CATHAY REAL ESTATE DEVELOPMENT CO., LTD
AND SUBSIDIARIES

Consolidated Financial Statements

For The Years Ended

December 31, 2019 And 2018

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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue recognition</u>

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

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

We also assess whether the the company properly disclose information relating the construction income of financial statement. Please refer note 4(17) and note 6(19).

<u>Valuation of inventories</u>

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

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

We also assess whether the the company properly disclose information relating the construction land valuation of financial statement. Please refer note 4(10), note 5.2(E) and note 6(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 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on financial statements of the Company as of and for the years ended December 31, 2019 and 2018.

Hsu, Jung Huang
Huang, Chien Che
Ernst & Young, Taiwan
March 19, 2020

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.

Consolidated Balance Sheet

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31,2019		December 31,2018	
Code	Items	Notes	Amounts	%	Amounts	%
	Current assets					
1100	Cash and Cash equivalents	4 & 6(1) &7	$2,123,443	4	$1,620,157	3
1120	Financial Assets At Fair Value Through Other Comprehensive Income-Current	4 & 6(2)	2,454,341	5	2,620,886	6
1150	Notes Receivable(Net)	4 & 6(3),(20)	40,032	-	24,209	-
1170	Accounts Receivable(Net)	4 & 6(4),(20)& 7	266,410	-	461,933	1
1200	Others Receivable		32,220	-	424,397	1
1220	Current Tax Assets	4 & 6(25)	145	-	105	-
130x	Inventories	4 & 6(5) & 7	26,551,128	50	26,003,437	53
1410	Prepayments	6(10)	448,484	1	511,030	1
1470	Others Current-Assets		66,345	-	382,155	1
1480	Revenue from Contracts with Customers	4 & 6(5),(19)	671,760	1	481,597	1
11xx	Total Current-Assets		32,654,308	61	32,529,906	67
	Non-Current Assets					
1517	Financial Assets At Fair Value Through Other Comprehensive Income-Non-Current	4 & 6(2)	2,234,994	4	1,637,951	3
1600	Property,Plant and Equipment	4 & 6(7)	4,614,222	9	1,858,494	4
1755	Right-of-use Asset	3 & 4 & 6(21)	4,032,193	7	-	-
1760	Investment property(Net)	4 & 6(8)	8,644,878	16	11,132,166	23
1780	Intangible Assets	4 & 6(9)	24,210	-	20,416	-
1840	Deferred Tax Assets	4 & 6(25)	544,270	1	516,233	1
1900	Other Non-Current Assets	6(10) & 7	987,055	2	1,076,222	2
15xx	Total Non-Current Assets		21,081,822	39	16,241,482	33
1xxx	Total Assets		$53,736,130	100	$48,771,388	100

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Balance Sheet(Continue)

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31,2019		December 31,2018	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Liabilities					
2100	Short-term Loans	4 & 6(11) & 7	$7,263,000	14	$8,715,000	18
2110	Short-term Notes Payable	4 & 6(12)	1,034,540	2	260,000	1
2130	Contract Liability-Current	3 & 6(19)	3,575,923	7	3,651,612	8
2150	Notes Payable		144,213	-	90,385	-
2170	Accounts Payable		513,373	1	461,385	1
2180	Accounts Payable-Related Parties	7	213,133	-	595,710	1
2200	Others Payable		501,797	1	653,898	1
2230	Current Tax Liabilities	4 & 6(25)	84,308	-	27,056	-
2280	Current Lease Liabilities	3 & 4 & 6(21)	290,712	1	-	-
2300	Other-Current Liabilities	4	198,001	-	122,731	-
2320	Long-Term Liabilities-Current Portion	4 & 6(13),(14)	6,000,000	11	4,200,000	9
21xx	Total Current-Liabilities		19,819,000	37	18,777,777	39
	Non-Current Liabilities					
2530	Corporate Bonds	4 & 6(13)	-	-	3,000,000	6
2540	Long-term Loans	4 & 6(14)	5,102,682	9	1,405,285	3
2570	Deferred Tax Liabilities	4 & 6(25)	10,049	-	10,049	-
2580	Non-Current lease liability	3 & 4 & 6(21)	4,082,899	8	-	-
2600	Other Non-Current Liabilities	4 & 6(15) & 7	239,450	-	234,590	-
2650	Investment Accounted for Using Equity Method(Credit)	4 & 6(6)	-	-	2,138	-
25xx	Total Non-Current Liabilities		9,435,080	17	4,652,062	9
2xxx	Total Liabilities		29,254,080	54	23,429,839	48
	Equity	4				
3100	Capital stock					
3110	Common Stock	6(16)	11,595,611	22	11,595,611	24
3200	Capital Surplus	6(17)	31,628	-	25,783	-
3300	Retained earnings	6(18)				
3310	Legal Capital Reserve		4,352,457	8	3,991,496	8
3320	Special Capital Reserve		504,189	1	504,189	1
3350	Unappropriated Retained Earnings		7,455,300	14	8,877,586	18
	Total Retained Earnings		12,311,946	23	13,373,271	27
3400	Other Equity		438,907	1	80,071	-
31xx	Total Controlling Interests		24,378,092	46	25,074,736	51
36xx	Non-controlling Interests	6(18)	103,958	-	266,813	1
3xxx	Total Equity		24,482,050	46	25,341,549	52
	Total Liabilities and Equity		$53,736,130	100	$48,771,388	100

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Income Statement

For the year-ended 31 December 2019 and 2018

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

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2019		2018	
			Amount	%	Amount	%
4000	Operating Revenue	4 & 6(8),(19) &7	$11,623,928	100	$14,294,770	100
5000	Operating Cost	4 & 6(5),(7),(8),(21),(22) &7	(8,461,339)	(73)	(10,576,571)	(74)
5900	Gross Margin		3,162,589	27	3,718,199	26
6000	Operating Expense	4 & 6(7),(8),(21),(22) &7				
6200	Administrative Expense		(1,663,270)	(14)	(1,485,484)	(10)
6450	Expected credit loss	4 & 6(20)	(32)	-	(4,482)	-
	Total Operating Expense		(1,663,302)	(14)	(1,489,966)	(10)
6900	Operating Income		1,499,287	13	2,228,233	16
7000	Non-Operating Income and Expenses	4 & 6(23) & 7				
7010	Other Revenues		185,059	2	281,597	2
7020	Other Gain or Loss		27,322	-	2,146,096	15
7050	Finance Costs		(141,330)	(1)	(133,801)	(1)
7060	Investment Income on Equity-Method Investees	4 & 6(6)	-	-	(13,145)	-
	Total Non-Operating Income and Expenses		71,051	1	2,280,747	16
7900	Income before Income Tax		1,570,338	14	4,508,980	32
7950	Income Tax (Expense) Benefit	4 & 6(25)	(169,980)	(2)	(267,183)	(2)
8200	Net income		1,400,358	12	4,241,797	30
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		(5,937)	-	5,369	-
8316	Unrealized valuation gain (losses) on equity instruments at fair value through other comprehensive income		368,350	3	(493,136)	(4)
8349	Income taxes relating to not to be reclassified to profit or loss in subsequent periods		1,187	-	(1,766)	-
8360	To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of foreign operations		(30,917)	-	228,874	2
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)	-	(287)	-
	Other comprehensive (losses) income, net of tax		331,893	3	(260,946)	(2)
8500	Total comprehensive (losses) income		$1,732,251	15	$3,980,851	28
8600	Net income (losses) attributable to:					
8610	Equity holders of the parent		$1,370,505	12	$3,609,611	25
8620	Non-controlling interests		29,853	-	632,186	5
			$1,400,358	12	$4,241,797	30
8700	Total comprehensive income (losses) attributable to:					
8710	Equity holders of the parent		$1,732,589	15	$3,273,857	23
8720	Non-controlling interests		(338)	-	706,994	5
			$1,732,251	15	$3,980,851	28
	Basic Earnings Per Share (In dollars)	6(26)	After Taxes		After Taxes	
9750	Basic Earnings Per Share		$1.18		$3.11	

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD.
Consolidated Statements of Changes In Equity
As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

