$236,206</u>	<u>\$57,072</u>	<u>\$541,423</u>
As of December 31, 2019	<u>\$263,765</u>	<u>\$231,791</u>	<u>\$67,708</u>	<u>\$563,264</u>

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C. 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.

D. The Group's Property, plant and equipment are not capitalized from financial costs.

E. The Group's Property, plant and equipment were not pledged as collateral or restricted for uses.

**(7) Investment property**

	Lands	Buildings	Right-of-use assets	Total
Cost:				
As of January 1, 2019	\$7,183,789	\$6,270,045	\$-	\$13,453,834
Disposals	(100,068)	(188,489)	-	(288,557)
Transfer	(1,538,209)	(1,061,357)	(Note)306,104	(2,293,462)
As of December 31, 2019	5,545,512	5,020,199	306,104	10,871,815
Additions from subsequent expenditure	-	12,615	-	12,615
Acquisitions through business combinations	7,851	1,629	-	9,480
Disposals	(17,102)	(151,249)	-	(168,351)
As of December 31, 2020	\$5,536,261	\$4,883,194	\$306,104	\$10,725,559
Depreciation and impairment:				
As of January 1, 2019	\$-	\$2,321,669	\$-	\$2,321,669
Depreciation	-	181,691	-	181,691
Disposals	-	(46,279)	-	(46,279)
Transfers	-	(283,121)	(Note) 52,977	(230,144)
As of December 31, 2019	-	2,173,960	52,977	2,226,937
Depreciation	-	137,832	82,754	220,586
Disposals	-	(91,214)	-	(91,214)
As of December 31, 2020	\$-	\$2,220,578	\$135,731	\$2,356,309
Net carrying amount:				
As of December 31, 2020	\$5,536,261	\$2,662,616	\$170,373	\$8,369,250
As of December 31, 2019	\$5,545,512	\$2,846,239	\$253,127	\$8,644,878

Note: New additions applicable to IFRS 16.

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	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rental income from investment property	\$276,738	\$356,034
Less:		
Direct operating expenses from investment property generating rental income	(71,444)	(94,251)
Direct operating expenses from investment property not generating rental income	(37,958)	(13,024)
Total	<u>\$167,336</u>	<u>\$248,759</u>

The investment properties held by the Group were not valued at fair value. The amounts of the fair value were only for disclosure. The fair value of the investment properties held by the Group were NT\$13,017,633 thousand and NT\$13,215,287 thousand as of December 31, 2020 and 2019, respectively, which were valued by an independent external appraisal expert and internal valuation. The evaluation method was comparison method 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.

**(8) Intangible assets**

	<u>Computer software</u>	<u>Trademark</u>	<u>Total</u>
Cost:			
As of January 1, 2019	\$126,003	\$4,456	\$130,459
Addition-acquired separately	11,344	279	11,623
Disposals	(812)	-	(812)
Transfers- prepaid equipment	4,355	126	4,481
Exchange differences	(1)	-	(1)
As of December 31, 2019	140,889	4,861	145,750
Addition-acquired separately	23,745	497	24,242
Acquisitions through business combinations	169	-	169
Disposals	(1,995)	-	(1,995)
Transfers- prepaid equipment	346	-	346
As of December 31, 2020	<u>\$163,154</u>	<u>\$5,358</u>	<u>\$168,512</u>
Amortization and impairment:			
As of January 1, 2019	\$106,254	\$3,789	\$110,043
Amortization	11,989	321	12,310
Retirement	(812)	-	(812)



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	Computer software	Trademark	Total
Exchange differences	(1)	-	(1)
As of December 31, 2019	117,430	4,110	121,540
Amortization	14,317	270	14,587
Disposals	(1,022)	-	(1,022)
As of December 31, 2020	\$130,725	\$4,380	\$135,105
Net carrying amount:			
As of December 31, 2020	\$32,429	\$978	\$33,407
As of December 31, 2019	\$23,459	\$751	\$24,210

Amortization expense of intangible assets were as follow:

	For the years ended December 31,	
	2020	2019
Operating expenses	\$12,243	\$8,329
Operating costs	2,344	3,981
Total	\$14,587	\$12,310

**(9) Other non-current assets**

	As of December 31,	
	2020	2019
Construction land	\$18,425	\$18,425
Prepaid expense - equipment	32,851	1,431
Refundable deposits	1,533,892	941,709
Other financial assets	46,400	-
Other non-current assets - other	24,301	25,490
Total	\$1,655,869	\$987,055

According to the 1999.3.26 (1999) Explanation Decree (6) No.19350 issued by the Securities and Futures Commission, the above construction land temporarily registered under a third party's name was disclosed as follows:

		As of December 31,				
Items		2020	2019	Type	Purpose	Securities
Land	Serial NO.137-2 etc.,			Purchases /	Development	Mortgage setting
Northern	shi-zhi of Hou-tsuo			Sales		and commitment
section,	San-zhi township, New					
Taipei City		\$18,425	\$18,425			

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**(10) Short-term loans**

	As of December 31,	
	2020	2019
Unsecured bank loans	\$7,351,000	\$7,013,000
Secured bank loans	-	250,000
Total	\$7,351,000	\$7,263,000
Interest rate	0.75%~1.25%	0.85%~1.26%

A. The Group's unused short-term lines of credits amounted to NT\$12,767,990 thousand and NT\$17,540,290 thousand as of December 31, 2020 and 2019, respectively.

B. Please refer to Note 8 for investment property pledged as collateral for short-term loans.

**(11) Short-term notes payable**

	As of December 31,	
	2020	2019
Short-term notes and bills payable	\$3,097,000	\$1,035,000
Less: unamortized discount	(6,499)	(460)
Net	\$3,090,501	\$1,034,540
Interest rate	0.29%~0.70%	0.43%~1.42%

**(12) Bonds payable**

	As of December 31,	
	2020	2019
Domestic secured bonds	\$-	\$3,000,000
Less: current portion	-	(3,000,000)
Net	\$-	\$-

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 on due day.

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### **(13) Long-term loans**

Details of long-term loans as of December 31, 2020 and 2019 are as follows:

	As of December 31, 2020	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$10,180,000	0.85%~1.00%	Effective July 2019 to July 2023, repayments on due day.
Long-term credit notes payable	729,741	0.29%	Effective August 2020 to August 2023, repayments on due day.
Subtotal	10,909,741		
Less: current portion	(5,400,000)		
Total	<u>\$5,509,741</u>		

	As of December 31, 2019	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$7,564,000	0.90%~1.18%	Effective January 2019 to July 2022, repayments on due day.
Long-term notes payable	538,682	0.43%~1.2%	Effective December 2018 to September 2021, repayments on due day.
Subtotal	8,102,682		
Less: current portion	(3,000,000)		
Total	<u>\$5,102,682</u>		

### **(14) Retirement employment benefits**

#### **A. Defined contribution plan**

The defined contribution plan of the Company and its domestic subsidiaries' 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.

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For the years ended December 31, 2020 and 2019, the expenses related to defined contribution plan amounted to NT\$33,609 thousand and NT\$29,438 thousand, respectively.

### **B. Defined benefits plan**

The defined benefit plan of the Company and its domestic subsidiaries' 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 and its domestic subsidiaries 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 and its domestic subsidiaries should make up the difference before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$1,807 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020 and 2019, the average duration of defined benefit obligation of the Group were expected to be 12.9 years and 14.2 years.

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Amounts to be recognized in profit or loss for the years ended December 31, 2020 and 2019 are summarized as follows:

	<u>For the year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current period service cost	\$14,965	\$7,587
Net interest on the net defined benefit liability (asset)	1,265	811
Total	<u>\$16,230</u>	<u>\$8,398</u>

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	<u>As of</u>		
	<u>December 31,</u>	<u>December 31,</u>	<u>January 1,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Present value of defined benefit obligation	\$381,746	\$184,927	\$182,065
Fair value of plan assets	(208,248)	(86,541)	(89,715)
Other non-current liabilities-accrued pension liabilities recognized on the balance sheets	<u>\$173,498</u>	<u>\$98,386</u>	<u>\$92,350</u>

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2019	\$182,065	\$(89,715)	\$92,350
Net defined benefit cost			
Current service cost	7,587	-	7,587
Interest expense (income)	1,656	(845)	811
Subtotal	<u>9,243</u>	<u>(845)</u>	<u>8,398</u>
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	4,222	-	4,222
Experience adjustment	8,079	-	8,079
Remeasurement of plan assets	-	(6,364)	(6,364)
Subtotal	<u>12,301</u>	<u>(6,364)</u>	<u>5,937</u>
Payments from the plan	(18,682)	14,650	(4,032)
Contributions by employer	-	(4,267)	(4,267)
As of December 31, 2019	184,927	(86,541)	98,386

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Acquisitions through business combinations	201,190	(106,421)	94,769
Net defined benefit cost			
Current service cost	14,965	-	14,965
Interest expense (income)	2,573	(1,308)	1,265
Subtotal	17,538	(1,308)	16,230
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	12,566	-	12,566
Experience adjustment	(3,347)	-	(3,347)
Remeasurement of plan assets	-	(5,285)	(5,285)
Subtotal	9,219	(5,285)	3,934
Payments from the plan	(31,128)	18,272	(12,856)
Contributions by employer	-	(26,965)	(26,965)
As of December 31, 2020	\$381,746	\$ (208,248)	\$173,498

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2020	2019
Discount rate	0.26%~0.38%	0.66%~0.78%
Expected rate of salary increases	0.50%~2.50%	1.00%~2.50%

A sensitivity analysis for significant assumption as of December 31, 2020 and 2019 was as follow:

	For the year ended December 31,			
	2020		2019	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate	\$-	\$7,887	\$-	\$4,404
increase by 0.25%				
Discount rate	7,913	-	4,694	-
decrease by 0.25%				
Future salary	15,628	-	9,021	-
increase by 0.5%				
Future salary	-	14,854	-	8,447
decrease by 0.5%				

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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.

### **(15) Common stock**

The Company's authorized capital was NT\$ 20,000,000 thousand and issued capital was NT\$ 11,595,611 thousand as of December 31, 2020 and 2019, respectively. The Company has issued 1,159,561 thousand shares as of December 31, 2020 and 2019, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

### **(16) Capital surplus**

	As of December 31,	
	2020	2019
Treasury share transactions	\$10,407	\$10,407
Others - overdue dividends	29,108	21,221
Total	<u>\$39,515</u>	<u>\$31,628</u>

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.

### **(17) Retained earnings and non-controlling interests**

#### **A. Legal reserve**

According to the Company Act, the Company needs to set aside 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 December 31, 2020, 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
- 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.



