

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.
AND SUBSIDIARIES
Consolidated Financial Statements
For the Years Ended
December 31, 2021 And 2020
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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

We also assess whether the Company properly disclose information relating the construction income of financial statement. Please refer Note 4 and Note 6.

Valuation of Construction Land

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

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

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

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 2021 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Hsu, Jung Huang
Ma, Chun Ting
Ernst & Young, Taiwan
March 15, 2022

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31, 2021		December 31, 2020	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Assets					
1100	Cash and cash equivalents	4, 6(1) & 7	\$3,937,378	6	\$3,395,624	6
1120	Financial assets at fair value through other comprehensive income-current	4 & 6(2)	3,605,083	5	2,437,036	4
1150	Notes receivable, net	4 & 6(3),(19)	20,905	-	32,406	-
1170	Accounts receivable, net	4, 6(4),(19)	465,124	1	466,058	1
1180	Accounts receivable-related parties, net	4, 6(4),(19) & 7	8,131	-	5,420	-
1200	Others receivables		33,663	-	30,590	-
1220	Current tax assets	4	15	-	61	-
130x	Inventories	4, 6(5) & 7	35,979,820	53	28,989,058	48
1410	Prepayments		502,896	1	451,391	1
1470	Others current assets	7	146,713	-	112,196	-
1480	Incremental costs of obtaining contracts-current	4, 6(5),(18)	885,612	1	633,029	1
11xx	Total current assets		45,585,340	67	36,552,869	61
	Non-current Assets					
1517	Financial assets at fair value through other comprehensive income-non-current	4 & 6(2)	2,201,412	3	2,074,370	3
1600	Property, plant and equipment	4 & 6(6)	4,764,306	7	5,197,866	9
1755	Right-of-use assets	4, 6(20) & 7	5,180,713	8	5,133,962	9
1760	Investment properties, net	4 & 6(7)	8,225,203	12	8,369,250	14
1780	Intangible assets	4 & 6(8)	37,564	-	33,407	-
1840	Deferred tax assets	4 & 6(24)	494,848	1	479,335	1
1900	Other non-currents assets	6(9) & 7	1,746,760	2	1,655,869	3
15xx	Total non-currents assets		22,650,806	33	22,944,059	39
1xxx	Total Assets		\$68,236,146	100	\$59,496,928	100

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
Code	Items	Notes	Amounts	%	Amounts	%
	Current Liabilities					
2100	Short-term loans	4, 6(10) & 7	\$11,460,000	17	\$7,351,000	12
2110	Short-term notes payable	4 & 6(11)	3,629,296	5	3,090,501	5
2130	Contract liabilities-current	4 & 6(18)	5,285,520	8	4,506,622	8
2150	Notes payable		173,866	-	60,802	-
2170	Accounts payable		934,058	1	1,028,322	2
2180	Accounts payable-related parties	7	14,957	-	50,716	-
2200	Other payables		633,983	1	1,163,616	2
2230	Current tax liabilities	4	23,400	-	56,243	-
2280	Lease liabilities-current	4, 6(20) & 7	424,081	1	349,495	1
2300	Other current liabilities		1,061,146	2	100,958	-
2320	Long-term loans-current portion	4 & 6(12)	1,500,000	2	5,400,000	9
21xx	Total current liabilities		25,140,307	37	23,158,275	39
	Non-Current Liabilities					
2540	Long-term loans	4 & 6(12)	11,302,685	16	5,509,741	9
2570	Deferred tax liabilities	4 & 6(24)	10,049	-	10,049	-
2580	Lease liabilities-non-current	4, 6(20) & 7	5,196,199	8	5,160,464	9
2600	Other non-current liabilities	6(13) & 7	252,071	-	259,271	-
25xx	Total non-current liabilities		16,761,004	24	10,939,525	18
2xxx	Total Liabilities		41,901,311	61	34,097,800	57
	Equity attributable to stockholders of the parent	4				
3100	Capital stock					
3110	Common stock	6(14)	11,595,611	17	11,595,611	20
3200	Capital surplus	6(15)	38,846	-	39,515	-
3300	Retained earnings	6(16)				
3310	Legal capital reserve		4,638,904	7	4,489,507	7
3320	Special capital reserve		504,189	1	504,189	1
3350	Unappropriated retained earnings		7,191,237	10	7,652,656	13
	Total retained earnings		12,334,330	18	12,646,352	21
3400	Other equity		1,468,825	2	173,746	-
31xx	Total equity attributable to stockholders of the parent		25,437,612	37	24,455,224	41
36xx	Non-controlling interests	6(17)	897,223	2	943,904	2
3xxx	Total Equity		26,334,835	39	25,399,128	43
	Total Liabilities and Equity		\$68,236,146	100	\$59,496,928	100