		Controlling Interests											
				Retained Earnings			Other Equity						
	Items	Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (losses) gains from financial assets at fair value through other comprehensive income	Unrealized valuation (losses) gains from available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Non-Controlling Interests	Total
Code		3100	3200	3310	3320	3350	3410	3420	3425	3445	31XX	36XX	3XXX
A1	Balance on 1 January 2018	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$(64,025)	$-	$428,369	$20,321	$22,768,502	$455,660	$23,224,162
A3	Effects on retrospective application and restatement	-	-	-	-	384,970	-	459,529	(428,369)	-	416,130	-	416,130
A5	Balance on 1 January 2018 (Adjusted)	11,595,611	18,063	3,847,032	504,189	6,803,912	(64,025)	459,529	-	20,321	23,184,632	455,660	23,640,292
	Appropriation and distribution of earnings for the year 2017												
B1	Legal Capital Reserve	-	-	144,464	-	(144,464)	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,391,473)	-	-	-	-	(1,391,473)	-	(1,391,473)
C17	Changes in other capital surplus	-	7,720	-	-	-	-	-	-	-	7,720	-	7,720
D1	Net income for the year ended 31 December 2018	-	-	-	-	3,609,611	-	-	-	-	3,609,611	632,186	4,241,797
D3	Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	153,763	(493,136)	-	3,619	(335,754)	74,808	(260,946)
D5	Total comprehensive income for the year ended 31 December 2018	-	-	-	-	3,609,611	153,763	(493,136)	-	3,619	3,273,857	706,994	3,980,851
O1	Changes In Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	(895,841)	(895,841)
Z1	Balance on 31 December 2018	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736	$266,813	$25,341,549
A1	Balance on 1 January 2019	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736	$266,813	$25,341,549
	Appropriation and distribution of earnings for the year 2018												
B1	Legal Capital Reserve	-	-	360,961	-	(360,961)	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(2,435,078)	-	-	-	-	(2,435,078)	-	(2,435,078)
											-		
C17	Changes in other capital surplus	-	5,845	-	-	-	-	-	-	-	5,845	-	5,845
D1	Net income for the year ended 31 December 2019	-	-	-	-	1,370,505	-	-	-	-	1,370,505	29,853	1,400,358
D3	Other comprehensive income for the year ended 31 December 2019	-	-	-	-	-	(1,573)	368,350	-	(4,693)	362,084	(30,191)	331,893
D5	Total comprehensive income for the year ended 31 December 2019	-	-	-	-	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 31 December 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

(The accompanying notes are an integral part of these consolidated financial statements)

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD.
Consolidated Statements of Cash Flows
For the year-ended 31 December 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2019 Amount	2018 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	$1,570,338	$4,508,980
A20000	Adjustments:		
A20100	Depreciation	756,620	417,546
A20200	Amortization	12,310	15,786
A20300	Provision for bad debt expenses	32	4,482
A20900	Interest Expenses	141,330	133,801
A21200	Interest Income	(4,665)	(7,297)
A21300	Dividend Income	(97,167)	(152,719)
A22300	Share of other comprehensive income of subsidiaries, associates and joint ventures	-	13,145
A22500	Loss (gain) on disposal of property, plant and equipment	2,496	898
A22600	Property,Plant and Equipment transfer to expense	51	-
A23100	Loss (gain) on disposal of investments	(45,221)	(2,128,213)
A29900	Cost on disposal of investment property	242,278	173,324
A30000	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	(15,823)	(88)
A31150	Decrease (increase) in account receivable	197,192	(226,351)
A31180	Decrease (increase) in other receivable	390,837	(18,760)
A31200	Decrease (increase) in inventories	(540,491)	635,559
A31230	Decrease (increase) in prepayments	62,545	63,775
A31240	Decrease (increase) in other current assets	315,810	(276,961)
A31270	Decrease (increase) in revenue from contracts with customers	(190,163)	(27,086)
A32125	Increase (decrease) in contract liability	(75,689)	(853,274)
A32130	Increase (decrease) in notes payable	53,828	61,831
A32150	Increase (decrease) in accounts payable	51,988	(66,428)
A32160	Increase (decrease) in accounts payable to related parties	(382,577)	330,155
A32180	Increase (decrease) in other payables	(102,098)	84,044
A32230	Increase (decrease) in other current liabilities	75,270	83,001
A33000	Cash inflow (outflow) generated from operations	2,419,031	2,769,150
A33100	Interested received	4,708	7,302
A33500	Income taxes paid	(139,618)	(247,008)
AAAA	Net cash flows from (used in) operating activities	2,284,121	2,529,444
BBBB	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(67,123)	-
B00030	Returns the shares from financial assets at fair value through other comprehensive income	4,975	-
B01900	Disposal of investments accounted for using the equity method	1,748	-
B02300	Disposal of subsidiary	-	2,775,858
B02700	Acquisition of property, plant and equipment	(508,922)	(881,664)
B02800	Disposal of property, plant and equipment	6,341	7,539
B04500	Acquisition of intangible assets	(11,623)	(3,194)
B05350	Acquisition of right-of-use asset	(7,606)	-
B05500	Disposal of investment property	-	570
B06700	Increase in other non-current assets	-	(90,296)
B06800	Decrease in other non-current assets	89,166	-
B07600	Dividends received	97,167	152,719
BBBB	Net cash flows from (used in) investing activities	(395,877)	1,961,532
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	-	2,936,000
C00200	Decrease in short-term loans	(1,452,000)	-
C00500	Increase in short-term notes payable	774,540	-
C00600	Decrease in short-term notes payable	-	(619,529)
C01600	Proceeds long-term debt	5,102,682	-
C01700	Decrease in long-term loans	(2,605,285)	(3,785,554)
C04020	Repayment of lease principal	(347,035)	-
C04400	Decrease in other non-current liabilities	(1,077)	(17,332)
C04500	Payment of cash dividends	(2,435,078)	(1,391,473)
C05600	Interest paid	(228,946)	(348,207)
C05800	Change in non-controlling interests of equity	(162,517)	(895,841)
CCCC	Net cash flows from (used in) financing activities	(1,354,716)	(4,121,936)
DDDD	Effect of currency exchange rate on cash and cash equivalents	(30,242)	23,652
EEEE	Net increase (decrease) in cash and cash equivalents	503,286	392,692
E00100	Cash and cash equivalents, beginning of period	1,620,157	1,227,465
E00200	Cash and cash equivalents, end of period	$2,123,443	$1,620,157

(The accompanying notes are an integral part of these consolidated financial statements)

Cathay Real Estate Development Co., Ltd.
Notes To Consolidated Financial Statements
For the Year Ended December 31, 2019 and 2018
(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, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2020

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect from 2019 by the Financial Supervisory Commission (FSC) did not have a significant effect on the Group except below:

(A) *IFRS 16"Leases"*

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

The Group followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Group assessed most of the contracts are, or contain, leases and has no significant impact.

C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or

ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Group's right-of-use asset and lease liability all increased by NT$4,404,063 thousand.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee which required by IFRS 16.

(c) As of 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 1.65%~2.75%.
ii. The explanation for the difference of NT$136,543 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as of 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of 31 December 2018	$6,908,971
Discounted using the incremental borrowing rate on 1 January 2019	$4,540,606
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(130,444)
Less: adjustment to leases that meet and elect the underlying asset of low value	(6,099)
The carrying value of lease liabilities recognized as of 1 January 2019	$4,404,063

D. The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

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

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

(A) Definition of a Business - Amendments to IFRS 3

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

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

(B) Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(C) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform. The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The standards and interpretations have no material impact on the Group.

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

No.	Standards or interpretations issued, revised or amended	Effective date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

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

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

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

(B) IFRS 17 "*Insurance Contracts*"

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

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

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

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

(C) 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the year ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

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

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

B. The consolidated entities are listed as follows:

Investor	Subsidiaries	Main business	Percentage of ownership (%) December 31, 2019	Percentage of ownership (%) December 31, 2018
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%	-
The Company	Cathay Real Estate Holding Corporation	General trade & investing	100.00%	100.00%
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	Wholesale of Drugs, Medical Goods	100.00%	-
Cathay Healthcare Management CO., LTD	Cathay Healthcare Management Limited(BVI)	General trade & investing	100.00%	100.00%
Cathay Healthcare Management CO., LTD	Hangzhou Kunning Health Consulting Limited Ltd.	Consultancy	100.00%	(NOTE)
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Investing	66.67%	66.67%
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Business management	100.00%	100.00%

NOTE: 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 were approved by Investment Commission, MOEA

C. The changing of the subsidiaries as of December 31, 2019:

New adding in 2019: Cymbal Medical Network Co., Ltd. and Xing De Co., Ltd.

(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.

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

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

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

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

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

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

assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

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;
(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 (before 1 January 2019: IAS 17), 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.

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 new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

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

(9) Fair value

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

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

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

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

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

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

(10) Inventories

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

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

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

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 prorate basis.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. 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.

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/leased assets(Note): 1～20 years
Other equipment: 2~26 years

Note: The Group reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from 1 January 2019.

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 accounting policy from 1 January 2019 as follow:

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	5～50 years

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

The Group 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.

The accounting policy before 1 January 2019 as follow:

The Group's 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, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Buildings	5～50 years

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

The Group 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 accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, 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.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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, maximising the use of observable information.

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;

(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 amortised 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.

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.

The accounting policy before 1 January 2019 as follow:

Group as a lessee

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

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

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

Group as a lessor

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

(15) Intangible assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.
Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

<u>Computer software</u>

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

<u>Trademark</u>

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 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 include sale of buildings and land. 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 offering healthy examination. The revenue recognized when the service completed. The cost of the service recognized when the transaction occurred；the expenses recognized in the current period in accordance with accrual basis.

(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.

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgment

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

Financing lease commitment－Group as the lessor

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

C. Retirement benefits plans

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

D. Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2019, the deferred income tax assets that the Group has not recognize, please refer to Note 6 for more details.