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D. For the years ended December 31, 2019 and 2018, the details of earnings distribution and dividends per share were resolved by the shareholder's meeting on June 12, 2020 and June 14, 2019, were as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash Dividend per share (NT dollars)	
	2019	2018	2019	2018
Legal reserve	\$137,050	\$360,961		
Common stock - cash dividend	1,159,561	2,435,078	\$1.0	\$2.1

E. Please refer to Note 6.(21) for details of bonus to employees and directors.

F. Non-controlling interests

	For the years ended December 31,	
	2020	2019
Beginning balance	\$103,958	\$266,813
Net income (losses) attributed to the non-controlling interests	32,807	29,853
Other comprehensive income attributed to the non-controlling interests:		
Exchange differences resulting from translating the financial statements of a foreign operation	(57)	(30,134)
Remeasurements of defined benefit plans	(1,351)	(57)
Income tax (benefit) expense relating to items that will not be reclassified to profits/losses	270	-
Acquisition of new shares in a subsidiary not in proportionate to ownership interests	3,000	-
Reduction of capital by subsidiary	-	(150,720)
Dividends distributed by subsidiary	(43,138)	(11,797)
Non-controlling interests in newly established subsidiary	850,110	-
Subsidiary liquidation	(1,695)	-
Ending balance	\$943,904	\$103,958

**(18) Operating revenues**

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers		
Sales of buildings and land	\$11,356,913	\$9,296,499
Service income	2,023,608	1,717,128

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	For the years ended December 31,	
	2020	2019
Others	128,677	71,054
Subtotal	13,059,198	11,084,681
Rental income	464,413	539,247
Total	\$13,973,611	\$11,623,928

The relevant information of the Group's revenue are as follows:

**A. Disaggregation of revenue**

For the year ended December 31, 2020

	Property and real estate Investment development department	Others	Total
Rental income	\$300,594	\$163,819	\$464,413
Sales of buildings and lands	11,356,913	-	11,356,913
Service income	-	2,023,608	2,023,608
Sales of goods	-	68,154	68,154
Others	-	60,523	60,523
Total	\$11,657,507	\$2,316,104	\$13,973,611
Revenue recognition point:			
At a point in time	\$11,356,913	\$2,152,285	\$13,509,198
Over time	300,594	163,819	464,413
Total	\$11,657,507	\$2,316,104	\$13,973,611

For the year ended December 31, 2019

	Property and real estate Investment development department	Others	Total
Rental income	\$379,401	\$159,846	\$539,247
Sales of buildings and lands	9,296,499	-	9,296,499
Service income	-	1,717,128	1,717,128
Sales of goods	-	70,341	70,341
Others	-	713	713
Total	\$9,675,900	\$1,948,028	\$11,623,928
Revenue recognition point:			
At a point in time	\$9,296,499	\$1,788,182	\$11,084,681
Over time	379,401	159,846	539,247
Total	\$9,675,900	\$1,948,028	\$11,623,928

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B. Contract balances

Contract liabilities - current

	As of		
	December 31, 2020	December 31, 2019	January 1, 2019
Sales of goods	\$4,421,199	\$3,526,415	\$3,626,329
Service	85,423	49,508	25,283
Total	<u>\$4,506,622</u>	<u>\$3,575,923</u>	<u>\$3,651,612</u>

For the years ended December 31, 2020 and 2019, the movement in the contract liabilities are as follows:

	For the years ended December 31,	
	2020	2019
Revenue recognized during the year that was included in the balance at the beginning of the year	\$(1,591,868)	\$(2,042,240)
Increase in receipt in advance during the period	2,522,567	1,966,551

C. Assets recognized from the revenue from contracts with customers

Incremental costs of obtaining contracts

	As of December 31,	
	2020	2019
Sales of goods	<u>\$633,029</u>	<u>\$671,760</u>

The amortized amount of the incremental cost of the Group's acquisition of the contract for the years ended December 31, 2020 and 2019 were NT\$279,282 thousand and NT\$157,247 thousand, respectively.

**(19) Expected credit losses/(gains)**

	For the years ended December 31,	
	2020	2019
Operating expenses - expected credit losses/ (gains)		
Accounts receivable	<u>\$(34)</u>	<u>\$32</u>

Please refer to Note 12 for information of credit risks.

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The Group measured the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. On December 31, 2020, the different customer segments do not have significantly different loss patterns. Therefore no distinction between groups. On December 31, 2019, the Group considered 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. The details of the loss allowance measured as of December 31, 2020 and 2019 was as follows:

### December 31, 2020

	Neither past due (Note)	Past due					Total
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	
Gross carrying amount	\$503,046	\$848	\$-	\$-	\$-	\$-	\$503,894
Loss ratio	-	1.14%	-	-	-	-	-
Lifetime expected credit losses	-	10	-	-	-	-	10
Total	\$503,046	\$838	\$-	\$-	\$-	\$-	\$503,884

### December 31, 2019

Group 1	Neither past due (Note)	Past due					Total
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	
Gross carrying amount	\$258,157	\$1,735	\$2,518	\$41,777	\$-	\$-	\$304,187
Loss ratio	-	0.01%	0.05%	0.10%	-	-	-
Lifetime expected credit losses	-	-	2	42	-	-	44
Subtotal	258,157	1,735	2,516	41,735	-	-	304,143

Group 2	Neither past due (Note)	Past due					Total
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	
Gross carrying amount	2,299	-	-	-	-	-	2,299
Loss ratio	-	-	-	-	-	-	-
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	2,299	-	-	-	-	-	2,299
Total	\$260,456	\$1,735	\$2,516	\$41,735	\$-	\$-	\$306,442

Note: The Group's notes receivable was not overdue.

For the years ended December 31, 2020 and 2019, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

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	Notes receivable	Accounts Receivable
As of January 1, 2019	\$-	\$12
Addition/(reversal) for the current period	-	32
Amounts written off during the period as uncollectible	-	-
As of December 31, 2019	-	44
Addition/(reversal) for the current period	-	(34)
Amounts written off during the period as uncollectible	-	-
As of December 31, 2020	\$-	\$10

**(20) Operating leases**

**A. Operating lease commitments - Group as lessee**

The Group leases various property (buildings) and transportation equipment. These leases have terms of between one and twenty years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

**a. Amounts recognized in the balance sheet**

**(a) Right-of-use assets**

The carrying amount of right-of-use asset

	As of December 31,	
	2020	2019
Land	\$8,264	\$15,513
Buildings	5,125,698	4,016,680
Total	\$5,133,962	\$4,032,193

For the years ended December 31, 2020 and 2019, the Group's additions to right-of-use assets amounting to NT\$1,444,976 thousand and NT\$46,431 thousand, respectively.

**(b) Lease liability**

	As of December 31,	
	2020	2019
Lease liability	\$5,509,959	\$4,373,611
Current	\$349,495	\$290,712
Non-current	5,160,464	4,082,899

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Please refer to Note 6.(22).D for the interest on lease liability recognized during the years ended December 31, 2020 and 2019 and refer to Note 12.(5) for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Land	\$7,249	\$4,542
Buildings	335,957	320,897
Total	<u>\$343,206</u>	<u>\$325,439</u>

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expense relating to short-term leases	\$6,588	\$98,327
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	605	1,550
The expense relating to variable lease payments not included in the measurement of lease liabilities	30,516	4,971

As of December 31, 2020 and 2019, the short-term lease portfolio promised by the Group and the types of lease targets related to the aforementioned short-term lease expenses are similar.

In 2020, the Group recognized the relevant rent concessions arising from a direct consequence of the covid-19 pandemic as other income NT\$27,445 thousand to reflect changes in variable lease payments that have applied related practical expedients.

d. Cash outflow relating to leasing activities

For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases amounting to NT\$480,667 thousand and NT\$459,489 thousand, respectively.

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### e. Other information relating to leasing activities

#### Variable lease payments

Some of the Group's property lease agreements contain variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is very common in the industry of the Group. The variable rent was calculated by the higher amount of fixed payment and payment which calculated by certain percentages of sales under the lease agreements. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. If the payment which calculated by certain percentages of sales under the lease agreements is higher than the fixed payment, the Group expects the consequence that, for every sales increase of NT\$100 thousand, the rental payments will increase by NT\$25 thousand.

### B. Group as lessor

Please refer to Note 6.(7) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2020	2019
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$464,559	\$539,247

Please refer to Note 6.(6) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2020 and 2019 are as follow:

	As of December 31,	
	2020	2019
Not later than 1 year	\$298,600	\$289,634
Later than 1 year and not later than 2 years	297,227	287,267
Later than 2 year and not later than 3 years	288,051	286,097
Later than 3 year and not later than 4 years	286,095	284,910
Later than 4 year and not later than 5 years	286,095	283,143
Later than five years	234,309	511,739
Total	\$1,690,377	\$1,942,790

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**(21) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:**

Function  Description	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	\$478,920	\$356,402	\$835,322	\$340,947	\$323,889	\$664,836
Labor and health insurance	48,633	32,260	80,893	29,896	28,833	58,729
Pension	27,189	22,650	49,839	18,369	19,467	37,836
Other employee benefits expense	24,046	21,447	45,493	24,919	20,036	44,955
Depreciation and depletion	429,148	459,124	888,272	512,178	244,442	756,620
Amortization	2,344	12,243	14,587	3,981	8,329	12,310

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 Group 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\$1,652 thousand and NT\$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, 2020. The amount of employees' compensation and directors' remuneration recognized in the year ended December 31, 2019 was NT\$1,509 thousand and NT\$2,400 thousand, respectively. The aforementioned amounts were listed under salary expenses. If the abovementioned employees' compensation and directors' remuneration estimations are different from the actual distributed amount resolved by the board of director's meeting, the difference will be recognized as profit or loss in the next period.

The Company's the board of director's meeting on March 19, 2020 resolved to distribute NT\$1,509 thousand and NT\$2,400 thousand of employee's and director's compensation in cash. There are no material differences exist between the estimated amount and the actual distribution.