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(7),(18),(20) & 7	\$12,476,018	100	\$13,973,611	100
5000	Operating costs	4, 6(5),(7),(8),(13),(20),(21) & 7	(9,755,584)	(78)	(10,814,849)	(77)
5900	Gross margin		2,720,434	22	3,158,762	23
6000	Operating expenses	4, 6(7),(8),(13),(20),(21) & 7				
6200	Administrative expenses		(1,844,704)	(15)	(1,607,467)	(12)
6450	Expected credit profit (loss)	4 & 6(19)	(40)	-	34	-
	Total operating expenses		(1,844,744)	(15)	(1,607,433)	(12)
6900	Operating income		875,690	7	1,551,329	11
7000	Non-operating income and expenses	4, 6(22) & 7				
7100	Interest income		2,923	-	3,083	-
7010	Other income		307,908	3	276,733	2
7020	Other gains or losses		(6,661)	-	73,854	1
7050	Finance costs		(250,969)	(2)	(219,715)	(2)
	Total non-operating income and expenses		53,201	1	133,955	1
7900	Income before Income tax		928,891	8	1,685,284	12
7950	Income tax (expense) benefit	4 & 6(24)	(85,391)	(1)	(168,497)	(1)
8200	Net income		843,500	7	1,516,787	11
8300	Other Comprehensive Income	6(23),(24)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		(856)	-	(3,934)	-
8316	Valuation gain (losses) on equity instruments at fair value through other comprehensive income		1,295,089	10	(164,942)	(1)
8349	Income tax related to items not be reclassified to profit or loss in subsequent periods		172	-	786	-
8360	To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of foreign operations		-	-	(88,222)	(1)
	Other comprehensive (losses) income, net of tax		1,294,405	10	(256,312)	(2)
8500	Total comprehensive (losses) income		\$2,137,905	17	\$1,260,475	9
8600	Net income (losses) attributable to:					
8610	Shareholders of the parent		\$847,539	7	\$1,483,980	11
8620	Non-controlling interests		(4,039)	-	32,807	-
			\$843,500	7	\$1,516,787	11
8700	Total comprehensive income (losses) attributable to:					
8710	Shareholders of the parent		\$2,142,618	17	\$1,228,806	9
8720	Non-controlling interests		(4,713)	-	31,669	-
			\$2,137,905	17	\$1,260,475	9
	Earnings Per Share (In dollars)	6(25)				
9750	Basic earnings per share		\$0.73		\$1.28	
9850	Diluted earnings per share		\$0.73		\$1.28	

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Equity attributable to stockholders of the parent									Non-Controlling Interests	Total Equity
		Capital Stock	Capital Surplus	Retained Earnings			Other Equity			Total		
				Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized (Losses) Gains from Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurements of Defined Benefit Plans			
3100	3200	3310	3320	3350	3410	3420	3445	31XX	36XX	3XXX		
A1	Balance on January 1, 2020	\$11,595,611	\$31,628	\$4,352,457	\$504,189	\$7,455,300	\$88,165	\$331,495	\$19,247	\$24,378,092	\$103,958	\$24,482,050
B1	Appropriation and distribution of earnings for the year 2019											
B1	Legal capital reserve	-	-	137,050	-	(137,050)	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,159,561)	-	-	-	(1,159,561)	-	(1,159,561)
C17	Changes in other capital surplus	-	7,887	-	-	-	-	-	-	7,887	-	7,887
D1	Net income for the year ended December 31, 2020	-	-	-	-	1,483,980	-	-	-	1,483,980	32,807	1,516,787
D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2020	-	-	-	-	-	(88,165)	(164,943)	(2,066)	(255,174)	(1,138)	(256,312)
D5	Total comprehensive income (loss)	-	-	-	-	1,483,980	(88,165)	(164,943)	(2,066)	1,228,806	31,669	1,260,475
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	808,277	808,277
Q1	Disposal of financial instruments at fair value through other comprehensive income	-	-	-	-	9,987	-	(9,987)	-	-	-	-
Z1	Balance on December 31, 2020	11,595,611	39,515	4,489,507	504,189	7,652,656	-	156,565	17,181	24,455,224	943,904	25,399,128
B1	Appropriation and distribution of earnings for the year 2020											
B1	Legal capital reserve	-	-	149,397	-	(149,397)	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,159,561)	-	-	-	(1,159,561)	-	(1,159,561)
C17	Changes in other capital surplus	-	(669)	-	-	-	-	-	-	(669)	-	(669)
D1	Net income for the year ended December 31, 2021	-	-	-	-	847,539	-	-	-	847,539	(4,039)	843,500
D3	Other comprehensive income (loss), net of tax for the year ended December 31, 2021	-	-	-	-	-	-	1,295,089	(10)	1,295,079	(674)	1,294,405
D5	Total comprehensive income (loss)	-	-	-	-	847,539	-	1,295,089	(10)	2,142,618	(4,713)	2,137,905
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(41,968)	(41,968)
Z1	Balance on December 31, 2021	\$11,595,611	\$38,846	\$4,638,904	\$504,189	\$7,191,237	\$-	\$1,451,654	\$17,171	\$25,437,612	\$897,223	\$26,334,835