E. Evaluation of Inventory

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

F. Accounts receivables–estimation of impairment loss

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,	
	2019	2018
Cash on hand and petty cash	$5,152	$4,385
Checking accounts and demand deposit	1,922,906	1,480,247
Time deposits	88,500	85,550
Cash equivalents －short-term bills	106,885	49,975
Total	$2,123,443	$1,620,157

As of 31 December 2019 and 2018, 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,	
	2019	2018
Equity instruments investments measured at fair value through other comprehensive income － current:		
Listed companies' stocks	$2,454,341	$2,620,886
Equity instruments investments measured at fair value through other comprehensive income － non-current:		
Unlisted companies' stocks	$2,234,994	$1,637,951
Current	$2,454,341	$2,620,886
Non-current	$2,234,994	$1,637,951

As of 31 December 2019 and 2018, financial assets at fair value through over comprehensive income were not pledged.

(3) Notes receivable

	As of December 31,	
	2019	2018
Notes receivable arising from operating activities	$40,032	$24,209
Less: Loss allowance	-	-
Notes receivable, net	$40,032	$24,209

As of 31 December 2019 and 2018, notes receivables were not pledged.

The Group 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,	
	2019	2018
Accounts receivable	$253,454	$455,961
Less: Loss allowance	(44)	(12)
Subtotal	253,410	455,949
Accounts receivable － related parties	13,000	5,984
Less: Loss allowance	-	-
Total	$266,410	$461,933

As of 31 December 2019 and 2018, accounts receivables and accounts receivables – related parties were not pledged.
Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Group were NT$266,454 thousand and NT$461,945 thousand as of December 31, 2019 and 2018, 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 management.

(5) Inventories

	As of December 31,	
	2019	2018
Land held for construction site	$7,146,181	$8,154,901
Construction in progress	16,011,003	15,058,866
Buildings and land held for sale	2,847,829	2,052,299
Others	12,512	12,293
Subtotal	26,017,525	25,278,359
Prepayment for land purchases	533,603	725,078
Total	$26,551,128	$26,003,437

A. Some of the construction in progress above was contracted by the related company San-Ching Engineering Co., Ltd., and the relevant transactions are detailed in Note 7.

B. The net realizable value of the construction land held by the Group is based on the land development analysis method. The the land profit is calculated by the legal use and intensity of the land, and the total sales amount after development or construction is estimated, deducting the direct costs, indirect costs, capital interest during the development period.

C. Significant Construction projects were as follow:

Construction Project	Amount	Percentage of Completion
Chief Executive Officer	1,535,800	98.00%
Cathay Fu Tu	1,989,160	97.00%
Cathay O2 Fu Building	1,149,124	84.00%
Cathay The Seeds of Happiness	1,441,749	44.00%
City Landmark	1,315,905	35.00%
Park Beautiful Mansion	1,029,794	17.00%
Cathay Mega+	1,013,390	0.00%
Have a Rich Year	1,395,238	0.00%
Liberty Stationery Corp.	2,444,000	0.00%

D. The total interest capitalizes of the inventories mentioned above was found to be NT$ 199,612 thousand and NT$230,859 thousand for the year ended December 31, 2019 and 2018, respectively. The interest expense before capitalizing were NT$340,942 thousand and NT$364,660 thousand, respectively.

The interest rate of capitalized loan for inventories were 0.0976%~0.2019% in 2019 and 0.0859 %~0.1902% in 2018.

E. To successfully construct and deliver the building and housing to the customers, The Group using trust accounts for the construction in progress are as follows:

Construction Project (Amount)	Trustee	Period
Cathay O2 Fu Building (NT$4,880 thousand)	Cathay United Bank	From December 9, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay The Seeds of Happiness (NT$6,550 thousand)	Cathay United Bank	From July 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Shuixiu (NT$790thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Plus+ (NT$38,946 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

Park Beautiful Mansion (NT$54,885 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$186,369 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$261,836 thousand)	China Trust Commercial 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$196,897thousand)	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$9,550thousand)	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$113,788thousand)	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$109,020thousand)	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.
Lagom (NT$143,137thousand)	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$196,420thousand)	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.

As of December 31, 2019, the Group has established a deed of trust with the bank for the construction of the case, and has handled the fund management of the presold customers. The trust period ended until the project is completed and the first time the ownership registration of the completed property is completed. The balance of the funds managed by the Group in accordance with the above trust deed is NT$1,323,068 thousand, which is equal to the price of the presold contract. There is no delay in the delivery of the trust account.

F. The cost of inventories recognized in expenses amounts to NT$7,088,054 thousand and NT$9,225,088 thousand for the years ended to December 31, 2019 and 2018, including the loss of inventory price falling NT$0 and NT$132,671 thousand for the years ended to December 31, 2019 and 2018, respectively.

G. Please refer to note 8 for more details on inventory under pledged.

H. Incremental cost of the contract

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract fulfills its obligation when the house hand over the the customers, and the incremental cost of the contract is amortized.

(6) Investments accounted for using the equity method

The following table lists the investments accounted (Investments in joint venture entities of the Group.) for using the equity method of the Group:

CCH REIM Company Limited (registered in Cayman) is mainly engaged in investment in real estate management financial advisory services in the mainland. The Group invests in The Group by joint agreement based on cross-regional management considerations. In addition, The Group is a non-public offering company and has not been listed on any securities exchange, so there is no fair value of the open market price.

The consolidated financial information and adjustments to the investment amount of the investment are as follows:

	As of December 31,	
	2019	2018
Current assets	$-	$752
Non-current assets	-	(4,874)
Current liabilities	-	154
Non-current liabilities	-	-
Equities	-	(4,276)
Shareholding ratio of The Group	0%	50%
Carrying Amount of investment	$-	$(2,138)

	As of December 31,	
	2019	2018
Cash and cash equivalent	$-	$376

	As of December 31,	
	2019	2018
Operating revenue	$-	$7,705
Operating expenses	-	(525)
Interest income	-	-
Non-operating income and expenses	-	(20,238)
Profit or loss from continuing operations	-	(13,058)
Other comprehensive income	-	(168)
Total comprehensive income	-	(13,226)

The joint venture had no contingent liabilities or capital commitments as at 31 December 2019, and 2018. The Group cannot distribute its profits until it obtains the consent from the two venture partners.

The Group had sold the equity of CCH REIM Company Limited, and recognized a profit of NT$5,344 thousand as of December 31, 2019.

(7) Property, plant and equipment

	As of December 31,	
	2019(Note)	2018
Owner occupied property, plant and equipment	$4,050,958	$-
Property, plant and equipment leased out under operating leases	563,264	-
Total	$4,614,222	$-

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost						
As of 1 January 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 31 December 2019	$1,616,689	$1,178,465	$1,508,124	$504,624	$220,219	$5,028,121
Depreciation and impairment:						
As of 1 January 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 31 December 2019	$-	$283,498	$369,031	$324,634	$-	$977,163
Net carrying amount:						
As of 31 December 2019	$1,616,689	$894,967	$1,139,093	$179,990	$220,219	$4,050,958

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

		Leasehold Improvemen	Other equipment	Transportation equipment	Total
Cost					
As of 1 January 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)
Transfer		-	-	-	-
As of 31 December 2019		$376,877	$385,803	$116,824	$879,504
Depreciation and impairment:					
As of 1 January 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)
Transfer		-	-	-	-
As of 31 December 2019		$113,112	$154,012	$49,116	$316,240

Net carrying amount:				
As of 31 December 2019	$263,765	$231,791	$67,708	$563,264

(3) Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Leased assets	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost							
As of 1 January 2018	$1,346	$1,829	$106,260	$813,370	$744,291	$141,035	$1,808,131
Additions	-	-	22,268	456,914	24,364	378,118	881,664
Disposals	-	-	(20,853)	(2,026)	(11,524)	-	(34,403)
Transfer	-	-	-	450	838	(1,288)	-
Loss of control (Note)	-	-	-	-	(6,524)	-	(6,524)
Exchange differences	-	-	-	-	104	-	104
As of 31 December 2018	$1,346	$1,829	$107,675	$1,268,708	$751,549	$517,865	$2,648,972
Depreciation and impairment:							
As of 1 January 2018	$-	$305	$48,523	$278,559	$344,325	$-	$671,712
Depreciation	-	26	16,203	60,949	69,926	-	147,114
Disposals	-	-	(17,761)	(2,018)	(6,187)	-	(25,966)
Loss of control (Note)	-	-	-	-	(2,422)	-	(2,422)
Exchange differences	-	-	-	-	40	-	40
As of 31 December 2018	$-	$331	$46,965	$337,490	$405,682	$-	$790,478
Net carrying amount:							
As of 31 December 2018	$1,346	$1,488	$60,710	$931,218	$345,867	$517,865	$1,858,494

(4) 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.

(5) The Group's Property, plant and equipment are not capitalized from financial costs.

(6) As of 31 December, 2019 and 2018, property, plant and equipment were not pledged.