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**(22)Non-operating income and expenses**

A. Interest income

	For the years ended December 31,	
	2020	2019
Deposit interest	\$1,766	\$3,979
Others	1,317	686
Total	\$3,083	\$4,665

B. Other income

	For the years ended December 31,	
	2020	2019
Dividend income	\$117,922	\$97,167
Rental income	146	-
Bargain purchase gain	2,575	-
Others	156,090	83,227
Total	\$276,733	\$180,394

C. Other gains and losses

	For the years ended December 31,	
	2020	2019
Gains (losses) on disposal and abandon of property, plant and equipment	\$(9,195)	\$(2,496)
Gains (losses) on disposal of investment	87,423	45,221
Loss of disposal intangible assets	(973)	-
Foreign exchange gains (losses), net	70	223
Others	(3,471)	(15,626)
Total	\$73,854	\$27,322

D. Finance costs

	For the years ended December 31,	
	2020	2019
Interest on borrowings from bank	\$85,384	\$23,837
Interest on lease liabilities	134,331	117,493
Total	\$219,715	\$141,330

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### (23) Components of other comprehensive income

For the year ended December 31, 2020

	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 losses:					
Remeasurements of defined benefit plans	\$(3,934)	\$-	\$(3,934)	\$786	\$(3,148)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(164,942)	-	(164,942)	-	(164,942)
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of the financial statements of foreign operations	(653)	(87,569)	(88,222)	-	(88,222)
Total of other comprehensive income	<u>\$(169,529)</u>	<u>\$(87,569)</u>	<u>\$(257,098)</u>	<u>\$786</u>	<u>\$(256,312)</u>

For the year ended December 31, 2019

	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 losses:					
Remeasurements of defined benefit plans	\$(5,937)	\$-	\$(5,937)	\$1,187	\$(4,750)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	368,350	-	368,350	-	368,350
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of the financial statements of foreign operations	(29,477)	(1,440)	(30,917)	-	(30,917)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(790)	-	(790)	-	(790)
Total of other comprehensive income	<u>\$332,146</u>	<u>\$(1,440)</u>	<u>\$330,706</u>	<u>\$1,187</u>	<u>\$331,893</u>

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**(24) Income taxes**

The major components of income tax expense (income) were as follows:

**Income tax expense (income) recognized in profit or loss**

	For the years ended December 31,	
	2020	2019
Current income tax expense (income):		
Current income tax payable	\$25,022	\$104,832
Current land value increment tax charge	65,158	91,995
Adjustments in respect of current income tax of prior periods	(2,501)	3
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	80,818	(26,850)
Total income tax expense (income)	<u>\$168,497</u>	<u>\$169,980</u>

**Income tax relating to components of other comprehensive income**

	For the years ended December 31,	
	2020	2019
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$(786)</u>	<u>\$1,187</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2020	2019
Accounting profit (loss) before tax from continuing operations	<u>\$1,685,284</u>	<u>\$1,570,338</u>
Tax at the domestic rates applicable to profits in the country concerned	\$337,057	\$290,496
Tax effect of revenues exempt from taxation	(303,394)	(266,525)
Tax effect of non-deductible expense	117,295	23,214
Tax effect of deferred tax assets/liabilities	(48,996)	(29,130)
Surtax on undistributed retain earnings	3,878	59,927
Adjustments in respect of current income tax of prior periods	(2,501)	3
Current land value increment tax	<u>65,158</u>	<u>91,995</u>
Total income tax expense (income) recognized in profit or loss	<u>\$168,497</u>	<u>\$169,980</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

		Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Resulted from the merger	Ending balance
	Beginning balance				
Temporary differences					
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS - land value increment tax	\$(10,049)	\$-	\$-	\$-	\$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	(3,094)	-	-	93,652
Depreciation difference for tax purpose - investment property	101,539	(2,747)	-	74	98,866
Depreciation difference for tax purpose of property, plants and Equipment - interest capitalization	2,332	(97)	-	-	2,235
Investments accounted for using equity method	70,897	(70,897)	-	-	-
Unrealized intragroup profits and losses	112	6,044	-	-	6,156
Allowance for loss	1,400	-	-	-	1,400
Allowance for loss of inventories price falling	28,665	(25,795)	-	-	2,870
Non-current liability - defined benefit liability	15,356	(551)	786	15,023	30,614
Accrued expenses over two years transfer to revenue	7	-	-	-	7
Unrealized advertising fee	119,312	(5,675)	-	-	113,637
Unrealized repairing fee	524	-	-	-	524
Unused tax credits	107,380	21,994	-	-	129,374
Deferred tax income/ (expense)		\$(80,818)	\$786	\$15,097	
Net deferred tax assets/(liabilities)	\$534,221				\$469,286
Reflected in balance sheet as follows:					
Deferred tax assets	\$544,270				\$479,335
Deferred tax liabilities	\$(10,049)				\$(10,049)

For the year ended December 31, 2019

		Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
	Beginning balance			
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS - land value increment tax	\$(10,049)	\$-	\$-	\$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	-	-	96,746

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		Deferred tax	Deferred tax	
		income (expense)	income (expense)	
		recognized in	recognized in other	
		profit or loss	comprehensive	
	Beginning balance		income	Ending balance
Depreciation difference for tax purpose - investment property	101,539	-	-	101,539
Depreciation difference for tax purpose of property, plants and				
Equipment - interest capitalization	2,429	(97)	-	2,332
Investments accounted for using equity method	83,066	(12,169)	-	70,897
Unrealized intragroup profits and losses	120	(8)	-	112
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	28,665	-	-	28,665
Non-current liability - defined benefit liability	14,149	20	1,187	15,356
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	95,252	24,060	-	119,312
Unrealized repairing fee	524	-	-	524
Unused tax credits	92,336	15,044	-	107,380
Deferred tax income/ (expense)		\$26,850	\$1,187	
Net deferred tax assets/(liabilities)	\$506,184			\$534,221
Reflected in balance sheet as follows:				
Deferred tax assets	\$516,233			\$544,270
Deferred tax liabilities	\$(10,049)			\$(10,049)

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,		Expiration year
		2020	2019	
2012	\$16,888	\$16,888	\$16,888	2022
2013	65,058	65,058	65,058	2023
2014	77,749	77,749	77,749	2024
2015	183,168	183,168	183,168	2025
2016	268,254	268,254	268,254	2026
2017	448,004	165,360	165,360	2027
2018	1,230,615	368,694	1,074,398	2028
2019	273,928	244,232	244,394	2029
2020	615,480	615,684	-	2030
Total		\$2,005,087	\$2,095,269	

### Unrecognized deferred tax assets

As of December 31, 2020 and 2019, the deferred tax assets have not been recognized amount to NT\$269,699 thousand and NT\$349,980 thousand, respectively.

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### The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Group and its subsidiaries was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2018
Subsidiary- Cathay Real Estate Management Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Cathay Healthcare Management Co., Ltd.	Assessed and approved up to 2018
Subsidiary- Cathay Hospitality Management Co., Ltd.	Assessed and approved up to 2017
Subsidiary- Cathay Hospitality Consulting Co., Ltd.	Assessed and approved up to 2018
Subsidiary- Cymbal Medical Network Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Cymder Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Lin Yuan Property Management Co., Ltd.	Assessed and approved up to 2018

Subsidiaries-Jinhua Realty Co., Ltd, Bannan Realty Co., Ltd and Second-Subsidiary Cymlin Co., Ltd, were established in 2020. As of December 31, 2020, they have not yet filed income tax return.

### **(25)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.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$1,483,980</u>	<u>\$1,370,505</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>1,159,561</u>	<u>1,159,561</u>
Basic earnings per share (NT\$)	<u>\$1.28</u>	<u>\$1.18</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$1,483,980</u>	<u>\$1,370,505</u>

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	For the years ended December 31,	
	2020	2019
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Effect of dilution:		
Employee compensation-stock (in thousands)	111	117
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,159,672	1,159,678
Diluted earnings per share (NT\$)	\$1.28	\$1.18

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.

**(26) Business combinations**

**Acquisition of Lin Yuan Property Management Co., Ltd.**

On May 15, 2020, the Group acquired 51% of voting shares of Lin Yuan Property Management Co., Ltd., which provides services such as property management, manpower dispatch and parking lots operation. The Group acquired Lin Yuan Property Management Co., Ltd. to develop intellectual buildings and parking lots, expand real estate management market and increase investment profits.

The Group has elected to measure the non-controlling interest by its proportion of the fair value of the acquiree's identifiable assets.

The fair value of the identifiable assets and liabilities of Lin Yuan Property Management Co., Ltd. as at the date of acquisition were:

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	\$202,436
Accounts receivable	58,249
Prepayments	386
Others current-assets	5,000
Others equipment	236
Investment property	9,480
Intangible assets	169
Deferred tax assets	15,097
Other non-currents assets	1,753
Subtotal	292,806

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	<u>Fair value recognized on the acquisition date</u>
Liabilities	
Accounts payable	43,800
Other payables	26,696
Current tax liabilities	10,520
Other-current liabilities	2,201
Other non-current liabilities	74,670
Subtotal	<u>157,887</u>
Identifiable net assets	<u>\$134,919</u>
Bargain purchase gain is calculated as follows:	
Purchase consideration	\$53,247
Add: fair value of the equity the Company originally held on acquisition date	12,987
Add: non-controlling interests at fair value	66,110
Less: identifiable net assets at fair value	<u>(134,919)</u>
Bargain purchase gain	<u><u>\$(2,575)</u></u>
Analysis of cash flows on acquisition:	
Cash paid	\$53,247
Net cash acquired with the subsidiary	<u>(202,436)</u>
Net cash flow	<u><u>\$(149,189)</u></u>

From the acquisition date May 15, 2020 to December 31, 2020, Lin Yuan Property Management Co., Ltd. has contributed NT\$40,288 thousand to the profit from continuing operations. If the combination had taken place at the beginning of the year, the operating revenue and the profit from continuing operations for the Company would have been NT\$14,374,378 thousand and NT\$1,539,412 thousand.

**(27)Others**

The operation of the Group's subsidiaries Cathay Hospitality Management Co., Ltd. and Cathay Hospitality Consulting Co., Ltd. was affected by covid-19 pandemic, resulting in decrease in operating revenue and profit. The management continues to pay attention to the impact of the incident on the companies and responds to it by adjusting operating strategies, broadening source of revenue and reducing expenditures, in order to reduce the impact of covid-19 pandemic.



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### **7. RELATED PARTY TRANSACTIONS**

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

#### **(1) Name and nature of relationship of the related parties**

Name of the related parties	Nature of relationship of the related parties
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Subsidiary (Note)
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	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
Lin Yuan Investment Co., Ltd. (Lin Yuan Investment)	Others

Note : Lin Yuan Property Management Co., Ltd. was acquired by the Group on May 15, 2020 and became the Group's subsidiary.

#### **(2) Significant transactions with the related parties**

The Group's related party transactions would not be disclosed when the individual amount is less than 3 million.

##### **A. Cash in banks and short-term loan**

		For the year ended December 31, 2020			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
<b>Others:</b>					
Cathay United Bank	Demand deposit	\$8,659,764	\$2,678,656	0.01%~0.05%	\$108
	Checking accounts	3,508,379	113,095	-	-
	Securities accounts	1,050,098	17,518	0.01%	6
	Time deposits	321,200	268,250	0.50%~1.02%	1,434
	Short-term loan	250,000	-	1.00%	(60)

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		For the year ended December 31, 2019			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	\$6,163,728	\$1,100,961	0.05%	\$504
	Checking accounts	2,227,481	56,854	-	-
	Securities accounts	866,483	169,914	0.01%	11
	Time deposits	165,200	88,500	0.75%~1.02%	810
	Short-term loan	2,040,000	250,000	1.00%	(1,160)

**B. Purchase**

		For the years ended December 31,	
Name of the related parties	Type	2020	2019
Others:			
San Ching Engineering	Building constructing or expansion	\$1,901,357	\$1,467,349
Cathay United Bank	Management fee of trust service	7,732	4,936
Total		<u>\$1,909,089</u>	<u>\$1,472,285</u>

- a. The purchase 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\$7,325,649 thousand and NT\$10,111,544 thousand as of December 31, 2020 and 2019, respectively.

**C. Sales**

**a. Rental Income**

		For the years ended December 31,	
Name of the related parties	Type	2020	2019
Others:			
Cathay Life Insurance	Office and vehicles rental	\$7,977	\$8,057
Cathay United Bank	Office and vehicles rental	18,594	18,438
San Ching Engineering	vehicles rental	2,641	3,388
Total		<u>\$29,212</u>	<u>\$29,883</u>

The rental period is 2 to 5 years and rents are collected monthly according to the contract.