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY REAL ESTATE DEVELOPMENT CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2021 Amount	2020 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	\$928,891	\$1,685,284
A20000	Adjustments:		
A20100	Depreciation	998,863	888,272
A20210	Amortization	19,135	14,587
A20300	Expected credit loss (gain)	40	(34)
A20900	Interest expenses	250,969	219,715
A21200	Interest income	(2,923)	(3,083)
A21300	Dividend income	(146,949)	(117,922)
A22500	Loss (gain) on disposal of property, plant and equipment	2,816	9,195
A22800	Loss (gain) on disposal of intangible assets	-	973
A23100	Loss (gain) on disposal of investments	-	(87,423)
A29900	Others	-	(2,575)
A30000	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	11,501	7,626
A31150	Decrease (increase) in accounts receivable	894	(154,365)
A31160	Decrease (increase) in accounts receivable-related parties	(2,711)	7,580
A31180	Decrease (increase) in other receivables	(2,991)	(7,311)
A31200	Decrease (increase) in inventories	(6,966,390)	(2,313,894)
A31230	Decrease (increase) in prepayments	(70,481)	(2,522)
A31240	Decrease (increase) in other current assets	(34,517)	(40,851)
A31270	Decrease (increase) in incremental costs of obtaining contracts	(252,583)	38,731
A31990	Decrease (increase) in other operating assets	34,806	64,522
A32125	Increase (decrease) in contract liabilities	778,898	930,699
A32130	Increase (decrease) in notes payable	113,064	(83,411)
A32150	Increase (decrease) in accounts payable	(94,264)	471,148
A32160	Increase (decrease) in accounts payable-related parties	(35,759)	(162,417)
A32180	Increase (decrease) in other payables	(45,329)	661,071
A32230	Increase (decrease) in other current liabilities	960,188	(99,390)
A33000	Cash inflow generated from operations	(3,554,832)	1,924,205
A33100	Interest received	2,841	3,229
A33500	Income taxes paid	(133,529)	(126,180)
AAAA	Net cash (used in) generated by operating activities	(3,685,520)	1,801,254
BBBB	Cash flow from investing activities		
B01900	Disposal of investments accounted for using the equity method	-	8,795
B02200	Net cash flow from acquisition of subsidiaries	-	149,189
B02700	Acquisition of property, plant and equipment	(408,301)	(950,540)
B02800	Disposal of property, plant and equipment	11,211	8,446
B04500	Acquisition of intangible assets	(23,099)	(24,242)
B06700	Increase in other non-current assets	(90,891)	(642,408)
B07600	Dividends received	146,949	117,922
BBBB	Net cash used in investing activities	(364,131)	(1,332,838)
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	4,109,000	88,000
C00500	Increase in short-term notes payable	538,795	2,055,961
C01600	Proceeds from long-term debt	8,302,685	4,009,741
C01700	Repayment of long-term loans	(6,409,741)	(4,202,682)
C04020	Repayment of principal of lease liabilities	(368,526)	(308,628)
C04400	Decrease in other non-current liabilities	(8,056)	(58,782)
C04500	Payment of cash dividends	(1,159,561)	(1,159,561)
C05600	Interests paid	(370,554)	(361,382)
C05800	Change in non-controlling interests	(41,968)	742,167
C09900	Other financing activities	(669)	(429)
CCCC	Net cash generated by financing activities	4,591,405	804,405
DDDD	Effect of currency exchange rate on cash and cash equivalents	-	(640)
EEEE	Net increase in cash and cash equivalents	541,754	1,272,181
E00100	Cash and cash equivalents, beginning of period	3,395,624	2,123,443
E00200	Cash and cash equivalents, end of period	\$3,937,378	\$3,395,624

(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 Years Ended December 31, 2021 and 2020
(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, 2021 and 2020 were authorized for issue by the Board of Directors on March 15, 2022.

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2021. The remaining new standards and amendments had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements.	1 January 2022

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

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

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

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

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

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

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

d. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2022 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	1 January 2023
3	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
4	Disclosure Initiative - Accounting Policies - Amendments to IAS 1	1 January 2023
5	Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
6	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

D. Disclosure Initiative - Accounting Policies - Amendments to IAS 1

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

E. Definition of Accounting Estimates - Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 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, 2021	December 31, 2020
The Company	Cathay Real Estate Management Co., Ltd.	Construction management	100.00%	100.00%
The Company	Cathay Healthcare Management Co., Ltd.	Consultancy	85.00%	85.00%
The Company	Cathay Hospitality Management Co., Ltd.	Service industry	100.00%	100.00%
The Company	Cathay Hospitality Consulting Co., Ltd.	Service industry	100.00%	100.00%
The Company	Cymbal Medical Network Co., Ltd.	Wholesale of Drugs, Medical Goods	100.00%	100.00%
The Company	Lin Yuan Property Management Co., Ltd.	Apartment building management service industry	51.00%	51.00%
The Company	Jinhua Realty Co., Ltd.	Residential and building development leasing and sale industry	51.00%	51.00%
The Company	Bannan Realty Co., Ltd.	Residential and building development leasing and sale industry	51.00%	51.00%
The Company	Sanchong Realty Co., Ltd.	Residential and building development leasing and sale industry	66.00%	-
Cymbal Medical Network Co., Ltd.	Cymder Co., Ltd.	Manpower dispatch and leasing industry	100.00%	100.00%
Cymbal Medical Network Co., Ltd.	Cymlin Co., Ltd.	Manpower dispatch and leasing industry	100.00%	100.00%