(8) Investment property

	Lands	Buildings	Right-of-use assets (Note2)	Total
Cost:				
As of 1 January 2019	$7,183,789	$6,270,045	$-	$13,453,834
Additions from subsequent expenditure	-	-	-	-
Additions from adoption of IFRS 16	-	-	306,104	306,104
Disposals	(100,068)	(188,489)	-	(288,557)
Transfers	(1,538,209)	(1,061,357)	-	(2,599,566)
As of 31 December 2019	$5,545,512	$5,020,199	$306,104	$10,871,815

As of 1 January 2018	$5,591,358	$10,246,622	$-	$15,837,980
Additions from subsequent expenditure	-	-	-	-
Disposals	(62,446)	(192,351)	-	(254,797)
Transfers	1,654,877	787,629	-	2,442,506
Loss of control (Note1)	-	(4,654,871)	-	(4,654,871)
Exchange differences	-	83,016	-	83,016
As of 31 December 2018	$7,183,789	$6,270,045	$-	$13,453,834
Depreciation and impairment:				
As of 1 January 2019	$-	$2,321,669	$-	$2,321,669
Depreciation	-	181,691	52,977	234,668
Disposals	-	(46,279)	-	(46,279)
Transfers	-	(283,121)	-	(283,121)
As of 31 December 2019	$-	$2,173,960	$52,977	$2,226,937
As of 1 January 2018	$-	$2,854,599	$-	$2,854,599
Depreciation	-	270,432	-	270,432
Disposals	-	(80,903)	-	(80,903)
Loss of control (Note1)	-	(736,091)	-	(736,091)
Exchange differences	-	13,631	-	13,631
As of 31 December 2018	$-	$2,321,668	$-	$2,321,668
Net carrying amount:				
As of 31 December 2019	$5,545,512	$2,846,239	$253,127	$8,644,878
As of 31 December 2018	$7,183,789	$3,948,377	$-	$11,132,166

Note 1 : The Group disposed of the entire equity of Golden Gate Investment Company Limited, Lotus Investment Company Limited on July 6, 2018, and consequently lost its control of Golden Gate Pacific Company Limited, Lotus Pacific Company Limited, Shanghai Lujing Real Estate Limited and Jiaheng (Shanghai) Real Estate Limited.

Note 2 : The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$249,783	$422,151
Less:		
Direct operating expenses from investment property generating rental income	(94,251)	(222,169)
Direct operating expenses from investment property not generating rental income	(13,024)	(24,724)
Total	$142,508	$175,258

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$13,215,287 thousand and NT$ NT$19,169,793 thousand as of December 31, 2019 and 2018, 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.

(9) Intangible assets

	Computer softwares	Trademark	Total
Cost:			
As of 1 January 2019	$126,003	$4,456	$130,459
Addition-acquired separately	11,344	279	11,623
Disposals	-	-	-
Retirement	(812)	-	(812)
Exchange differences	(1)	-	(1)
Transfers	4,355	126	4,481
As of 31 December 2019	$140,889	$4,861	$145,750
As of 1 January 2018	$122,883	$4,382	$127,265
Addition-acquired separately	3,120	74	3,194
Disposals	-	-	-
Transfers	-	-	-
As of 31 December 2018	$126,003	$4,456	$130,459

	Computer softwares	Trademark	Total
Amortization and impairment:			
As of 1 January 2019	$106,254	$3,789	$110,043
Amortization	11,989	321	12,310
Disposals	-	-	-
Retirement	(812)	-	(812)
Exchange differences	(1)	-	(1)
As of 31 December 2019	$117,430	$4,110	$121,540
As of 1 January 2018	$91,547	$2,710	$94,257
Amortization	14,707	1,079	15,786
Disposals	-	-	-
Exchange differences	-	-	-
As of 31 December 2018	$106,254	$3,789	$110,043
Net carrying amount:			
As of 31 December 2019	$23,459	$751	$24,210
As of 31 December 2018	$19,749	$667	$20,416

Amortization expense of intangible assets were as follow:

	For the years ended December 31,	
	2019	2018
Operating expenses	$8,329	$10,361
Operating costs	$3,981	$5,425

(10) Other non-current assets

	As of December 31,	
	2019	2018
Land Held for Construction Site	$18,425	$18,425
Prepaid expense - land and equipment	1,431	9,814
Refundable deposits	941,709	1,030,681
Other non-current assets - other	25,490	17,302
Total	$987,055	$1,076,222

As of December 31, 2019 and 2018, the above land was temporarily registered under a third party's name:

	As of December 31,				
Items	2019	2018	Type	Purpose	Securities
Land Serial NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	$18,425	$18,425	Purchases / Sales	Development	Mortgage setting and Commitment

(11) Short-term loans

	As of December 31,	
	2019	2018
Unsecured bank loans	$7,013,000	$8,715,000
Secured bank loans	250,000	-
Total	$7,263,000	$8,715,000
Interest Rate	0.85%~1.26%	0.78%~1.40%

The Group's unused short-term lines of credits amounted to NT$17,540,290 thousand, and NT$15,663,405 thousand as of December 31, 2019 and 2018, respectively.

Please refer to Note 8 for investment property pledged as collateral for short-term loans.

(12) Short-term notes payable

	As of December 31, 2019	As of December 31, 2018
Short-term notes and bills payable	$1,035,000	$260,000
Less: unamortized discount	(460)	-
Short-term notes and bills payable	$1,034,540	$260,000
Interest Rate	0.43%~1.42%	1.34%

(13) Bonds payable

	As of December 31, 2019	As of December 31, 2018
Domestic secured bonds	$3,000,000	$3,000,000
Less: current portion	(3,000,000)	-
Long-term bonds payable	$-	$3,000,000

On July 24, 2015, the Group issued the first domestic guaranteed corporate bonds with a total denomination of NT$3,000,000 thousand. The issuance period is five-year. The interest on this corporate bond is a fixed annual interest rate of 1.4%, paying interest once a year, and repaying the loan due day.

(14) Long-term loans

Details of long-term loans are as follows:

	As of December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$7,564,000	0.9%~1.18%	From January 2019 to July 2022, repayments due day.
Long-term notes payable	538,682	0.43%~1.2%	From December 2018 to September 2021, repayments due day.
Subtotal	8,102,682		
Less: current portion	(3,000,000)		
Total	$5,102,682		

	As of December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$4,910,000	1.15%~1.28%	From October 2016 to December 2021, repayments due day.
Long-term notes payable	695,285	0.62%~1.42%	From August 2018 to September 2021, repayments due day.
Subtotal	5,605,285		
Less: current portion	4,200,000		
Total	$1,405,285		

(15) Retirement employment benefits

A. Defined contribution plan

The defined contribution plan of the Group's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Group makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

Subsidiaries in China are required to pay pension insurance premiums according to the local government's laws and regulations, paying a certain proportion of the total salary of the employees. A Certain proportion of the total salary of the employees is paid to the relevant government department, and saved in separate accounts of each employee.

Other foreign subsidiaries of the Group provide pensions to relevant pension management undertakings in accordance with local laws and regulations.

For the years ended December 31, 2019 and 2018, the expenses related to defined contribution plan amounted to NT$29,438 thousand and NT$20,478 thousand respectively.

B. Defined benefits plan

The defined benefit plan of the Group's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Group contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Group should make up the difference before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Group is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2019, the amount of contribution expected to be made in the following accounting year is NT$4,254 thousand.

As of December 31, 2019 and 2018, the average duration of defined benefit obligation of the Group were expected to be 14.2 years and 15.2 years.

Amounts to be recognized in profit or loss for the years ended 2019 and 2018 are summarized as follows:

	For the year ended December 31,	
	2019	2018
Current period service cost	$7,587	$9,330
Net interest on the net defined benefit liability (asset)	811	1,264
Subtotal	$8,398	$10,594

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

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Present value of defined benefit obligation	$184,927	$182,065	$208,431
Fair value of plan assets	(86,541)	(89,715)	(87,021)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$98,386	$92,350	$121,410

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, 2018	$208,431	$(87,021)	$121,410
Current service cost	9,330	-	9,330
Interest expense (income)	2,085	(821)	1,264
Subtotal	11,415	(821)	10,594
Remeasurement of defined benefit liabilities/assets			

Actual gains and losses arising from changes in financial assumptions	2,204	-	2,204
Experience adjustment	556	-	556
Return on plan assets	-	(8,129)	(8,129)
Subtotal	2,760	(8,129)	(5,369)
Payments from the plan	(40,541)	16,087	(24,454)
Contributions by employer	-	(9,831)	(9,831)
As of December 31, 2018	182,065	(89,715)	92,350
Current service cost	7,587	-	7,587
Interest expense (income)	1,656	(846)	810
Subtotal	9,243	(846)	8,397
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	4,222	-	4,222
Experience adjustment	8,079	-	8,079
Return on plan assets	-	(6,364)	(6,364)
Subtotal	12,301	(6,364)	5,937
Payments from the plan	(18,682)	14,650	(4,032)
Contributions by employer	-	(4,266)	(4,266)
As of December 31, 2019	$184,927	$(86,541)	$98,386

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

	As of December 31,	
	2019	2018
Discount rate	0.66%~0.78%	0.84%~1.10%
Expected rate of salary increases	1.00%~2.50%	1.00%~2.50%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 was as follow:

	As of December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$8,807	$-	$8,196
Discount rate decrease by 0.5%	9,387	-	9,551	-
Future salary increase by 0.5%	9,021	-	9,192	-
Future salary decrease by 0.5%	-	8,447	-	7,855

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 Group had 2,000,000 thousand authorized shares of which 1,159,561 thousand shares were both issued as of December 31,2019 and 2018, respectively, at par value of NT$10. Each share has one vote and the right to receive dividends.