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b. Service revenue

Name of the related parties	For the years ended December 31,	
	2020	2019
Others:		
Cathay Life Insurance	\$526,239	\$41,358
Cathay United Bank	60,408	20,097
Symphox Information	2,245	4,529
Cathay Century Insurance	3,203	929
Total	<u>\$592,095</u>	<u>\$66,913</u>

The service revenues are generated from the subsidiary Cathay Healthcare Management providing health inspection services, Cathay Hospitality providing housing services, and subsidiary Lin Yuan Property providing technology and maintenance services.

D. Notes and accounts receivable – related parties

The debt between the Group and the related parties (both uninterested) are as follows:

Name of the related parties	As of December 31,	
	2020	2019
Others:		
Cathay United Bank	\$4,686	\$300
Nangang One	-	3,696
Nangang Two	-	4,704
Total	<u>\$4,686</u>	<u>\$8,700</u>

E. Notes and 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 December 31,	
	2020	2019
Others:		
San Ching Engineering	<u>\$48,574</u>	<u>\$210,853</u>

F. Lease - related parties

a. Right-of-use assets

	As of December 31,	
	2020	2019
Others:		
Cathay Life Insurance	<u>\$5,073,435</u>	<u>\$4,175,150</u>

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The Group acquired right-of-use assets from Cathay Life Insurance amounting to NT\$1,272,946 thousand and NT\$185,758 thousand for the years ended December 31, 2020 and 2019, respectively.

b. Lease liabilities

	As of December 31,	
	2020	2019
Others:		
Cathay Life Insurance	<u>\$5,253,645</u>	<u>\$4,267,238</u>

c. Interest expenses

	For the years ended December 31,	
	2020	2019
Others:		
Cathay Life Insurance	<u>\$112,717</u>	<u>\$115,075</u>

d. Other income

	For the years ended December 31,	
	2020	2019
Others:		
Cathay Life Insurance	<u>\$27,445</u>	<u>\$-</u>

The other income is the collection of related rent concessions due to the covid-19 pandemic.

G. Others

a. Refundable deposits

		As of December 31,	
Name of the related parties	Type	2020	2019
Others:			
Cathay Life Insurance	Rent deposit	\$33,748	\$22,707
Lin Yuan Investment	Joint construction deposit	8,000	-
Total		<u>\$41,748</u>	<u>\$22,707</u>

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b. Guarantee deposit received

Name of the related parties	Type	As of December 31,	
		2020	2019
Others:			
Cathay United Bank	Rent deposit	\$4,446	\$4,625

c. Other current assets-restricted assets

Name of the related parties	Type	As of December 31,	
		2020	2019
Others:			
Cathay United Bank	Engineering guarantee 、 Performance bond	\$6,250	\$-

d. Construction in progress

In 2020, the Company executed the urban renewal project of Lin Yuan Building and paid NT\$3,960 thousand for landlords' relocation fee and rent subsidy, which was listed in Inventory-construction in progress.

2019: None.

H. Other income

Name of the related parties	Items	For the years ended December 31,	
		2020	2019
Others:			
Cathay Life Insurance	Management fee and planning fee	\$3,445	\$4,280
Cathay United Bank	Management fee and planning fee	4,852	4,846
Nangang One	Consulting service	-	7,040
Nangang Two	Consulting service	-	8,960
Total		\$8,297	\$25,126

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I. Operating costs

		For the years ended	
		December 31,	
Name of the related parties	Items	2020	2019
Subsidiary:			
Lin Yuan Property	Management and repairing fee	\$13,390	\$38,656
Other:			
Cathay Century	Insurance fee		
Insurance		6,041	6,182
Cathay Life Insurance	Management fee	62,066	69,490
Cathay Life Insurance	Insurance fee	3,190	1,502
Cathay Life Insurance	Others	7,704	-
Symphox Information	Others	5,603	3,677
Total		\$97,994	\$119,507

J. Operating expenses

Name of the related parties	Items	For the years ended December 31,	
		2020	2019
Others:			
Cathay Life Insurance	Insurance and selling expenses	\$16,986	\$16,317
Cathay United Bank	Sales, postage and phone fee	1,390	3,040
San Ching Engineering	Service fee	-	10,901
Seaward Card	Temporary worker service	4,827	3,655
Total		\$23,203	\$33,913

K. Property transactions

For the year ended December 31, 2020		
Name of the related parties	Subject matter	Purchase price
Others:		
San Ching Engineering	Shares of Lin Yuan Property	<u>\$53,247</u>
For the year ended December 31, 2019		
Name of the related parties	Subject matter	Purchase price
Subsidiary:		
Lin Yuan Property	Business facilities	<u>\$7,759</u>

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### L. Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$71,496	\$57,424
Post-employment benefits	1,351	1,186
Total	<u>\$72,847</u>	<u>\$58,610</u>

## **8. PLEDGED ASSETS**

The following assets were pledged to banks as collaterals for bank loans:

Items	As of December 31,		Secured liabilities
	2020	2019	
Negotiable certificate of deposit	\$7,470	\$-	Engineering guarantee 、 Performance bond
Inventories	4,080,000	3,897,159	Short-term loan & Long-term loan
Investment property	8,057,172	8,057,172	Short-term loan & Long-term loan
Total	<u>\$12,144,642</u>	<u>\$11,954,331</u>	

Pledged or mortgaged assets are expressed in terms of collateral amounts.

## **9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES**

### **(1) Significant contract**

Besides Note 7.(2).B, as of December 31, 2020, the total contract price of the construction contracts signed by the Group with non-related parties was NT\$9,037,011 thousand, in which NT\$4,846,793 thousand was not paid.

### **(2) Others**

Guarantee notes issued for borrowings (financing) were NT\$47,905,300 thousand as of December 31, 2020.

## **10. SIGNIFICANT DISASTER LOSSES**

None.

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**11. SIGNIFICANT SUBSEQUENT EVENTS**

None.

**12. OTHERS**

**(1) Categories of financial instruments**

**Financial Assets**

	As of December 31,	
	2020	2019
Financial assets at fair value through other comprehensive income	\$4,511,406	\$4,689,335
Financial assets at amortized cost:		
Cash and Cash equivalents	3,391,259	2,118,291
Notes receivable	32,406	40,032
Accounts receivable	471,478	266,410
Other receivables	30,590	32,220
Refundable deposits	1,533,892	941,709
Subtotal	5,459,625	3,398,662
Total	\$9,971,031	\$8,087,997

**Financial Liabilities**

	As of December 31,	
	2020	2019
Financial liabilities at amortized cost:		
Short-term loans	\$7,351,000	\$7,263,000
Short-term notes payable	3,090,501	1,034,540
Accounts payables	2,303,456	1,372,516
Bonds payable (including current portion)	-	3,000,000
Long-term loans (including current portion)	10,909,741	8,102,682
Lease liabilities	5,509,959	4,373,611
Guarantee deposit received	85,773	141,063
Total	\$29,250,430	\$25,287,412



**(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 activities. 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 Company's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group consistently complies with its financial risk management policies.

**(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 Group mainly engaged in various business activities in Taiwan, and the foreign currency held is not significant. Therefore, the Group's risk due to changes in foreign currency exchange rates is not significant.

**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.

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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\$10,442 thousand and NT\$8,298 thousand for the years ended December 31, 2020 and 2019, 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 and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT\$206,400 thousand and NT\$218,560 thousand for the years ended December 31, 2020 and 2019 on the equity attributable to the Group.

Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

## **(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 receivable and notes receivable) 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, 2020 and 2019, 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.

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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

	As of December 31, 2020				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$15,945,792	\$5,553,569	\$-	\$-	\$21,499,361
Accounts payable	2,303,456	-	-	-	2,303,456
Lease liabilities (Note)	349,495	693,565	598,553	3,868,346	5,509,959
Guarantee deposits	27,407	38,609	11,467	8,290	85,773

	As of December 31, 2019				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$11,403,615	\$5,184,940	\$-	\$-	\$16,588,555
Accounts payable	1,372,516	-	-	-	1,372,516
Bonds payable	3,042,000	-	-	-	3,042,000
Lease liabilities (Note)	290,712	578,106	466,726	3,038,067	4,373,611
Guarantee deposits	34,522	38,524	11,244	56,773	141,063

Note: Further information on the maturity analysis of lease liabilities:

As of December 31, 2020

	Maturities				
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years
Lease liabilities	\$349,495	\$1,292,118	\$1,664,277	\$1,486,703	\$717,366
					\$5,509,959

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As of December 31, 2019

	Maturities					
	Less than 1					
	year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years	Total
Lease liabilities	\$290.712	\$1,044.832	\$1,241.550	\$1,316.146	\$480.371	\$4,373.611

### (6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2020:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$7,263,000	\$1,034,540	\$11,102,682	\$4,373,611	\$23,773,833
Cash flows	88,000	2,055,961	(192,941)	(442,959)	1,508,061
Non-cash changes					
Interest on lease liability	-	-	-	134,331	134,331
Other (Note)	-	-	-	1,444,976	1,444,976
As of December 31, 2020	<u>\$7,351,000</u>	<u>\$3,090,501</u>	<u>\$10,909,741</u>	<u>\$5,509,959</u>	<u>\$26,861,201</u>

Note: Lease liabilities that meet the recognition of lease requirements in this period.

Reconciliations of the liabilities for the year ended December 31, 2019:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	\$8,715,000	\$260,000	\$8,605,285	\$4,404,063	\$21,984,348
Cash flows	(1,452,000)	774,540	2,497,397	(347,035)	1,472,902
Non-cash changes					
Interest on lease liability	-	-	-	117,493	117,493
Other (Note)	-	-	-	199,090	199,090
As of December 31, 2019	<u>\$7,263,000</u>	<u>\$1,034,540</u>	<u>\$11,102,682</u>	<u>\$4,373,611</u>	<u>\$23,773,833</u>

Note: Lease liabilities that meet the recognition of lease requirements in this period.

### (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

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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, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short 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 (including 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, similar company's stock price-to-equity ratio).

### **B. Fair value of financial instruments measured at amortized cost**

The carrying amount of the Group's financial instruments measured at amortized cost (including cash and cash equivalents, receivables, payables and other liabilities) measured at amortized cost approximate their fair value.