C. The changing of the subsidiaries:

Sanchong Realty was established in 2021; Cymlin Co., Ltd, Jinhua Realty and Bannan Realty were established in 2020, and the Group has included them as consolidated entities since it obtained control on the acquisition date. After acquiring 41% shares of Lin Yuan Property Management Co., Ltd. in May, 2020, the Group held 51% of its equity and gained control over the entity and included it as a consolidated entity since then.

CCH Commercial Company Limited, Cathay Real Estate Holding Corporation, Cathay Healthcare Management Limited (BVI), Cathay Healthcare Management Limited (Cayman) and Hangzhou Kunning Health Consulting Limited Ltd. were liquidated in 2020. The Group has lost control of the aforementioned subsidiaries since the date of liquidation and has not included them as the consolidated entities since then.

a. The analysis of assets and liabilities at the date of loss of control is as follows:

Cash and cash equivalents	\$11,978
Other receivables	494
Other payables	(446)
Disposal of net assets	<u>\$12,026</u>

b. The benefit (loss) of excluding the subsidiary:

The fair value of the remaining investment on the date of loss of control	\$11,800
Disposal of net assets	(12,026)
Conversion adjustment	87,569
Disposal of benefits	<u>\$87,423</u>

(4) Foreign currency transactions

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

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

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

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

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

(7) Cash and cash equivalents

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

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income on the basis of both:

- a. the Group's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

The 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 acquiring the presold house contract. When the house is transferred to the customer and fulfill the performance obligation, the incremental cost of obtaining the contract is be amortized.

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

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture means the Group has rights to the net assets of the joint agreement.

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

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

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

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: 1~20 years

Other equipment: 2~26 years

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

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

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	1 ~ 50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers to or from investment properties when there is a change in use for these assets.

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

(14) Leases

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

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

(15) Intangible assets

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

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

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

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

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

Computer software

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

Trademark

The cost of trademark is amortized on a straight-line basis over the estimated useful life which is prescribed by law.

(16) Impairment of non-financial assets

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

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

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata based on the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(17) Revenue recognition

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

Construction income

The Group entrusts construction companies in construction and planning of public housing is recognized as sales revenue in accordance with the IFRS 15 about the regulation of sales of goods. Therefore, the Group recognize profit and loss when the ownership transferred.

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

Sales of goods

The Group recognized the sales revenue when the merchandise transport to the customer and the control of merchandise transfer to the customers (The customers owns the right to control the merchandise and the residual benefit to the merchandise.)

The Group recognized the account receivable when the merchandise's control transfer to the customers and has the right to charge, the account receivable usually has a short period to recover and do not have a significant financial component.

Rendering of services

The Group's service revenue mainly generated from providing consulting, accommodation and dining service. The revenue recognized when the service completed. The cost of the service recognized when the transaction occurred ; the expenses recognized in the current period in accordance with accrual basis.

(18) Borrowing costs

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

(19) Retirement benefits plans

All regular employees of The Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with The Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, The Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employee's subject to the plan. The Group and its subsidiaries recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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

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

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

(20) Income taxes

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

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.

(21) Business combinations

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

Financing lease commitment-Group as the lessor

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

C. Retirement benefits plans

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

D. Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused 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, 2021, the deferred income tax assets that the Group has not recognize, please refer to Note 6 for more details.

E. Inventory evaluation

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

F. Accounts receivables-estimation of impairment loss

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand and petty cash	\$4,739	\$4,365
Checking accounts and demand deposit	3,657,468	2,639,666
Time deposits	210,250	221,850
Cash equivalent-short-term notes	64,921	529,743
Total	<u>\$3,937,378</u>	<u>\$3,395,624</u>

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

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

	As of December 31,	
	2021	2020
Equity instruments investments measured at fair value through other comprehensive income - current:		
Listed company's stocks	<u>\$3,605,083</u>	<u>\$2,437,036</u>
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Unlisted company's stocks	<u>\$2,201,412</u>	<u>\$2,074,370</u>

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

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follow:

	For the years ended December 31,	
	2021	2020
Related to investments held at the end of the reporting period	\$146,949	\$117,922
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$146,949</u>	<u>\$117,922</u>

In consideration of the Group's investment strategy, the Group disposed, and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2021 and 2020 are as follow:

	For the years ended December 31,	
	2021	2020
The fair value of the investments at the date of derecognition	\$-	\$12,987
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	-	9,987

(3) Notes receivable

	As of December 31,	
	2021	2020
Notes receivable arising from operating activities	\$20,905	\$32,406
Less: loss allowance	-	-
Notes receivable, net	<u>\$20,905</u>	<u>\$32,406</u>