(17) Capital surplus

	As of December 31,	
	2019	2018
Treasury share transactions	$10,407	$10,407
Others — Overdue dividends	21,221	15,376
Total	$31,628	$25,783

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 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 Group was NT$504,189 thousand. As of 31 December 2019, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

(a) Payments of all taxes, if any
(b) To offset prior year's deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a) and
(d) To set aside special reserve, if required
(e) The remaining amount (the "appropriable after-dividend earnings"), if any, combination with prior year's accumulated unappropriated earnings is appropriated based on the appropriation of shareholders' bonuses plan drafted by the board of directors under the ordinary shareholders' meeting.

In response to the changes in the economy and the markets, The Group 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 Group'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 2018 and 2017, the details of earnings distribution and dividends per share resolved by the shareholder's meeting on June 14, 2019 and resolved by the shareholder's meeting on June 8, 2018, were as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash Dividend per share (NT dollars)	
	2018	2017	2018	2017
Legal reserve	$360,961	$144,464		
Common stock － cash dividend	2,435,078	1,391,473	$2.1	$1.2

E. Please refer to Note 6.(24) for details of bonus to employees and directors.

F. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$266,813	$455,660
Net income (losses) attributed to the non-controlling interest	29,853	632,186
Other comprehensive income attributed to the non-controlling interest:		
Exchange differences resulting from translating the financial statements of a foreign operation	(30,525)	74,823
Remeasurements of defined benefit plans	(57)	(18)
Income tax (benefit) expense relating to items that will not be reclassified	-	3
Rights offering by subsidiary	-	4,982
Reduction of capital by subsidiary	(150,329)	(890,674)
Dividends distributing by subsidiary	(11,797)	(10,149)
Ending balance	$103,958	$266,813

(19) Operating revenues

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Rental income	$539,247	$642,772
Sales of buildings and land	9,296,499	12,400,858
Service income	1,717,128	1,147,342
Others	71,054	103,798
Total	$11,623,928	$14,294,770

Analysis of revenue from contracts with customers during December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

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
Sales of goods	-	70,341	70,341
Service income	-	1,717,128	1,717,128
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
	$9,675,900	$1,948,028	$11,623,928

For the year ended December 31, 2018

	Property and real estate Investment development department	Others	Total
Rental income	$386,193	$256,579	$642,772
Sales of buildings and lands	12,400,858	-	12,400,858
Sales of goods	-	69,813	69,813
Service income	-	1,147,342	1,147,342
Others	-	33,985	33,985
Total	$12,787,051	$1,507,719	$14,294,770

	Property and real estate Investment development department	Others	Total
Revenue recognition point:			
At a point in time	$12,400,858	$1,251,140	$13,651,998
Over time	386,193	256,579	642,772
	$12,787,051	$1,507,719	$14,294,770

B. Contract balances

Contract liabilities — current

	As of December 31,	
	2019	2018
Sales of goods	$3,526,415	$3,626,329
Service	49,508	25,283
Total	$3,575,923	$3,651,612

For the years ended 2019 and 2018, the movement in the contract liabilities are as follows:

	For the years ended December 31,	
	2019	2018
Revenue recognized during the year that was included in the balance at the beginning of the year	$(3,639,308)	$(4,504,886)
Increase in receipt in advance during the period	3,563,619	3,651,612

C. Assets recognized from the revenue from contracts with customers

	As of December 31,	
	2019	2018
Sales of goods	$671,760	$481,597

The amortized amount of the incremental cost of the Group's acquisition of the contract on December 31, 2019 and 2018 were NT$157,247 thousand and NT$213,332 thousand.

(20) Expected credit losses/(gains)

	For the years ended December 31,	
	2019	2018
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$32	$4,482

Please refer to Note 12 for information of credit risks.

The Group measured the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the the year ended December 31,2019 and 2018 was as follows:
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, details were as follow:

For the year ended December 31, 2019

Group 1	Neither	Past due					
	past due (Note)	Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$258,157	$1,735	$2,518	$41,777	$-	$-	$304,187
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	42	-	-	44
Subtotal	258,157	1,735	2,516	41,735	-	-	304,143

Group 2	Neither	Past due					
	past due (Note)	Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	2,299	-	-	-	-	-	2,299
Loss ratio	-	-	-	10%	30%	50%	
Lifetime expected credit losses	-	-	-	-	-	-	
Subtotal	2,299	-	-	-	-	-	2,299
Loss of control		-	-	-	-	-	
Total	$260,456	$1,735	$2,516	$41,735	$-	$-	$306,442

For the year ended December 31, 2018

Group 1	Neither	Past due					
	past due (Note)	Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$468,017	$4,377	$3,474	$9,531	$-	$-	$485,399
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	10	-	-	12
Subtotal	468,017	4,377	3,472	9,521	-	-	485,387

Group 2	Neither	Past due					
	past due (Note)	Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	18,591	-	-	4,218	5,537	4,625	32,971
Loss ratio	-	-	-	10%	30%	50%	
Lifetime expected credit losses	-	-	-	422	1,661	2,312	4,395
Subtotal	18,591	-	-	3,796	3,876	2,313	28,576
Loss of control	(17,836)	-	-	(3,796)	(3,876)	(2,313)	(27,821)
Total	$468,772	$4,377	$3,472	$9,521	$-	$-	$486,142

Note : The Group’s notes receivable was not overdue.

For the year ended December 31, 2019 and 2018, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Receivables
As of January 1, 2019	$12
Addition/(reversal) for the current period	32
Amounts write off during the period as uncollectible	-
As of December 31, 2019	$44
As of January 1, 2018 (in accordance with IAS 39)	$-
Adjusted retained earnings as of January 1, 2018	-
As of January 1, 2018 (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	4,482
Amounts write off during the period as uncollectible	-
Loss of control	(4,395)
Exchange differences	(75)
As of December 31, 2018	$12

(21) Operating lease

A. Operating lease commitments - Group as lessee (applicable to the disclosure requirement under IFRS 16)

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 asset

The carrying amount of right-of-use asset

	As of December 31,	
	2019	2018 (Note)
Land	$15,513	
Buildings	4,016,680	
Total	$4,032,193	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the additions to right-of-use assets of the Group amounting to NT$46,431 thousand.

(b) Lease liability

	As of December 31,	
	2019	2018 (Note)
Lease liability	$4,373,611	
Current	$290,712	
Non-current	4,082,899	

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

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Land	$4,542	
Buildings	320,897	
Total	$325,439	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expense relating to short-term leases	$98,327	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	1,550	
The expense relating to variable lease payments not included in the measurement of lease liabilities	4,971	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

As of December 31 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.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflow for leases amounting to NT$347,035 thousand.

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. The Group expects that, for every sales increase of NT$100 thousand, the rental payments will increase by NT$25 thousand.

B. Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group leased the office by operating lease.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note)	2018
Not later than 1 year		$444,043
Later than 1 year and not later than 5 years		1,602,781
Later than five years		4,862,147
Total		$6,908,971

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$341,314

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Group as lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6 (8) 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,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$539,247	
Income relating to variable lease payments that do not depend on an index or a rate	-	
	$539,247	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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 Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2019 are as follow:

	As of December 31,	
	2019	2018 (Note)
Not later than 1 year	$289,634	
Later than 1 year and not later than 2 years	287,267	
Later than 2 year and not later than 3 years	286,097	
Later than 3 year and not later than 4 years	284,910	
Later than 4 year and not later than 5 years	283,143	
Later than five years	511,739	
Total	$1,942,790	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments- Group as lessor (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial property leases with remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than 1 year		$374,340
Later than 1 year and not later than 5 years		1,451,539
Later than five years		602,216
Total		$2,428,095

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

Function / Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	$340,947	$323,889	$664,836	$259,528	$294,720	$554,248
Labor and health insurance	29,896	28,833	58,729	21,294	24,243	45,537
Pension	18,369	19,467	37,836	11,482	19,590	31,072
Other employee benefits expense	24,919	20,036	44,955	14,371	16,533	30,904
Depreciation and depletion	512,178	244,442	756,620	324,005	93,541	417,546
Amortization	3,981	8,329	12,310	5,425	10,361	15,786

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$1,509 thousand and NT$2,400, 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, 2019. The amount of employees’ compensation and directors' remuneration recognized in the year ended December 31, 2018 was NT$3,841 thousand and

NT$2,400 thousand, respectively. The estimated basis is based on the profit status of the current year. The aforementioned amounts were listed under salary expenses.

The Company's the board of director's meeting on March 21, 2019 resolved to distribute NT$3,841 thousand and NT$2,400 thousand of employee's and director's compensation in cash. There are no material differences exist between the estimated amount and the actual distribution.