## **(8) Fair value measurement hierarchy**

### **A. Fair value measurement hierarchy**

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted 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 liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	\$2,437,036	\$1,690,972	\$383,398	\$4,511,406

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	\$2,454,341	\$1,916,850	\$318,144	\$4,689,335

The Group had no assets and liabilities recurring measured at fair value transferring between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

Reconciliation for recurring fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset measured at fair value through other comprehensive income
	Stocks
As of January 1, 2020	\$318,144
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI	78,241
Disposals	(12,987)
As of December 31, 2020	\$383,398

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	Asset measured at fair value through other comprehensive income
	<u>Stocks</u>
As of January 1, 2019	\$319,751
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI	3,368
Disposals	<u>(4,975)</u>
As of December 31, 2019	<u><u>\$318,144</u></u>

Total gains and losses recognized in profit or loss is NT\$75,136 thousand and NT\$3,325 thousand for the years ended December 31, 2020 and 2019, 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 of December 31, 2020

	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	30%~50%	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\$34,998 thousand
	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\$17,560 thousand

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As of December 31, 2019

	Valuation	Material unobservable	Quantitative	Inputs and	Inputs and
	technique	inputs	information	the fair value relationship	the fair value relationship's sensitivity analysis value relationship
Financial assets :					
Financial assets at fair					
value through other					
comprehensive income					
Stocks	Market	Discount for lack	0%~30%	The higher the discount for	10% increase (decrease) in the discount for
	approach	of marketability		lack of marketability, the	lack of marketability would result in
				lower the fair value of the	decrease (increase) in the Company's
				stocks	equity by NT\$18,863 thousand
	Assets approach	P/E ratio of	0%~30%	The higher the P/E ratio of	10% increase (decrease) in the P/E ratio of
		similar entities		similar entities, the higher	similar entities would result in increase
				the fair value of the stocks	(decrease) in the Company's equity by
					NT\$18,609 thousand

### **(9) Significant assets and liabilities denominated in foreign currencies**

The Group did not hold major foreign currency financial assets and liabilities as of December 31, 2020 and 2019.

### **(10) 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: None
- C. Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the capital stock: Please refer to Table 3.



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- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 4.
- F. Disposal of property with amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 5.
- G. Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 6.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: None.
- I. Derivative financial instruments undertaken: None.
- J. Significant intercompany transactions between consolidated entities: Please refer to Table 7.

### **(2) Investee information**

- A. Financings provided to others: None.
- B. Endorsement/guarantee provided to others: Please refer to Table 1.
- C. Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures): Please refer to Table 8.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of property with amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- G. Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of the paid-in capital or more: None.
- H. Receivables from related parties with amounts exceeding NT\$100 million or 20% of the paid-in capital: None.
- I. Derivative financial instruments undertaken: None.
- J. Names, locations and related information of investee companies: Please refer to Table 9.

### **(3) Investment in Mainland China**

Please refer to Table 10.

### **(4) Information on Major Shareholders**

Please refer to Table 11.

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### 14. OPERATING SEGMENT INFORMATION

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.

#### **(1) Information about profit or loss, assets and liabilities of reportable segment**

The Group's profit or loss information of operating segments for the years ended December 31, 2020 and 2019 is as follows:

Information for the year ended December 31, 2020

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated amount
Revenue				
External customer	\$11,657,507	\$2,316,104	\$-	\$13,973,611
Inter-segment	1,678,721	447,411	(2,126,132)	-
Total revenue	\$13,336,228	\$2,763,515	\$(2,126,132)	\$13,973,611
Segment profit	\$1,648,236	\$(360,151)	\$397,199	\$1,685,284
Interest income	\$1,156	\$1,927	\$-	\$3,083
Interest expense	72,909	173,881	(27,075)	219,715
Depreciation and amortization	225,848	733,910	(56,899)	902,859
Loss (gain) of investments accounted for using equity method	(399,266)	(5,336)	404,602	-
Loss (gain) on disposal of investments	87,569	(146)	-	87,423
Dividend income	117,922	-	-	117,922

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Information for the year ended December 31, 2019

	Movable property and real estate development department			Adjustment and eliminations	Consolidated amount
		Others			
Revenue					
External customer	\$9,675,900	\$1,948,028		\$-	\$11,623,928
Inter-segment	60,709	2,217		(62,926)	-
Total revenue	<u>\$9,736,609</u>	<u>\$1,950,245</u>		<u>\$(62,926)</u>	<u>\$11,623,928</u>
Segment profit	<u>\$1,504,687</u>	<u>\$(59,504)</u>		<u>\$125,155</u>	<u>\$1,570,338</u>
Interest income	\$2,613	\$2,052		\$-	\$4,665
Interest expense	9,911	159,413		(27,994)	141,330
Depreciation and amortization	212,904	612,672		(56,646)	768,930
Loss (gain) of investments accounted for using equity method	(50,775)	(50,125)		100,900	-
Loss (gain) on disposal of investments	-	45,221		-	45,221
Dividend income	97,167	-		-	97,167

Capital expenditures for non-current assets were incurred because of the corporate headquarters building and is not included in segment information.

The following table presents segment assets and liabilities of the Group's operating segments as of December 31, 2020 and 2019:

	Movable property and real estate development department			Adjustment and eliminations	Consolidated amount
		Others			
Assets of December 31, 2020	<u>\$49,112,708</u>	<u>\$13,552,249</u>		<u>\$(3,168,029)</u>	<u>\$59,496,928</u>
Assets of December 31, 2019	<u>\$47,614,997</u>	<u>\$8,797,840</u>		<u>\$(2,676,707)</u>	<u>\$53,736,130</u>

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	Movable property and real estate development department		Adjustment and eliminations	Consolidated Amount
	Others			
Liabilities of December 31, 2020	\$24,657,484	\$10,429,394	\$(989,078)	\$34,097,800
Liabilities of December 31, 2019	\$23,236,905	\$7,054,337	\$(1,037,162)	\$29,254,080

External revenue, segment profit and loss and total assets provided to the chief operating decision maker are measured in the same way as the revenue, net profit after tax, and total assets in the financial report. Therefore no reconciliation is needed.

### **(2) Area-specific information**

The Group did not have foreign segments that contributed 10% or more to the Group's revenue and assets for the years ended December 31, 2020 and 2019.

### **(3) Major customer information**

The Group's net sales to a single customer for the years ended December 31, 2020 and 2019 both did not exceed 10% of the consolidated net sales revenue.

Table 1: Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party (Note3)	Maximum Balance for the Period (Note4)	Ending Balance (Note5)	Actual Amount Borrowed (Note6)	Amount of Collateral	Percentage	Limit on the Endorsement/Gua rantee Amount (Note3)	Parent Company Endorsed/ Guaranteed for the Subsidiaries (Note7)	Subsidiaries Endorsed/ Guaranteed for the Parent Company (Note7)	Endorsement or Guarantee for Entities in China (Note7)
		Company Name	Relationship (Note2)										
1	Cathay healthcare management co., Ltd.	Hangzhou Kunming Health Consulting Limited	3	\$206,747	\$28,508	\$-	\$-	\$-	0.00%	\$413,494	Y	N	Y
Note	Unit: NT\$1,000 A. Limit of the Endorsement / Guarantee Amount for Receiving Party : NT\$689,157 thousand *30% B. Limit on the Endorsement/Guarantee Amount : NT\$689,157 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 90% 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.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed

Note3 : Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's

"Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note4 : Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided.

Note5 : Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note6 : Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note7 : Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 2: Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures)

Holding Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2020				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay Real Estate Development Co., Ltd.	Stock — Cathay Financial Holdings Co., Ltd.	Others	Financial assets at fair value through other comprehensive income—current	57,681,332	\$2,437,036	0.44%	\$2,437,036	
"	Stock — Symphox Information Co., Ltd.	Others	Financial assets at fair value through other comprehensive income—non-current	5,489,000	114,830	11.00%	114,830	
"	Stock — Taiwan Star Telecom Co., Ltd.	None	"	195,000,000	1,690,973	3.68%	1,690,973	
"	Stock — Gong Cheng Industrial Co.	None	"	1,580,083	-	3.23%	-	
"	Stock — Gian Feng Investment Co., Ltd.	None	"	2,000,000	25,922	10.00%	25,922	
"	Stock — MetroWalk International Co., Ltd.	None	"	3,448,276	92,965	1.72%	92,965	
"	Stock — Budworth Investments Limited	None	"	30,314	45	3.33%	45	
"	Stock — Nangang International One Co., Ltd.	Others	"	7,485,000	74,828	4.99%	74,828	
"	Stock — Nangang International Two Co., Ltd.	Others	"	7,485,000	74,508	4.99%	74,508	

Note : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Unit: NT\$1,000 ; Share

Table 3: Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital

Unit : NT\$1,000

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As of January 1, 2020		Purchase (Note 3)		Sell (Note 3)			As of December 31, 2020	
					Shares	Amount	Shares (In thousand)	Amount	Shares	Price	Book Cost	Gain / Loss	Shares Amount
Cathay Real Estate Development Co., Ltd.	The stocks of Jinhua Realty Co., Ltd.	Investments accounted for using equity method	(Note5)	Subsidiary	-	-	40,800,000	\$408,000	-	\$-	\$-	\$-	40,800,000 \$408,000
"	The stocks of Baiman Realty Co., Ltd.	Investments accounted for using equity method	(Note5)	Subsidiary	-	-	40,800,000	\$408,000	-	\$-	\$-	\$-	40,800,000 \$408,000

Note 1 : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2 : Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3 : The accumulated consideration 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.

Note 5 : Initial acquisition.

Table 4: Acquisition of property with the amount exceeding NT\$300 million or 20% of the 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			
Cathay Real Estate Development Co., Ltd.	Land Serial No.132, Jinhua Section, Anping District, Tainan City	2020/01/13	\$1,500,000	Installment by agreement	Legal person	None	-	-	-	\$-	Negotiation by two parties	Construction	None
"	Land Serial No.256,257,273, Rensing Section, Beitun District, Taichung City (Note)	2020/01/21	1,518,151	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
"	Land Serial No.74, Ruanqiao Section, Beitou District, Taipei City	2020/07/10	697,376	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
"	Land Serial No.433 etc., Muzha Section, Wenshan District, Taipei City	2020/09/30	1,399,701	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
"	Land Serial No.112, Section 5, Tammei Section, Neihu District, Taipei City	2020/10/21	1,160,998	Installment by agreement	Legal person and Individual	None	-	-	-	-	Negotiation by two parties	Construction	None

Note: It was originally Land Serial 2-3 etc. of Shuinan Section, Beitun District, Taichung City, acquired on January 21, 2020. The contract price is NT\$1,518,144 thousand.

The contract price was adjusted to NT\$1,518,151 thousand after the rezoning of the land due to the change in area.

After the rezoning, it became Land Serial No.256,257,273, Rensing Section, Beitun District.



Table 5: Disposal of property with the amount exceeding NT\$300 million or 20% of the paid-in capital

Company	Property Name	Transaction Date	Original date of property acquisition	Carrying Value	Transaction Amount (Contract price)	Status of Receivable	Disposal of profit and loss (Note)	Counterparty	Relationship with the Company	Purpose of Disposal	Unit : NT\$1,000	
											References for Determining Price	Others
Cathay Real Estate Development Co., Ltd.	Land Serial No. 132, Jinhua Section, Anping District, Tainan City	2020.11.12	2020.1.13	\$1,583,939	\$1,614,198	Installment by agreement	\$30,259	Jinhua Realty Co., Ltd.	Subsidiary	The Company's operation plan	Valuation report from Real estate appraiser	None

Note : The disposal of profit and loss are recognized as the unrealized sales profit of the related parties.