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

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6.(19) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivable and accounts receivable -related parties

	As of December 31,	
	2021	2020
Accounts receivable	\$465,174	\$466,068
Less: loss allowance	(50)	(10)
Subtotal	<u>465,124</u>	<u>466,058</u>
Accounts receivable - related parties	8,131	5,420
Less: loss allowance	-	-
Subtotal	<u>8,131</u>	<u>5,420</u>
Total	<u>\$473,255</u>	<u>\$471,478</u>

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

Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Group were NT\$473,305 thousand and NT\$471,488 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6.(19) for more details on impairment of accounts receivable. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	As of December 31,	
	2021	2020
Construction land	\$12,842,775	\$10,081,987
Construction in progress	19,212,622	13,215,355
Buildings and land held for sale	998,041	2,914,124
Others	2,215	15,250
Subtotal	33,055,653	26,226,716
Prepayment for land purchases	2,924,167	2,762,342
Total	\$35,979,820	\$28,989,058

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

C. Significant Construction projects were as follow:

Construction Project	Amount	Percentage of Completion
Park Beautiful Mansion	\$1,029,794	74.00%
Cathay Mega+	1,010,390	63.00%
Have a Rich Year	1,395,238	32.00%
Cathay Lagom	1,203,810	50.00%
Liberty Stationery Corp	2,471,512	29.00%
Cathay ChuanQing	1,231,429	24.00%
Cathay of Riverside	1,104,762	6.00%
Cathay XiJing	1,133,333	4.00%
Dunnan Lin Yuan	1,651,429	2.00%
Cathay YouYong	1,130,476	0.00%
Cathay THE PARK	1,257,143	0.00%
Cathay MOST+	1,890,000	0.00%

D. The total interest capitalizes of the inventories mentioned above was found to be NT\$122,220 thousand and NT\$124,036 thousand for the years ended December 31, 2021 and 2020, respectively. The interest expense before capitalizing were NT\$ 373,189 thousand and NT\$343,751 thousand, respectively.

The monthly capitalization interest rate of loan for inventories were 0.0383%~0.0883% and 0.0383%~0.2763% for the years ended December 31, 2021 and 2020, respectively.

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

Construction Project	Amount	Trustee	Period
Park Beautiful Mansion	\$33	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	50	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	355	Cathay United Bank	From July 30, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Tree Rivers, Cathay's Home II	210	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.
Have a Rich Year	19	Cathay United Bank	From May 31, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Lagom	458	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+	0	Cathay United Bank	From August 1, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed
Cathay ChuanQing	100	Cathay United Bank	From May 5, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed
Cathay Opulence	201,784	Cathay United Bank	From July 3, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

Construction Project	Amount	Trustee	Period
Cathay XiJing	196,106	Cathay United Bank	From November 9, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay THE PARK	324,597	Cathay United Bank	From December 23, 2020 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay YouYong	349,192	Cathay United Bank	From February 3, 2021 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay of Riverside	100,450	Cathay United Bank	From February 4, 2021 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Most+	397,896	Cathay United Bank	From June 16, 2021 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
UNi PARK	518,047	Cathay United Bank	From April 1, 2021 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

As of December 31, 2021, the Group has established a deed of trust with the bank for the construction above to help manage the funds of the presold customers paid. The trust period ends after the construction is completed and the first ownership registration of the property. The balance of the managed funds by the Group in accordance with the above trust deed is NT\$2,089,297 thousand, which is equal to the amount receivable of the presold contract. There is no delay in the delivery of the trust account.

F. The cost of inventories recognized in expenses amounts to NT\$ 7,111,488 thousand and NT\$8,583,459 thousand for the years ended to December 31, 2021 and 2020, including the inventory valuation losses NT\$0 thousand for both the years ended December 31, 2021 and 2020.

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

H. Incremental cost of the contract

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract is amortized when the house is handed over to the customers.

(6) Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	\$4,214,962	\$4,656,443
Property, plant and equipment leased out under operating leases	549,344	541,423
Total	<u>\$4,764,306</u>	<u>\$5,197,866</u>