(23) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income	$4,665	$7,297
Dividend income	97,167	152,719
Others	83,227	121,581
Total	$185,059	$281,597

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains (losses) on disposal and abandon of property, plant and equipment	$(2,496)	$(898)
Gains (losses) on disposal of investment	45,221	2,128,213
Foreign exchange gains (losses), net	223	43,310
Others	(15,626)	(24,529)
Total	$27,322	$2,146,096

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$23,837	$133,801
Interest on lease liabilities	117,493	(Note)
Total	$141,330	$133,801

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(24) Components of other comprehensive income

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 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	$332,146	$(1,440)	$330,706	$1,187	$331,893

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or losses:					
Remeasurements of defined benefit plans	$5,369	$-	$5,369	$(1,766)	$3,603
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(493,136)	-	(493,136)	-	(493,136)
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of foreign operations	93,307	135,567	228,874	-	228,874
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(287)	-	(287)	-	(287)
Total of other comprehensive income	$(394,747)	$135,567	$(259,180)	$(1,766)	$(260,946)

(25) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, The Group’s applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	$104,832	$40,155
Current land value increment tax charge	91,995	125,253
Adjustments in respect of current income tax of prior periods	3	44
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(26,850)	191,589
Deferred tax expense (income) relating to changes in tax rate	-	(89,858)
Total income tax expense (income)	$169,980	$267,183

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$1,187	$(1,074)
Deferred tax expense (income) relating to changes in tax rate	-	(692)
Total	$1,187	$(1,766)

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

	For the years ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	$1,570,338	$4,508,980
The parent company statutory income tax rate	$290,496	$798,553
Tax effect of revenues exempt from taxation	(266,525)	(798,111)
Tax effect of non-deductible expense	23,214	20,025
Tax effect of deferred tax assets/liabilities	(29,130)	211,277
5% surtax on undistributed retain earnings	59,927	-
Adjustments in respect of current income tax of prior periods	3	44
Current land value increment tax	91,995	125,253
Deferred tax expense (income) relating to changes in tax rate	-	(89,858)
Total income tax expense (income) recognized in profit or loss	$169,980	$267,183

Deferred tax assets (liabilities) relate to the following:

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	2,429	(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)

For the year ended December 31, 2018

	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	$(8,542)	$(1,507)	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	74,011	22,735	-	96,746
Depreciation difference for tax purpose － investment property	77,677	23,862	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,933	496	-	2,429
Investments Accounted for Using Equity Method	245,427	(162,361)	-	83,066
Unrealized intragroup profits and losses	98	22	-	120
Allowance for loss	1,071	329	-	1,400
Allowance for loss of inventories price falling	1,630	27,035	-	28,665
Non-current liability – Defined benefit Liability	15,125	790	(1,766)	14,149
Accrued expenses over two years transfer to revenue	5	2	-	7
Unrealized advertising fee	84,658	10,594	-	95,252
Unrealized repairing fee	524	-	-	524
Unrealized commission fee	12,176	(12,176)	-	-
Unused tax credits	103,890	(11,554)	-	92,336
Deferred tax income/ (expense)		$(101,733)	$(1,766)	
Net deferred tax assets/(liabilities)	$609,683			$506,184
Reflected in balance sheet as follows:				
Deferred tax assets	$618,225			$516,233
Deferred tax liabilities	$(8,542)			$(10,049)

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, 2019	2018	Expiration year
2012	$16,888	$16,888	$16,888	2013~2022
2013	65,058	65,058	65,058	2014~2023
2014	77,749	77,749	77,749	2015~2024
2015	183,168	183,168	183,168	2016~2025
2016	268,254	268,254	268,254	2017~2026
2017	448,004	188,708	448,849	2018~2027
2018	1,230,615	1,113,110	1,236,315	2019~2028
2019	273,928	273,728	-	2020~2029
		$2,186,663	$2,296,281	

Unrecognized deferred tax assets

As of 31 December 2019, and 2018, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$349,980 thousand and NT$374,969 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019, and 2018, the Group didn't have the taxable temporary differences associated with unrecognized deferred tax liabilities relating to the investment in subsidiaries.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Group and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017
Subsidiary- Cathay Real Estate Management Co., Ltd	Assessed and approved up to 2017
Subsidiary- Cathay Healthcare Management Co., Ltd	Assessed and approved up to 2017
Subsidiary- Cathay Hospitality Management Co., Ltd	Assessed and approved up to 2017

(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.

In view of the companies did not issue a potential ordinary share with dilution, the Group doesn't have to dilute the amount of the basic earnings per share.

	For the years ended December 31,	
	2019	2018
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$1,370,505	$3,609,611
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Basic earnings per share	$1.18	$3.11

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
CCH REIM Company Limited (CCH REIM)	Associate
Tailin Management Consulting Limited (Tailin Consulting)	Associate
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
Symphox Information Co., Ltd. (Symphox Information)	Others
Seaward Card Co., Ltd. (Seaward Card)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others

Significant transactions with the related parties

The Group's related party transactions would not be disclosed when amounts less than 3 million.

(1) Cash in banks and short-term loan

		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%	(1,160)

		For the year ended December 31, 2018			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	$8,822,992	$1,076,036	0.05%	$1,187
	Checking accounts	1,425,684	97,966	-	-
	Securities accounts	1,170,662	52,269	0.01%	7
	Time deposits	109,150	85,550	0.75%~1.02%	767
	Short-term loan	400,000	210,000	1.00%	-

(2) Purchase

Name of the related parties	Type	For the years ended December 31, 2019	2018
Others:			
San Ching Engineering	Building constructing or expansion	$1,467,349	$2,430,896
Cathay United Bank	Management fee of trust service	4,936	2,856
Total		$1,472,285	$2,433,752

A. The sales price to the above related parties was determined through agreement based on the market rates.

B. The total price of the commissioned construction and consultancy contracts signed by the Group and San Ching Engineering was NT$10,111,544 thousand and NT$11,899,255 thousand, respectively, for the year ended of 2019 and 2018.

(3) Sales

A. Rental Income

Name of the related parties	Type	For the years ended December 31, 2019	2018
Others:			
Cathay Life Insurance	Office and vehicles rental	$8,057	$8,056
Cathay United Bank	Office and vehicles rental	18,438	18,813
San Ching Engineering	Office and vehicles rental	3,388	2,540
Total		$29,883	$29,409

The rental period is 2 to 5 years and collect rent monthly which were ruled by the contract.

B. Service revenue

Name of the related parties	For the years ended December 31, 2019	2018
Others:		
Cathay Life Insurance	$41,358	$34,866
Cathay United Bank	20,097	26,084
Symphox Information	4,529	9,315
Total	$65,984	$70,265

The service revenues are generated from the subsidiary Cathay Healthcare Management provides health inspection services and Cathay Hospitality provides housing services.

(4) 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, 2019	2018
Others:		
Nangang One	$3,696	$-
Nangang Two	4,704	-
Total	$8,400	$-

(5) 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, 2019	2018
Others:		
San Ching Engineering	$210,853	$590,101
Cathay Life Insurance	1,693	4,556
Total	$212,546	$594,657

(6) Lease - related parties

A. Right-of-use assets

	As of December 31, 2019	2018 (Note)
Others:		
Cathay Life Insurance	$4,175,150	

The Company acquired right-of-use assets from Cathay Life Insurance was NT$185,758 thousand for the year ended December 31, 2019.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Lease liabilities

	As of December 31, 2019	2018
Others:		
Cathay Life Insurance	$4,267,238	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Interest expenses

	For the years ended December 31,	
	2019	2018 (Note)
Others:		
Cathay Life Insurance	$115,075	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(7) Others

A. Refundable deposits

Name of the related parties	Type	As of December 31, 2019	2018
Others:			
Cathay Life Insurance	Rent deposit	$22,707	$23,468

B. Guarantee deposit received

Name of the related parties	Type	As of December 31, 2019	2018
Others:			
Cathay United Bank	Rent deposit	$4,625	$4,608

(8) Other income

Name of the related parties	Items	For the years ended December 31, 2019	2018
Others:			
Cathay Life Insurance	Management fee and planning fee	$4,280	$3,688
Cathay United Bank	Management fee and planning fee	4,846	4,839
Nangang One	Consultancy service	7,040	14,080
Nangang Two	Consultancy service	8,960	17,920
Total		$25,126	$40,527

(9) Operating costs

Name of the related parties	Items	For the years ended December 31, 2019	2018
Others:			
Lin Yuan Property	Management and repairing fee	$38,656	$45,976
Cathay Century Insurance	Insurance fee	6,182	6,383
Cathay Life Insurance	Rental expenses	2,927	180,551
Cathay Life Insurance	Management fee	69,490	60,528
Symphox Information	Others	3,677	3,452
Associate:			
Tailin Consulting	Consultancy fee	-	9,573
Total		$120,932	$306,463

(10) Operating expenses

Name of the related parties	Items	For the years ended December 31, 2019	2018
Others:			
Seaward Card	Temporary worker service	$3,655	3,094
Cathay Life Insurance	Insurance and selling expenses	16,317	10,866
San Ching Engineering	Service fee	10,901	6,173
Cathay United Bank	Sales fee	3,040	1,059
Associate:			
CCH REIM	Service fee	-	15,410
Total		$33,913	$36,602

(11) Property transactions

Details of The Group and its subsidiaries transacting equipment to related parties are as follows:

For the year ended December 31,2019

Name of the related parties	Date	Subject matter	Purchasing price
Others:			
Lin Yuan Property	November, 2019	Business facilities for building	$7,759

For the year ended December 31,2018

Name of the related parties	Date	Subject matter	Purchasing price
Others:			
Cathay Life Insurance	August, 2018	Business facilities for building	$452,540

(12) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$57,424	$52,063
Post-employment benefits	1,186	1,034
Total	$58,610	$53,097

8. PLEDGED ASSETS

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

	As of December 31,		
Items	2019	2018	Secured liabilities
Inventories	$3,897,159	$5,320,359	Short-term loan & Long-term loan
Investment property	8,057,172	8,057,172	Short-term loan & Long-term loan
Total	$11,954,331	$13,377,531	

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

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

As of December 31, 2019, the total contract price of the construction contracts signed by the Group and non-related parties was NT$9,077,395 thousand, and the total amount of NT$6,787,583 thousand was not paid, except for Note 7.(2).