Table 6: Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of paid-in capital or more

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	Balance	Percentage of total notes/accounts payable	
Cathay Real Estate Development Co., Ltd.	San Ching Engineering Co., Ltd.	Associate	Construction-in-progress	\$1,901,357	17.58%	Not applicable	\$-	\$48,574	4.26% (Note)	Construction
Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	Subsidiary	Land held for construction site	1,614,198	11.55%	Not applicable	-	-	-	Obtain disposal benefits

Unit: NT\$1,000

Note : The notes/accounts payable of consolidated financial statements

No. (Note 1)	Company name	Company	Relationship (Note 2)	Account	Transaction	Transaction type	Percentage of consolidated total operating income or total assets (Note 3)
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Consulting Co., Ltd	1	Rental income	\$209	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Consulting Co., Ltd	1	Operating expenses-conference fee	95	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Consulting Co., Ltd	1	Operating expenses-entertainment expenses	182	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Consulting Co., Ltd	1	Other income	13,334	Regular	0.02%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Realized gain on inter-affiliate accounts	41	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Cost of rental sales	1,800	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Other income	22	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Rental income	106	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Rental income	106	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Management Co., Ltd	1	Operating expenses-advertising fee	28	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Rental income	1059	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Operating expenses-advertising fee	95	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Construction cost	90	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Operating expenses-entertainment expenses	617	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Operating expenses-entertainment expenses	617	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Hospitality Management Co., Ltd	1	Operating expenses-conference fee	60	Regular	-
0	Cathy Real Estate Development Co., Ltd	Liny Yuan Property Management Co., Ltd	1	Operating expenses-miscellaneous expenses	502	Regular	-
0	Cathy Real Estate Development Co., Ltd	Liny Yuan Property Management Co., Ltd	1	Cost of rental sales	26,794	Regular	0.19%
0	Cathy Real Estate Development Co., Ltd	Liny Yuan Property Management Co., Ltd	1	Other receivables	1,486	Regular	-
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Other income	1,486	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Rental income	66	Regular	-
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Real estate deposits received	46	Regular	-
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Construction cost	1,613,939	Regular	11.56%
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Construction cost	1,583,939	Regular	-
0	Cathy Real Estate Development Co., Ltd	Jinhua Realty Co., Ltd	1	Unrealized profit from sales	302.59	Regular	0.22%
0	Cathy Real Estate Development Co., Ltd	Banwan Realty Co., Ltd	1	Other receivables	473.19	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Banwan Realty Co., Ltd	1	Other income	473.19	Regular	0.03%
0	Cathy Real Estate Development Co., Ltd	Banwan Realty Co., Ltd	1	Other income	23	Regular	-
0	Cathy Real Estate Development Co., Ltd	Banwan Realty Co., Ltd	1	Real estate deposits received	23	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Investment property - buildings	12.813	Regular	0.02%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Investment property - buildings	8.47	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Accumulated depreciation - investment property	526	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Management fee income	1,800	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Operating expenses-services fee	22	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Rent	106	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Service income	46	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Regain by income	277	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Operating expenses-miscellaneous expenses	4	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Management income	1,059	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Hospitality income	900	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Management income	26,794	Regular	0.19%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Operating expenses-services fee	1.88	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Accounts payable - related parties	1,486	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Operating expenses-services fee	1486	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Realizable deposits	46	Regular	-
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Land held for construction sale	1,614.98	Regular	2.71%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Accounts payable - related parties	473.19	Regular	0.01%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Operating expenses-services fee	473.19	Regular	0.03%
0	Cathy Real Estate Development Co., Ltd	Cathy Real Estate Development Co., Ltd	2	Realizable deposits	23	Regular	-

(1) The Company is coded "0".

(2) The subseries are coded starting from 1 in the order:  
The Types of the transactions are coded as follows:

(1) The Company to subsidiaries is coded "1".

(3) Subsidiaries to Subsidiaries is coded "3".

the circumstances not into a credit or a debit on consolidated revenue. If it is recognized as income, it should be calculated by the ending balance for the consolidated revenue. If it is recognized to profit or loss, it should be calculated by the ending balance for the consolidated revenue.

Table 8: Securities held as of December 31, 2020 (not including subsidiaries, associates and joint ventures) (Investee information)

Unit: NT\$1,000 ; Share

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December 31, 2020				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	149	0.01%	149	

Note : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Table 9: Names, locations and related information of investee companies (excluding Mainland China)

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, 2020	Balance at December 31, 2019	Number of shares	Percentage	Amount			
Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	\$-	\$242,747 (USD 9,592)	-	-	\$-	\$ (376)	(376)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	115,014	27,576	27,576	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	585,785	106,646	90,647	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	650,000	400,000	65,000,000	100.00%	132,418	(286,161)	(278,435)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Consulting Co., Ltd.	ROC	Service industry	750,000	750,000	75,000,000	100.00%	332,026	(257,350)	(244,197)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	100,000	100,000	10,000,000	100.00%	87,000	(11,979)	(11,979)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	ROC	Apartment building management service industry	68,809	-	1,530,000	51.00%	58,767	40,288	20,549	Subsidiary
Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	ROC	Housing and Building Development and Rental industry	408,000	-	40,800,000	51.00%	376,917	(1,616)	(824)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	ROC	Housing and Building Development and Rental industry	408,000	-	40,800,000	51.00%	405,774	(4,366)	(2,227)	Subsidiary
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	ROC	Manpower dispatch and leasing industry	80,000	80,000	8,000,000	100.00%	74,328	(5,509)	(5,509)	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Cymlin Co., Ltd.	ROC	Manpower dispatch and leasing industry	26,000	-	2,600,000	100.00%	25,796	(204)	(204)	Second-tier subsidiary
Cathay Healthcare Management Co., Ltd.	Cathay Healthcare Management Limited (BVI)	British Virgin Islands	General trade and investing	-	103,122 (USD 3,400)	-	-	-	-	-	Second-tier subsidiary
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	-	2,641 (USD 90)	-	-	-	-	-	Second-tier subsidiary
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Cayman Islands	Business management	-	103,122 (USD 3,400)	-	-	-	-	-	Third-tier subsidiary

Unit: NT\$1,000 ; USD\$1,000 ; Share

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 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.

Note 3: Excluding the current profit and loss before the acquisition.

Table 10: Investment in Mainland China

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 January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow(Note3)						
Taiin 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)	\$-	\$-	0.00%	\$-	\$-	-
Hangzhou Kunning Health Consulting Limited(Note3)	Consultancy	\$115,827 (USD 3,820)	(1)	\$103,122 (USD 3,400)	\$12,705 (USD420)	\$-	\$115,827 (USD 3,820)	\$(19,536)	85%	\$(16,606) (b) 2	\$-	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$115,827 (USD 3,820)	\$4,053,324 (USD 142,182)	\$14,673,134

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 under 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 parent company in Taiwan.
  - (3) Others.

Note3: Currently being dissolved and liquidated

Table 11: Information of major shareholder

Shareholders	Shares	Total Shares Owned	Ownership Percentage
Employee Pension 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.		87,133,000	7.51%
Cathay Life Insurance Co., Ltd.		72,200,584	6.22%

**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 the Impact on the Company's Financial Status: None.**



## Chapter 7 Review of Financial Conditions, Operating Results, and Risk Evaluation

### I. Comparison and Analysis of Financial Status

Unit: NT\$ thousands

Descriptions \ Year	2019	2020	Difference	
			Amount	%
Current assets	32,654,308	36,552,869	3,898,561	11.94%
Property, plant and equipment	4,614,222	5,197,866	583,644	12.65%
Intangible assets	24,210	33,407	9,197	37.99%
Other assets	16,443,390	17,712,786	1,269,396	7.72%
Total assets	53,736,130	59,496,928	5,760,798	10.72%
Current liabilities	19,819,000	23,158,275	3,339,275	16.85%
Non-current liabilities	9,435,080	10,939,525	1,504,445	15.95%
Total liabilities	29,254,080	34,097,800	4,843,720	16.56%
Capital stock	11,595,611	11,595,611	0	0.00%
Capital surplus	31,628	39,515	7,887	24.94%
Retained earnings	12,311,946	12,646,352	334,406	2.72%
Other equity interest	438,907	173,746	(265,161)	-60.41%
Non-controlling interest	103,958	943,904	839,946	807.97%
Total equity	24,482,050	25,399,128	917,078	3.75%
<p>(1) The main reasons for the significant changes of more than 20% in assets, liabilities and shareholders' equities in the most recent two years:</p> <p style="padding-left: 20px;">Intangible assets: Mainly caused by an increase in computer software.</p> <p style="padding-left: 20px;">Capital surplus: Mainly caused by the transfer-in of overdue dividends.</p> <p style="padding-left: 20px;">Other equity: Due to the increase in unrealized losses on financial assets measured at fair value through other comprehensive income.</p> <p style="padding-left: 20px;">Non-controlling interests: Mainly caused by an increase in non-controlling interests.</p> <p>(2) Effect of the aforesaid changes: No material impact.</p> <p>(3) Future response actions: Not applicable.</p>				

## II. Comparison and Analysis of Operation Results

Unit: NT\$ thousands

Descriptions \ Year	2019	2020	Difference	
			Amount	%
Operating revenue	11,623,928	13,973,611	2,349,683	20.21%
Operating costs	(8,461,339)	(10,814,849)	(2,353,510)	27.81%
Gross profit	3,162,589	3,158,762	(3,827)	-0.12%
Operating expenses	(1,663,302)	(1,607,433)	55,869	-3.36%
Operating profit	1,499,287	1,551,329	52,042	3.47%
Non-operating Income and expense	71,051	133,955	62,904	88.53%
Income before tax	1,570,338	1,685,284	114,946	7.32%
Income tax (expense) profit	(169,980)	(168,497)	1,483	-0.87%
Net income	1,400,358	1,516,787	116,429	8.31%
Other comprehensive income (after tax)	331,893	(256,312)	(588,205)	-177.23%
Total comprehensive income	1,732,251	1,260,475	(471,776)	-27.23%
<p>(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:</p> <p>Operating revenue: Caused by the increase in housing sales income.</p> <p>Operating cost: Caused by the increase in housing sales cost.</p> <p>Non-operating income and profits: Caused by the increase in other income.</p> <p>Other comprehensive income (income after tax): Caused by the increase in the unrealized losses on valuation of the investment in equity instruments at fair value through other comprehensive income.</p> <p>Total comprehensive income: Caused by the increase in other comprehensive losses in the current period.</p> <p>(II) Effect of the aforesaid changes: No material impact.</p> <p>(III) Future response actions: Not applicable.</p>				

### III. Analysis and Explanation of Changes in Cash Flow in the Most Recent Year

- (I) Cash inflow from operating activities was NT\$1,801,254,000: Mainly due to increase in inventories, contract liabilities, and other payables.
- (II) Cash outflow from investing activities was NT\$1,332,838,000: Mainly due to acquisition of property, plant and equipment.
- (III) Cash inflow from financing activities was NT\$804,405,000: Mainly due to the distribution of cash dividends and repayment of long-term borrowings.
- (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	Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Remedy for Cash Deficit	
				Investment Plans for the Coming Year	Financing Plans
3,395,624	9,103,694	(10,237,395)	2,261,923	-	-
Cash Flow Analysis for the Coming Year 1. Product sales and rental income in 2021 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 2021 are expected to result in cash outflows.					