A. Owner occupied property, plant and equipment

	Land	Buildings	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost						
As of January 1, 2020	\$1,616,689	\$1,178,465	\$1,508,124	\$504,624	\$220,219	\$5,028,121
Additions	-	2,713	525,159	61,035	309,881	898,788
Acquisitions through business combinations	-	-	-	236	-	236
Disposals	-	-	(1,535)	(4,682)	-	(6,217)
Transfer	-	-	30,790	18,351	(74,139)	(24,998)
Exchange differences	-	-	-	(32)	-	(32)
As of December 31, 2020	1,616,689	1,181,178	2,062,538	579,532	455,961	5,895,898
Additions	-	-	78,857	14,296	256,472	349,625
Disposals	-	-	-	(3,362)	-	(3,362)
Transfer	-	-	(40,534)	72,634	(534,802)	(502,702)
As of December 31, 2021	<u>\$1,616,689</u>	<u>\$1,181,178</u>	<u>\$2,100,861</u>	<u>\$663,100</u>	<u>\$177,631</u>	<u>\$5,739,459</u>
Depreciation and impairment:						
As of January 1, 2020	\$-	\$283,498	\$369,031	\$324,634	\$-	\$977,163
Depreciation	-	43,692	153,237	70,188	-	267,117
Disposals	-	-	(663)	(4,143)	-	(4,806)
Exchange differences	-	-	-	(19)	-	(19)
As of December 31, 2020	-	327,190	521,605	390,660	-	1,239,455
Depreciation	-	35,432	171,823	80,977	-	288,232
Disposals	-	-	-	(3,140)	-	(3,140)
Exchange differences	-	-	-	(50)	-	(50)
As of December 31, 2021	<u>\$-</u>	<u>\$362,622</u>	<u>\$693,428</u>	<u>\$468,447</u>	<u>\$-</u>	<u>\$1,524,497</u>
Net carrying amount:						
As of December 31, 2021	<u>\$1,616,689</u>	<u>\$818,556</u>	<u>\$1,407,433</u>	<u>\$194,653</u>	<u>\$177,631</u>	<u>\$4,214,962</u>
As of December 31, 2020	<u>\$1,616,689</u>	<u>\$853,988</u>	<u>\$1,540,933</u>	<u>\$188,872</u>	<u>\$455,961</u>	<u>\$4,656,443</u>

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

	Leasehold Improvement	Other equipment	Transportation equipment	Total
Cost				
As of January 1, 2020	\$376,877	\$385,803	\$116,824	\$879,504
Additions	4,080	32,614	15,058	51,752
Disposals	(2,953)	(15,767)	(13,724)	(32,444)
As of December 31, 2020	378,004	402,650	118,158	898,812
Additions	4,630	29,402	24,644	58,676
Disposals	-	(14,815)	(25,154)	(39,969)
Transfer	34,496	-	-	34,496
As of December 31, 2021	<u>\$417,130</u>	<u>\$417,237</u>	<u>\$117,648</u>	<u>\$952,015</u>
Depreciation and impairment:				
As of January 1, 2020	\$113,112	\$154,012	\$49,116	\$316,240
Depreciation	17,087	21,567	18,709	57,363
Disposals	(340)	(9,135)	(6,739)	(16,214)
As of December 31, 2020	129,859	166,444	61,086	357,389
Depreciation	21,918	28,220	21,308	71,446
Disposals	-	(7,505)	(18,659)	(26,164)
As of December 31, 2021	<u>\$151,777</u>	<u>\$187,159</u>	<u>\$63,735</u>	<u>\$402,671</u>
Net carrying amount:				
As of December 31, 2021	<u>\$265,353</u>	<u>\$230,078</u>	<u>\$53,913</u>	<u>\$549,344</u>
As of December 31, 2020	<u>\$248,145</u>	<u>\$236,206</u>	<u>\$57,072</u>	<u>\$541,423</u>

C. The major components of the Group's buildings are mainly buildings, air-conditioning equipment and elevators, and are depreciated according to their durability years of 50, 5 and 15 years respectively.

D. The Group's Property, plant and equipment were not capitalized from financial costs.

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

(7) Investment property

	Lands	Buildings	Right-of-use assets	Total
Cost:				
As of January 1, 2020	\$5,545,512	\$5,020,199	\$306,104	\$10,871,815
Additions from subsequent expenditure	-	12,615	-	12,615
Acquisitions through business combinations	7,851	1,629	-	9,480
Disposals	(17,102)	(151,249)	-	(168,351)
As of December 31, 2020	5,536,261	4,883,194	306,104	10,725,559
Additions from subsequent expenditure	-	1,802	23,972	25,774
Transfer	45,854	51,994	6,531	104,379
Disposals	(27,689)	(23,432)	(39,225)	(90,346)
As of December 31, 2021	<u>\$5,554,426</u>	<u>\$4,913,558</u>	<u>\$297,382</u>	<u>\$10,765,366</u>
Depreciation and impairment:				
As of January 1, 2020	\$-	\$2,173,960	\$52,977	\$2,226,937
Depreciation	-	137,832	82,754	220,586
Disposals	-	(91,214)	-	(91,214)
As of December 31, 2020	-	2,220,578	135,731	2,356,309
Depreciation	-	148,085	85,023	233,108
Transfer	-	-	4,484	4,484
Disposals	-	(14,513)	(39,225)	(53,738)
As of December 31, 2021	<u>\$-</u>	<u>\$2,354,150</u>	<u>\$186,013</u>	<u>\$2,540,163</u>
Net carrying amount:				
As of December 31, 2021	<u>\$5,554,426</u>	<u>\$2,559,408</u>	<u>\$111,369</u>	<u>\$8,225,203</u>
As of December 31, 2020	<u>\$5,536,261</u>	<u>\$2,662,616</u>	<u>\$170,373</u>	<u>\$8,369,250</u>