(2) Others

As of December 31, 2019, guarantee notes issued for borrowings (financing) were NT$43,904,300 thousand.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial Assets	As of December 31, 2019	As of December 31, 2018
Financial assets at fair value through other comprehensive income	$4,689,335	$4,258,837
Financial assets at amortised cost	2,456,953	2,526,311
Total	$7,146,288	$6,785,148

Financial Liabilities	As of December 31, 2019	As of December 31, 2018
Financial liabilities at amortized cost:		
Short-term borrowings	$7,263,000	$8,715,000
Short-term notes and bills payable	1,034,540	260,000
Accounts payables	1,372,516	1,801,378
Bonds payable (including current portion)	3,000,000	3,000,000
Long-term borrowings (including current portion)	8,102,682	5,605,285
Lease liabilities	4,373,611	(Note)
Guarantee deposit received	141,063	142,239
Total	$25,287,412	$19,523,902

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the above-mentioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group 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 foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for a foreign currency, USD and CNY. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 5%, the equity for the year ended December 31, 2019 and 2018 is decreased/increased by NT$0 thousand and NT$110 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$8,298 thousand and NT$8,975 thousand for the years ended December 31, 2019 and 2018, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. 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$105,190 thousand and NT$101,834 thousand for the year ended December 31, 2019 and December 31, 2018 on the profit/loss or equity attributable to the Group.

Please refer to Note 12.(7) 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 receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group’s internal rating criteria etc. Certain counter parties’ credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019, and 2018, accounts receivable from top ten customers represented low percentage of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group’s treasury department in accordance with the Group’s policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group’s objective is to maintain a balance between continuity of funding and flexibility using cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group’s financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	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	290,712	578,106	466,726	3,038,067	4,373,611
Guarantee deposits	34,522	38,524	11,244	56,773	141,063

	As of December 31, 2018				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	$13,224,350	$1,413,817	$-	$-	$14,638,167
Accounts payable	1,801,378	-	-	-	1,801,378
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	34,516	30,156	16,980	60,587	142,239

(6) Reconciliations of the liabilities from financing activities

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	$5,605,285	$4,404,063	$18,984,348
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	$7,263,000	$1,034,540	$8,102,682	$4,373,611	$20,773,833

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

Reconciliations of the liabilities for the year ended December 31, 2018:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Total liabilities from financing activities
As of January 1, 2018	$5,779,000	$879,529	$14,535,275	$21,193,804
Cash flows	2,936,000	(619,529)	(3,785,554)	(1,469,083)
Transfer	-	-	(5,144,436)	(5,144,436)
As of December 31, 2018	$8,715,000	$260,000	$5,605,285	$14,580,285

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.
(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
(c) Fair value of other financial assets and liabilities are determined based on the discounted cash flow analysis. The assumption of interest rate and discount rate were based on relevant information of similar instrument and using interest rate yield curve for the contract period

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value hierarchy

The following table provides financial instrument analysis information measured at fair value after the original recognition, and divide the fair value into the following three levels of disclosure:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liabilities.

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

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,620,886	$1,318,200	$319,751	$4,258,837

The group had no recurring assets and liabilities transfer between level 1 input and level 2 input for the year ended December 31, 2019 and 2018.

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

	Asset
	At fair value through other comprehensive income
	Stocks
As of January 1, 2019	$319,751
Amount recognized in OCI	1,641
Disposals	(3,248)
As of December 31, 2019	$318,144

	Asset
	At fair value through other comprehensive income
	Stocks
As of January 1, 2018	$343,174
Amount recognized in OCI	(23,423)
As of December 31, 2018	$319,751

Total gains and losses recognized in profit or loss for the years ended 31 December 2019 and 2018 is the amount of NT$1,641 thousand and NT$(23,423) thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets： Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$18,863 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$18,609 thousand

As of December 31, 2018:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets： Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$22,309 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$16,401 thousand

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31,					
	2019			2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$-	30.201	$-	$71	30.838	$2,204
CNY	-	-	-	-	-	-
Financial liabilities						
Monetary items:						
EUR	-	-	-	-	-	-

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: None

C. Securities held as of December 31, 2019 (excluding 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.

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: 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: Please refer to Table 5.

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 6.

(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, 2019 (Investee information): Please refer to Table 7.

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 8.

(3) Investment in Mainland China as of December 31, 2019

Please refer to Table 9.

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

Information for the year ended December 31, 2019

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$9,675,900	$1,948,028	$-	$11,623,928
Inter-segment	60,709	2,217	(62,926)	-
Total revenue	$9,736,609	$1,950,245	$(62,926)	$11,623,928
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	-
Other material non-cash items:				
Loss (gain) on disposal of investments	-	45,221	-	45,221
Dividend income	97,167	-	-	97,167
Segment profit	$1,504,687	$(59,504)	$125,155	1,570,338
Assets				
Capital expenditure of non-current assets	$10,965,126	$2,331,558	$(13,374)	$13,283,310
Segment assets	$47,614,997	$8,797,840	$(2,676,707)	$53,736,130
Liabilities				
Investment Accounted for Using Equity Method(Credit)	$(1,542,646)	$(121,155)	$1,663,801	$-
Segment liabilities	$23,236,905	$7,054,337	$(1,037,162)	$29,254,080

Information for the year ended December 31, 2018

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$12,787,051	$1,507,719	$-	$14,294,770
Inter-segment	25,474	4,559	(30,033)	-
Total revenue	$12,812,525	$1,512,278	$(30,033)	$14,294,770
Interest expense	$1,905	$131,896	$-	$133,801
Depreciation and Amortization	191,330	242,043	(41)	433,332
Loss (gain) of investments accounted for using equity method	1,218,883	897,398	(2,129,426)	(13,145)
Other material non-cash items:				
Loss (gain) on disposal of investments	-	2,128,213	-	2,128,213
Dividend income	152,719	-	-	152,719
Segment profit	$3,834,808	$2,803,598	$(2,129,426)	$4,508,980
Assets				
Capital expenditure of non-current assets	$11,190,073	$1,834,418	$(13,415)	$13,011,076
Segment assets	$46,692,101	$4,134,558	$(2,055,271)	$48,771,388
Liabilities				
Investment Accounted for Using Equity Method(Credit)	$(1,652,433)	$(378,558)	$2,033,129	$2,138
Segment liabilities	$21,617,365	$1,824,633	$(12,159)	$23,429,839

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' section. All other adjustments and eliminations are part of detailed reconciliations presented further below.

(2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue:

	For the years ended December 31,	
	2019	2018
Total revenue from reportable segments	$9,736,609	$12,812,525
Other revenue	1,950,245	1,512,278
Elimination of inter-segment revenue	(62,926)	(30,033)
Total revenue	$11,623,928	$14,294,770

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B. Profit or loss:

	For the years ended December 31,	
	2019	2018
Net income from reportable segments	$1,504,687	$3,834,808
Other profit	(59,504)	2,803,598
Elimination of inter-segment profit	125,155	(2,129,426)
Net income from continuing operations	$1,570,338	$4,508,980

C. Assets:

	As of December 31,	
	2019	2018
Total assets of reportable segments	$47,614,997	$46,692,101
Other assets	8,797,840	4,134,558
Adjustment and elimination	(2,676,707)	(2,055,271)
Segment assets	$53,736,130	$48,771,388

D. Liabilities:

	As of December 31,	
	2019	2018
Total liabilities of reportable segments	$23,236,905	$21,617,365
Other liabilities	7,054,337	1,824,633
Adjustment and elimination	(1,037,162)	(12,159)
Segment liabilities	$29,254,080	$23,429,839

E. Other material items:

For the year ended December 31, 2019

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$2,613	$2,052	$-	$4,665
Interest expense	9,911	159,413	(27,994)	141,330
Capital expenditure for non-current assets	10,965,126	2,331,558	(13,374)	13,283,310
Depreciation and amortization	212,904	612,672	(56,646)	768,930

For the year ended December 31, 2018

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$734	$6,563	$-	$7,297
Interest expense	1,905	131,896	-	133,801
Capital expenditure for non-current assets	11,190,073	1,834,418	(13,415)	13,011,076
Depreciation and amortization	191,330	242,043	(41)	433,332

The reconciling item to adjust capital expenditures for non-current assets is the amount incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are material.