### IV. Impact of Major Capital Expenditures on Financial Business in the Most Recent Year

In order to enhance the brand value, the Company established real estate development companies Jinhua Realty Co., Ltd. and Bannan Realty Co., Ltd., through a joint venture with Mitsui Fudosan Taiwan Co., Ltd., an investee of the Japanese Mitsui Fudosan Co., Ltd. to engage in the development of construction projects through the construction planning and design and exchanges on construction quality and techniques between both parties. In addition, the Company increase in the shares of Lin Yuan Property Management Co. Ltd. and increased the capital of Cathay Hospitality Management Co., Ltd., in a total investment of approximately NT\$1.12 billion, accounting for 4.58% of the Company's net worth with no significant impact. Diversified development by investments in other companies is expected to 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 business, including construction management, building management, urban renewal, and set up joint ventures with an internationally renowned real estate company to establish real estate development companies, the Company has expanded to life industries, such as health care management, hotel management, e-commerce, 5G mobile communications, and integrated medical clinic channel system, to create the Company's diversified income, while regularly reviewing the performance of investment to dispose of investments at high prices so as to realize profits.

### **(II) Main Causes for Profits or Losses and Improvement Plans**

The investment loss recognized under the equity method in 2020 was NT\$400 million, mainly for operating losses on the hotel business. In addition, the full-year dividend income from financial assets at fair value through other comprehensive income was NT\$118 million. The performance improved subsequently as the revenue from the investment in businesses gradually increased.

### **(III) Investment Plans for the Coming Year**

Affected by the global COVID-19 pandemic, the global demand declined, economic growth slowed, unemployment increased, and international financial markets were turbulent. Although governments have rapidly cut interest rates to reduce the interest burden on companies and stabilize the stock market, pandemic prevention and control measures still impacted the local economies of all countries. In the future, the investment plan will be to continue to expand the medical care and health industry and seek targets with good fundamentals and fixed income to reduce investment risks.

#### **1. Health management business**

Enhance the service quality of the existing physical examination centers and postpartum care homes, and evaluate the locations for establishment of additional physical examination centers and postpartum care homes in major metropolitan areas. It is expected that the postpartum care homes in Neihu and Hsinchu and the Hsinchu physical examination center will open at the end of 2021 to expand the scale of revenue and provide high-quality and diversified services.

#### **2. Clinic channel business**

In view of the increasing public attention to medical care and healthcare needs, the Company will use group resources in the future to build a health insurance clinic channel system and expand comprehensive health services. Last year, a clinic channel was established on Xinyi Road in Taipei City. It is expected to open another one in Hsinchu

by the end of 2021.

### 3. Hotel business

Improve the service quality and reputation of the existing Minsheng Branch, Taipei, Zhongxiao Branch, Taipei, Ximen Branch, Tainan, Zhongshan Branch, Kaohsiung, of Hotel Cozzi, Courtyard by Marriott Taipei Downtown, and Cozzi Blu in Taoyuan to provide diversified services and improve operating performance.

## **VI. Assessment of Risk Items in the Most Recent Years and as of the Date of Publication of Annual Report**

### **(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:**

1. Interest rates: In response to the global impact of the pandemic in 2020, the Central Bank cut the interest rate by 0.25%, hoping to increase market liquidity and mitigate the impact of the pandemic on our country's economic and trade performance. Looking ahead to 2021, the pandemic is still severe, and whether the interest rate policy of the domestic Central Bank will be adjusted will continue to be observed. However, the interest rate at this stage is at a historically low level, which still provides an incentive for the buying momentum in the real estate market.
2. Exchange rate: The New Taiwan dollar appreciated 5.61% in 2020, and the exchange rate against the U.S. dollar climbed to a record high in nearly 23 years. However, because real estate is mostly domestic demand-oriented, the direct impact of exchange rate changes on real estate is relatively small.
3. Inflation: In 2020, due to the impact of the plunge in international crude oil prices and the impact of the pandemic, and the domestic consumption contraction, the price index decreased by 0.23% a year, which was rarely seen. However, the current domestic control of the pandemic is still appropriate, the inflation is still moderate, and the Company also collects adequate land-related information and raw material prices, so it has little impact on the Company.
4. Raw materials: In addition to the increase in the number of residential construction sites in the six special municipalities in 2020, with the return of overseas Taiwanese businesspeople to expand their factories, and the continuous launch of public projects in various places, the large demand has driven the prices of raw materials and wages to increase, and the costs of construction projects are expected to increase compared with previous years.
5. Countermeasures: The Company closely monitors the development of the economic indicators above, continues to analyze their impact on the real estate market, and evaluates and adjusts its business strategy. In the raw material part, the Company also strictly controls the construction cost, while taking into account the quality and the completion schedule in response to the changes in the overall situation in order to create

the maximum operating profit for the Company.

- (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

None.

- (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\$10.51 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 operational 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, regularly checks whether the Company's computers are installed with high-risk software every month, as well as conducts social engineering drills and host vulnerability scans from time to time to prevent the Company's and clients' confidential information from being leaked. The internal auditor, twice a year, and accounting firm, at least once a year, check the information security policy,

organization and rights & 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.**

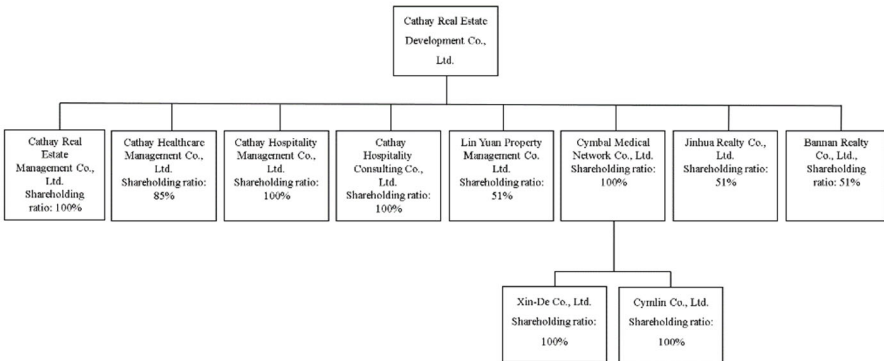


## Chapter 8 Special Disclosure

### I. Information Regarding Affiliate Enterprises

(I) Consolidated Business Report of Affiliated Companies for the year ended December 31, 2020

#### 1. Organization Chart of Affiliated Companies



#### 2. Information about Affiliated Companies

Unit: NT\$ Thousands

Company name	Establishment date	Address	Paid-in capital	Main business or production items
Cathay Real Estate Development Co., Ltd.	1964.12.01	2F, No. 218, 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

Company name	Establishment date	Address	Paid-in capital	Main business or production items
				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.	2005.03.11	2F, No. 218, 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 Limited	2011.03.25	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 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. Beauty Treatment

Company name	Establishment date	Address	Paid-in capital	Main business or production items
				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.	2012.03.27	15F, No. 319, Section 2, Dunhua South Road, Taipei City	\$650,000	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.
Chairman of Cathay Hospitality Consulting Co., Ltd.	2018.01.05	15F, No. 319, Section 2, Dunhua South Road, Taipei City	\$750,000	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 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 International Tourism Hotel 22. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval.

Company name	Establishment date	Address	Paid-in capital	Main business or production items
Lin Yuan Property Management Co. Ltd.	2000.07.01	2F, No. 152 Songjiang Road, Zhongshan District, Taipei City	\$30,000	1. Condominium Buildings Management Service 2. Manpower Dispatching Services 3. Parking Garage Business 4. Rental Housing Management Business 5. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cymbal Medical Network Co., Ltd.	2019.06.26	7F, No. 333, Section 2, Dunhua South Road, Taipei City	\$100,000	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 Precision Instruments 8. Wholesale of Other Products 9. Retail sale of Food Products and Groceries 10. Retail Sale of Articles for Daily Use 11. Retail Sale of Cosmetics 12. Retail Sale of the Second Type Patent Medicine 13. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 14. Retail Business Without Shop 15. International Trade 16. Intellectual Property 17. Investment 18. Venture Investment 19. Real Estate Rental and Leasing 20. Food Consultancy 21. Management Consulting Services 22. Other Consultancy 23. Software Design Services 24. Data Processing Services 25. Digital Information Supply Services 26. Manpower Dispatching Services 27. Exhibition Services 28. Rental and Leasing Business 29. Agency Services 30. Wholesale of Drugs, Medical Goods 31. Retail Sale of Drugs, Medical Goods 32. Wholesale of Western Pharmaceutical 33. Retail Sale of Western Pharmaceutical 34. General Advertisement Service 35. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

Company name	Establishment date	Address	Paid-in capital	Main business or production items
Xin-De Co., Ltd.	2019.07.04	7F, No. 333, Section 2, Dunhua South Road, Taipei City	\$83,000 (Including \$80,000 for ordinary shares and \$3,000 for preference shares)	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 Precision Instruments 8. Wholesale of Other Products 9. Retail sale of Food Products and Groceries 10. Retail Sale of Articles for Daily Use 11. Retail Sale of Cosmetics 12. Retail Sale of the Second Type Patent Medicine 13. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 14. Retail Business Without Shop 15. International Trade 16. Intellectual Property 17. Investment 18. Venture Investment 19. Real Estate Rental and Leasing 20. Food Consultancy 21. Management Consulting Services 22. Other Consultancy 23. Software Design Services 24. Data Processing Services 25. Digital Information Supply Services 26. Manpower Dispatching Services 27. Exhibition Services 28. Rental and Leasing Business 29. Agency Services 30. Wholesale of Drugs, Medical Goods 31. Retail Sale of Drugs, Medical Goods 32. Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories 33. Athletics and Recreational Sports Stadium 34. Sports Training 35. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

Company name	Establishment date	Address	Paid-in capital	Main business or production items
Cymlin Co., Ltd.	2020.02.13	7F, No. 333, Section 2, Dunhua South Road, Taipei City	\$26,000	<ol style="list-style-type: none"> <li>1. Cosmetics Manufacturing</li> <li>2. Computing Equipments Installation Construction</li> <li>3. Wholesale of Food and Grocery</li> <li>4. Wholesale of Articles for Daily Use</li> <li>5. Wholesale of Cosmetics</li> <li>6. Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles</li> <li>7. Wholesale of Precision Instruments</li> <li>8. Wholesale of Other Products</li> <li>9. Retail sale of Food Products and Groceries</li> <li>10. Retail Sale of Articles for Daily Use</li> <li>11. Retail Sale of Cosmetics</li> <li>12. Retail Sale of the Second Type Patent Medicine</li> <li>13. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles</li> <li>14. Retail Business Without Shop</li> <li>15. International Trade</li> <li>16. Intellectual Property</li> <li>17. Investment</li> <li>18. Venture Investment</li> <li>19. Real Estate Rental and Leasing</li> <li>20. Food Consultancy</li> <li>21. Management Consulting Services</li> <li>22. Other Consultancy</li> <li>23. Software Design Services</li> <li>24. Data Processing Services</li> <li>25. Digital Information Supply Services</li> <li>26. Manpower Dispatching Services</li> <li>27. Exhibition Services</li> <li>28. Rental and Leasing Business</li> <li>29. Agency Services</li> <li>30. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval</li> </ol>
Jinhua Realty Co., Ltd.	2020.08.19	2F, No. 218, Section 2, Dunhua South Road, Da'an District, Taipei City	\$800,000	<ol style="list-style-type: none"> <li>1. Residence and Buildings Lease Construction and Development</li> <li>2. Industrial Factory Buildings Lease Construction and Development</li> <li>3. Specialized Field Construction and Development</li> <li>4. Public Works Construction and Investment</li> <li>5. New County and Community Construction and Investment</li> </ol>