	For the years ended December 31,	
	2021	2020
Rental income from investment property	\$258,370	\$276,738
Less:		
Direct operating expenses from investment property generating rental income	(73,164)	(71,444)
Direct operating expenses from investment property not generating rental income	(35,428)	(37,958)
Total	<u>\$149,778</u>	<u>\$167,336</u>

The investment properties held by the Group were not valued at fair value. The amounts of the fair value were only for disclosure. The fair value of the investment properties held by the Group were NT\$13,716,064 thousand and NT\$13,017,633 thousand as of December 31, 2021 and 2020, respectively, which were valued by an independent external appraisal expert and internal valuation. The evaluation method was comparison method and based on the actual deal price or the market transaction price of the real estate nearby.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of January 1, 2020	\$140,889	\$4,861	\$145,750
Addition-acquired separately	23,745	497	24,242
Acquisitions through business combinations	169	-	169
Disposals	(1,995)	-	(1,995)
Transfers- prepaid equipment	346	-	346
As of December 31, 2020	163,154	5,358	168,512
Addition-acquired separately	20,723	2,376	23,099
Disposals	(32)	-	(32)
Transfer	193	-	193
As of December 31, 2021	<u>\$184,038</u>	<u>\$7,734</u>	<u>\$191,772</u>
Amortization and impairment:			
As of January 1, 2020	\$117,430	\$4,110	\$121,540
Amortization	14,317	270	14,587
Disposals	(1,022)	-	(1,022)
As of December 31, 2020	130,725	4,380	135,105
Amortization	18,814	321	19,135
Disposals	(32)	-	(32)
As of December 31, 2021	<u>\$149,507</u>	<u>\$4,701</u>	<u>\$154,208</u>
Net carrying amount:			
As of December 31, 2021	<u>\$34,531</u>	<u>\$3,033</u>	<u>\$37,564</u>
As of December 31, 2020	<u>\$32,429</u>	<u>\$978</u>	<u>\$33,407</u>

Amortization expense of intangible assets were as follow:

	For the years ended December 31,	
	2021	2020
Operating expenses	\$16,715	\$12,243
Operating costs	2,420	2,344
Total	<u>\$19,135</u>	<u>\$14,587</u>

(9) Other non-current assets

	As of December 31,	
	2021	2020
Construction land	\$18,425	\$18,425
Prepaid expense - equipment	122,734	32,851
Refundable deposits	1,536,733	1,533,892
Other financial assets	46,400	46,400
Other non-current assets - other	22,468	24,301
Total	<u>\$1,746,760</u>	<u>\$1,655,869</u>

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

Items	As of December 31,		Type	Purpose	Securities
	2021	2020			
Land Serial NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	<u>\$18,425</u>	<u>\$18,425</u>	Purchases / Sales	Development	Mortgage setting and commitment

(10) Short-term loans

	As of December 31,	
	2021	2020
Unsecured bank loans	<u>\$11,460,000</u>	<u>\$7,351,000</u>
Interest rate	0.81%~1.01%	0.75%~1.25%

Please refer to Note 6.(12) for more details on the Group's unused lines of credits.

(11) Short-term notes payable

	As of December 31,	
	2021	2020
Short-term notes and bills payable	\$3,637,000	\$3,097,000
Less: unamortized discount	(7,704)	(6,499)
Net	<u>\$3,629,296</u>	<u>\$3,090,501</u>
Interest rate	0.33%~0.67%	0.29%~0.70%

(12) Long-term loans

Details of long-term loans as of December 31, 2021 and 2020 are as follows:

	As of December		
	31, 2021	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$11,264,000	0.85%~1.10%	Effective July 2019 to November 2024, repayments on due day.
Long-term credit notes payable	929,366	0.37%	Effective December 2021 to December 2023, repayments on due day.
Long-term secured notes payable	609,319	0.42%	Effective July 2021 to August 2026, repayments on due day.
Subtotal	<u>12,802,685</u>		
Less: current portion	<u>(1,500,000)</u>		
Total	<u>\$11,302,685</u>		

	As of December		
	31, 2020	Interest rate (%)	Maturity date and terms of repayment
Bank credit loans	\$10,180,000	0.85%~1.00%	Effective July 2019 to July 2023, repayments on due day.
Long-term credit notes payable	729,741	0.29%	Effective August 2020 to August 2023, repayments on due day.
Subtotal	<u>10,909,741</u>		
Less: current portion	<u>(5,400,000)</u>		
Total	<u>\$5,509,741</u>		

The Group's unused total lines of credits amounted to NT\$18,905,060 thousand and NT\$24,154,181 thousand as of December 31, 2021 and 2020, respectively.

Please refer to Note 8 for more details on inventory and investment property pledged for secured bank loans and notes.

(13) Retirement employment benefits

A. Defined contribution plan

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

For the years ended December 31, 2021 and 2020, the expenses related to defined contribution plan amounted to NT\$39,117 thousand and NT\$33,609 thousand, respectively.

B. Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the

competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$4,783 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

As of December 31, 2021 and 2020, the average duration of defined benefit obligation of the Group were expected to be 12.6 years and 12.9 years.