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

Table 1: Endorsement/guarantee provided to others

Unit: NT$1,000

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage	Limit on the Endorsement/Guarantee Amount	Parent Company Endorsed / Guaranteed for the Subsidiaries	Subsidiaries Endorsed/ Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
		Company Name	Relationship (Note2)										
1	Cathay healthcare management co.,Ltd	Hangzhou Kunning Health Consulting Limited	3	$7,313,428	$60,212	$30,106	$-	$-	0.12%	$14,626,855	Y	N	Y
Note	A. Limit of the Endorsement / Guarantee Amount for Receiving Party：NT$24,378,092 thousand *30% B. Limit on the Endorsement/Guarantee Amount：NT$24,378,092 thousand*60%												

Note1： The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2： Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 50% voting shares by the company.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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Table 2: Securities held as of December 31, 2019 (not including subsidiaries, associates and joint ventures)

Unit: NT$1,000 ; Share

Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock － Cathay Financial holdings Co., Ltd	Others	Financial assets at fair value through other comprehensive income–current	57,681,332	$2,454,341	0.44%	$2,454,341	
〃	Stock － Lin Yuan Property Management Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	300,000	9,882	10.00%	9,882	
〃	Stock － Symphox Information Co., Ltd	Others	〃	5,489,000	54,670	11.00%	54,670	
〃	Stock － Taiwan Star Telecom Co., Ltd	None	〃	195,000,000	1,916,850	4.23%	1,916,850	
〃	Stock － Gong Cheng Industrial Co.	None	〃	1,580,083	-	3.23%	-	
〃	Stock － Gian Feng Investment Co., Ltd.	None	〃	2,000,000	26,160	10.00%	26,160	
〃	Stock － MetroWalk international Co., Ltd	None	〃	3,448,276	77,379	1.72%	77,379	
〃	Stock － Budworth Investments Limited	None	〃	30,314	45	3.33%	45	
〃	Stock － Nangang International One Co., Ltd.	Others	〃	7,485,000	74,957	4.99%	74,957	
〃	Stock － Nangang International Two Co., Ltd.	Others	〃	7,485,000	74,751	4.99%	74,751	

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

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

Table 3: Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of paid-in capital:

Unit: NT$1,000

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As January 1, 2019		Purchase (Note 3)		Sell (Note 3)				As December 31, 2019	
					Shares	Amount	Shares	Amount	Shares	Price	Book Cost	Gain / Loss	Shares	Amount
The Company	The stocks of Cathay hospitality consulting Co., Ltd	Investments Accounted for Using Equity Method	Cathay hospitality consulting Co., Ltd	Subsidiary	45,000,000	$450,000	30,000,000	$300,000	-	$-	$-	$-	75,000,000	$750,000

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

Note 2：If the securities listed above are investments accounted for using the equity method, fill in the second column.

Note 3：The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4：The Company' s paid-in capital means the parent's paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

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

Table 4: Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital:

Unit: NT$1,000

Company	Property Name	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	Land Serial No. 269, Sanmin Section, Taoyuan District, Taoyuan City	2019.1.25	$400,500	Installment by agreement	Individual	None	-	-	-	$-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 83, Sanmin Section, Taoyuan District, Taoyuan City	2019.7.3	769,482	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 80, Ruanciao Section, Beitou District, Taipei City	2019.7.15	583,148	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 139、No. 139-1、No. 141, Hueiyi Section, Nantun District, Taichung City and Building Serial No. 427	2019.10.1	1,191,519	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None

Table 5: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit: NT$1,000

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts payable	
The Company	San Ching Engineering Co., Ltd	Affiliated Company	Construnction-in-progress	$1,467,349	19.22%	N/A	$-	-	$210,853	24.22%	Residential building

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

Table 6: Significant intercompany transactions between consolidated entities

Unit: NT$1,000

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Cathay Hospitality Consulting Co., Ltd.	1	Rental income	$95	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd.	1	Accounts receivable	8	Regular	-
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Deferred credits-gains on inter-affiliate accounts	13,374	Regular	0.12%
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Cost of rental sales	1,800	Regular	0.02%
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Rental income	108	Regular	-
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Accounts receivable	34	Regular	-
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Entertainment	25	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Entertainment	365	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Rental income	162	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Accounts receivable	36	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Advertisement	27	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Investment property-land	12,813	Regular	0.02%
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Investment property-buildings	847	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Accumulated Depreciation-Investment property	286	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Cost of rental sales	41	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Service income	1,800	Regular	0.02%
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Accounts payable	34	Regular	-
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Rent	108	Regular	-
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Service income	25	Regular	-
3	Cathay Hospitality Consulting Co., Ltd.	The Company	2	Accounts payable	8	Regular	-
3	Cathay Hospitality Consulting Co., Ltd.	The Company	2	Rent	95	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Accounts payable	36	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Rent	162	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Guest room income	392	Regular	-

Note1：The Company and its subsidiaries are coded as follows：
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:
(1) The Company to subsidiaries is coded "1".
(2) Subsidiaries to The Company is coded "2".
(3) Subsidiaries to Subsidiaries is coded "3".

Note3： The caculation for the Percentage of consolidated total operating revenues or total assets, if it recognized to assets or liabilities and it should be calualted by the ending balance for the consolidated assets. If it recoginzed to profit or loss and it should be caculated by the ending balance for the consolidated revenue.

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Table 7: Securities held as of December 31, 2019 (Investee information)

Unit: NT$1,000 ; Share

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December,31 2019				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay Hospitality Management Co., Ltd.	Stocks Nangang International One Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	15,000	$150	0.01%	$150	
〃	Stocks Nangang International Two Co., Ltd.	Others	〃	15,000	150	0.01%	150	

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

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Table 8: Names, locations and related information of investee companies as of December 31, 2019 (excluding Mainland China)

Unit: NT$1,000 ; USD$1,000 ; Share

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, 2019	Balance at December 31, 2018	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$242,747 (USD 9,592)	$597,409 (USD 21,052)	9,591,891	100.00%	$9,449	$29,290	$29,290	Subsidiary
The Company	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	117,650	33,460	33,460	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	579,491	109,864	93,385	Subsidiary
The Company	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	400,000	400,000	40,000,000	100.00%	160,854	(87,024)	(79,041)	Subsidiary
The Company	Cathay Hospitality Consulting Co., Ltd.	ROC	Service industry	750,000	450,000	75,000,000	100.00%	576,223	(143,120)	(126,851)	Subsidiary
The Company	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	100,000	-	10,000,000	100.00%	98,979	(1,021)	(1,021)	Subsidiary
Cathay Healthcare Management Co., Ltd.	Cathay Healthcare Management Limited(BVI)	British Virgin Islands	General trade and investing	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,004 (USD 464)	(24,134) (USD 780)	-	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	80,000	-	8,000,000	100.00%	79,837	(163)	-	Second-tier subsidiary
Cathay Real Estate Holding Corporation	CCH REIM Company Limited	Cayman Islands	Investing	- (USD -)	$20,120 (USD 687)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	2,641 (USD 90)	574,206 (USD 19,580)	7,758	66.67%	3,390 (USD 112)	40,124 (USD 1,297)	-	Second-tier subsidiary
CCH REIM Company Limited	CCH REIM (HK) Company Limited	Hong Kong	Investing	- (USD -)	$474,138 (USD 15,187)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Healthcare Management Limited(BVI)	Cathay Healthcare Management Limited(Cayman)	Cayman Islands	Business management	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,002 (USD 464)	(24,134) (USD 780)	-	Third-tier subsidiary

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.
Note 2: If not belong to Note 1, filled in by the following rules:
(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.
(2) In"Investees company net income" column should filled in each investee net income.
(3) In"Share of Profits/Losses"column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss.
Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

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Table 9: Investment in Mainland China as of December 31, 2019

Unit: NT$1,000 ; USD$1,000

Investee company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow (Note3)						
Tailin Management Consulting (Shanghai) Limited	Business management	$225,604 (USD 7,300)	(2) CCH REIM (HK) Company Limited	$8,945 (USD 300)	$-	$-	$8,945 (USD 300)	$-	0.00%	$- (b).2	$-	$-
Jiaheng (Shanghai) Real Estate Limited	Investing	$1,971,132 (USD 66,628)	(2) Lotus Pacific Company Limited	$157,691 (USD 5,330)	-	$157,691 (USD 5,330)	- -	-	0.00%	- (b).2	-	-
Shanghai Lujing Real Estate Limited	Investing	$2,064,902 (USD 69,057)	(2) Golden Gate Pacific Company Limited	$284,415 (USD 9,550)	-	$284,415 (USD 9,550)	- -	-	0.00%	- (b).2	-	-
Hangzhou Kunning Health Consulting Limited.	Consultancy	$103,122 (USD 3,400)	(1)	$78,469 (USD 2,600)	$24,653 (USD 800)	-	$103,122 (USD 3,400)	(28,370)	85%	(24,115) (b).2	8,432	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$112,067 (USD 3,700)	$4,294,039 (USD 142,182)	$14,626,855

Note1: The methods for engaging in investment in Mainland China include the following:
(1) Directly invested in China
(2) Investment in Mainland China companies through a company invested and established in a third region
(3) Other method

Note2: Investees company net income:
(a) If the investees is uder preparation, should take note.
(b) If the investees' net income is base on these three condition, should take note.
(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.
(2) The investes' finance statement has certification by the parenent company in Taiwan.
(3) Others.

Note3: Tailin Management Consulting (Shanghai) Limited was loss of control due to the disposal of CCH REIM Company Limited by Cathay Real Estate Holding Corporation. Please refer 6.(6) for more details.
The investment amount recovered in JJiaheng (Shanghai) Real Estate Limited . and Shanghai Lujing Real Estate Limited. has been repatriated.
The relevant documents were approved by the Investment Commission, MOEA on July 2, 2019.