Company name	Establishment date	Address	Paid-in capital	Main business or production items
				6. Land Levy and Delimit 7. Reconstruction within the Renewal Area 8. Renovation, or Maintenance within the Renewal Area 9. Construction Management 10. Real Estate Commerce 11. Real Estate Rental and Leasing 12. Management Consulting Services 13. Other Consultancy 14. Parking Garage Business 15. International Trade 16. Retail Business Without Shop 17. Wholesale of Refractory Materials 18. Department Stores 19. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval
Bannan Realty Co., Ltd.	2020.09.26	2F, No. 218, Section 2, Dunhua South Road, Da'an District, Taipei City	\$800,000	1. Residence and Buildings Lease Construction and Development 2. Industrial Factory Buildings Lease Construction and Development 3. Specialized Field Construction and Development 4. Public Works Construction and Investment 5. New County and Community Construction and Investment 6. Land Levy and Delimit 7. Reconstruction within the Renewal Area 8. Renovation, or Maintenance within the Renewal Area 9. Construction Management 10. Real Estate Commerce 11. Real Estate Rental and Leasing 12. Management Consulting Services 13. Other Consultancy 14. Parking Garage Business 15. Retail Business Without Shop 16. Department Stores 17. International Trade 18. Wholesale of Refractory Materials 19. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

3. For those who are concluded in the controlling and subordinate relation, the information of the same shareholder

Unit: NT\$ thousands; share; %

Constructive reason	Name (Note 1)	Shareholding (Note 2)		Establishment date	Address	Paid-in capital	Main business items
		Shares	Shareholding Ratio				
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; %

Company name	Position	Name or representative	Shareholding	
			Shares	Shareholding Ratio
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.: Lee Hung Ming	22,000,000	1.90%
	Director	Representative of He Xin Industrial Co., Ltd.: Chung-Yan Tsai	22,000,000	1.90%
	Director	Representative of Cathay Charity Foundation: Daniel Tung	5,941,332	0.51%
	Director	Representative of Cathay Real Estate Foundation: Chung-Chang Chu	2,353,690	0.20%
	Director	Employee Benefit Committee of Cathay Real Estate Development Co., Ltd.: 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%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Lee Hung Ming	5,000,000	100%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chin-Liang Lin	5,000,000	100%
	Supervisors	Representative of Cathay Real Estate Development Co., Ltd.: Ming-Hui Wu	5,000,000	100%



Company name	Position	Name or representative	Shareholding	
			Shares	Shareholding Ratio
Cathay Healthcare Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Ching-Kuei Chang	46,750,000	85%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Chen, Chung-Yu	46,750,000	85%
	Vice Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Chung-Yan Tsai	46,750,000	85%
	Supervisors	Cathay Venture Capital Co., Ltd.: Ming-Hui Wu	8,250,000	15%
Cathay Hospitality Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Lee Hung Ming	65,000,000	100%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Wan-Hua Chuang	65,000,000	100%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chin-Liang Lin	65,000,000	100%
	Supervisors	Representative of Cathay Real Estate Development Co., Ltd.: Tso-Hsing Hsu	65,000,000	100%
Cathay Hospitality Consulting Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Lee Hung Ming	75,000,000	100%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Wan-Hua Chuang	75,000,000	100%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chin-Liang Lin	75,000,000	100%
	Supervisors	Representative of Cathay Real Estate Development Co., Ltd.: Tso-Hsing Hsu	75,000,000	100%
Lin Yuan Property Management Co. Ltd.	Chairman and President	Representative of Cathay Real Estate Development Co., Ltd.: Ching-Ming Pan	1,530,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Ying-Hsiang Kao	1,530,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Wan-Chih Hsu	1,530,000	51%

Company name	Position	Name or representative	Shareholding	
			Shares	Shareholding Ratio
	Director	Representative of Cathay Life Insurance Company, Ltd.: Min-Hung Shih	1,470,000	49%
	Director	Representative of Cathay Life Insurance Company, Ltd.: I-Hui Chien	1,470,000	49%
	Supervisors	Hsu-Feng Cheng	0	0
Cymbal Medical Network Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Ching-Kuei Chang	10,000,000	100%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Chen, Chung-Yu	10,000,000	100%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chung-Yan Tsai	10,000,000	100%
	Supervisors	Representative of Cathay Real Estate Development Co., Ltd.: Ming-Hui Wu	10,000,000	100%
Xin-De Co., Ltd.	Chairman	Representative of Cymbal Medical Network Co., Ltd.: Ching-Kuei Chang	8,000,000	100%
	Director and President	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yu Chen	8,000,000	100%
	Director	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yan Tsai	8,000,000	100%
	Supervisors	Ming-Hui Wu	0	0
Cymlin Co., Ltd.	Chairman	Representative of Cymbal Medical Network Co., Ltd.: Ching-Kuei Chang	2,600,000	100%
	Director and President	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yu Chen	2,600,000	100%
	Director	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yan Tsai	2,600,000	100%
	Supervisors	Representative of Cymbal Medical Network Co., Ltd.: Ming-Hui Wu	2,600,000	100%
Jinhua Realty Co., Ltd.	Chairman and President	Representative of Cathay Real Estate Development Co., Ltd.: Chin-Liang Lin	40,800,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chun-Ho Kuo	40,800,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Ting-Chien Huang	40,800,000	51%

Company name	Position	Name or representative	Shareholding	
			Shares	Shareholding Ratio
	Director	Representative of Mitsui Fudosan Taiwan Co., Ltd.: Hiroshi Ono	39,200,000	49%
	Director	Representative of Mitsui Fudosan Taiwan Co., Ltd.: Keishiro Omori	39,200,000	49%
	Supervisors	Chun-An Lin	0	0
	Supervisors	Kensuke Kihara	0	0
Bannan Realty Co., Ltd.	Chairman and President	Representative of Cathay Real Estate Development Co., Ltd.: Daniel Tung	40,800,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chun-He Kuo	40,800,000	51%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Shang-Chieh Ku	40,800,000	51%
	Director	Representative of Mitsui Fudosan Taiwan Co., Ltd.: Hiroshi Ono	39,200,000	49%
	Director	Representative of Mitsui Fudosan Taiwan Co., Ltd.: Keishiro Omori	39,200,000	49%
	Supervisors	Chun-An Lin	0	0
	Supervisors	Kensuke Kihara	0	0

## 5. Operational Highlights of Affiliated Companies

Unit: NT\$ Thousands

Company name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Current income (after-tax)	Earnings per share (after-tax)
Cathay Real Estate Development Co., Ltd.	\$11,595,611	\$49,112,708	\$24,657,484	\$24,455,224	\$13,336,228	\$1,852,477	\$1,483,980	\$1.28
Cathay Real Estate Management Co., Ltd.	50,000	128,103	13,089	115,014	63,472	33,871	27,576	5.52
Cathay Healthcare Management Co., Ltd.	550,000	1,525,350	836,193	689,157	575,935	146,461	106,646	1.94
Cathay Hospitality Management Co., Ltd.	650,000	3,463,864	3,346,512	117,352	513,174	(246,958)	(286,161)	(6.76)
Chairman of Cathay Hospitality Consulting Co., Ltd.	750,000	5,014,059	4,712,098	301,961	505,460	(246,637)	(257,350)	(3.43)
Lin Yuan Property Management Co., Ltd.	30,000	373,113	257,887	115,226	1,100,377	77,606	62,913	20.97
Cymbal Medical Network Co., Ltd.	100,000	117,650	30,650	87,000	358	(6,006)	(11,979)	(1.20)
Xin-De Co., Ltd.	80,000 (ordinary) 3,000 (preference)	108,014	30,686	77,328	725	(5,301)	(5,509)	(0.69)
Cymlin Co., Ltd.	26,000	25,872	76	25,796	-	(233)	(204)	(0.08)
Jinhua Realty Co., Ltd.	800,000	1,994,595	1,196,211	798,384	-	(2,026)	(1,616)	(0.02)
Bannan Realty Co., Ltd.	800,000	801,629	5,995	795,634	-	(5,476)	(4,366)	(0.05)

## 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 Management 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. Lin Yuan Property Management Co. Ltd.: Apartment Buildings Management Service Industry
7. Cymbal Medical Network Co., Ltd.: Wholesale of Drugs, Medical Goods
8. Xin-De Co., Ltd.: Manpower Dispatching Services and Leasing Industry
9. Cymlin Co., Ltd.: Manpower Dispatching Services and Leasing Industry
10. Jinhua Realty Co., Ltd.: Housing and Building Development and Rental Industry
11. Bannan Realty Co., Ltd.: Housing and Building Development and Rental Industry

### (2) Division of labor for exchange and cooperation of overall related companies:

The main business of Cathay Real Estate Development Co., Ltd. is entrusting manufacturers to build public housing and commercial building for leasing and sales. It is independent of each subsidiary and has no division of labor.

## (II) Affiliation report

### 1. Declaration

#### Declaration

The 2020 affiliation report of the Company (from January 1, 2020 to December 31, 2020) 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 18, 2021

## 2. Opinions of declaration

### Letter

Addressee: Cathay Real Estate Development Co., Ltd.

Subject: Opinions on whether the declaration issued by the management authority of the Company for the 2020 affiliation reports is reasonable in all material respects.

Explanation: The Company's 2020 affiliation reports have 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 2020 financial report.

In my opinion, the declaration issued by the management authority of your company for the 2020 related company report is reasonable in all material respects.

Ernst & Young Taiwan

Jung-Huang Hsu

CPA:

Chien-Tse Huang

March 18, 2021

### 3. Overview of the Relationship between Subordinate Companies and the Controlling Company

Unit: shares; %

Name of Holding Company	Reasons	Shareholding and setting situations of the controlling company			Appointment of personnel by the holding Company Shareholdings by Directors, Supervisors or Managers	
		Shares	Shareholding Ratio	Number of Shares Set	Position	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 Lee Hung Ming 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 the Annual Report: None.**

**III. 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 Supplementary Explanations: None.**

**V. Events That Have Significant Influence on Shareholders' Equity or on the Price of Securities as Specified in Subparagraph 2, paragraph 2, Article 36 of Securities and Exchange Act in the Most Recent Year as of the Date of Publication of the Annual Report: None.**