Amounts to be recognized in profit or loss for the years ended December 31, 2021 and 2020 are summarized as follows:

	For the years ended December 31,	
	2021	2020
Current period service cost	\$18,923	\$14,965
Net interest on the net defined benefit liability (asset)	499	1,265
Total	<u>\$19,422</u>	<u>\$16,230</u>

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

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Present value of defined benefit obligation	\$377,793	\$381,746	\$184,927
Fair value of plan assets	<u>(218,703)</u>	<u>(208,248)</u>	<u>(86,541)</u>
Other non-current liabilities-accrued pension liabilities recognized on the balance sheets	<u>\$159,090</u>	<u>\$173,498</u>	<u>\$98,386</u>

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2020	\$184,927	\$(86,541)	\$98,386
Acquisitions through business combinations	201,190	(106,421)	94,769
Net defined benefit cost			
Current service cost	14,965	-	14,965
Interest expense (income)	<u>2,573</u>	<u>(1,308)</u>	<u>1,265</u>
Subtotal	<u>17,538</u>	<u>(1,308)</u>	<u>16,230</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	12,566	-	12,566
Experience adjustment	(3,347)	-	(3,347)
Remeasurement of plan assets	-	(5,285)	(5,285)
Subtotal	9,219	(5,285)	3,934
Payments from the plan	(31,128)	18,272	(12,856)
Contributions by employer	-	(26,965)	(26,965)
As of December 31, 2020	381,746	(208,248)	173,498
Net defined benefit cost			
Current service cost	18,923	-	18,923
Interest expense (income)	1,075	(576)	499
Subtotal	19,998	(576)	19,422
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in demographic assumptions	9,184	-	9,184
Actuarial gains and losses arising from changes in financial assumptions	(10,105)	-	(10,105)
Experience adjustment	4,911	-	4,911
Remeasurement of plan assets	-	(3,134)	(3,134)
Subtotal	3,990	(3,134)	856
Payments from the plan	(27,941)	21,583	(6,358)
Contributions by employer	-	(28,328)	(28,328)
As of December 31, 2021	\$377,793	\$(218,703)	\$159,090

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

	As of December 31,	
	2021	2020
Discount rate	0.61%~0.74%	0.26%~0.38%
Expected rate of salary increases	0.50%~2.50%	0.50%~2.50%

A sensitivity analysis for significant assumption as of December 31, 2021 and 2020 was as follow:

	For the years ended December 31,			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate	\$-	\$7,106	\$-	\$7,887
increase by 0.25%				
Discount rate	7,474	-	7,913	-
decrease by 0.25%				
Future salary	14,211	-	15,628	-
increase by 0.5%				
Future salary	-	13,593	-	14,854
decrease by 0.5%				

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.

(14) Common stock

The Company's authorized capital was NT\$ 20,000,000 thousand and issued capital was NT\$ 11,595,611 thousand as at December 31, 2021 and 2020, respectively. The Company has issued 1,159,561 thousand shares as at December 31, 2021 and 2020, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

(15) Capital surplus

	As of December 31,	
	2021	2020
Treasury share transactions	\$10,407	\$10,407
Others - overdue dividends	28,439	29,108
Total	\$38,846	\$39,515

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.

(16) Retained earnings

A. Legal reserve

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

B. Special reserve

The FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve.

At the first-time adoption of IFRSs, special reverse set aside by The Company was NT\$504,189 thousand. As of December 31, 2021, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

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

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

In response to the changes in the economy and the markets, The Company is developing towards diversified investment to increase profitability. Considering long-term financial planning and cash flows, the dividend policy adopts the residual dividend policy for stable growth and sustainable operation. According to the Company's operating plan, capital investment and the shareholders' demand for cash inflows, and avoiding excessive inflationary capital, the surplus distribution is given priority by cash dividends, and the stock dividends are also issued, but the cash dividend distribution ratio cannot less than 50% of the total dividend.

D. For the years ended December 31 2020 and 2019, the details of earnings distribution and dividends per share were resolved by the shareholder's meeting on July 23, 2021 and June 12, 2020, were as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash Dividend per share (NT dollars)	
	2020	2019	2020	2019
Legal reserve	\$149,397	\$137,050		
Common stock - cash dividend	1,159,561	1,159,561	\$1.0	\$1.0

E. Please refer to Note 6.(21) for details of bonus to employees and directors.

(17) Non-controlling interests

	For the years ended December 31,	
	2021	2020
Beginning balance	\$943,904	\$103,958
Net income (losses) attributed to the non-controlling interests	(4,039)	32,807
Other comprehensive income attributed to the non-controlling interests:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	(57)
Remeasurements of defined benefit plans	(843)	(1,351)
Income tax (benefit) expense relating to items that will not be reclassified to profits/losses	169	270
Acquisition of new shares in a subsidiary not in proportionate to ownership interests	3,000	3,000
Dividends distributed by subsidiary	(45,308)	(43,138)
Non-controlling interests in newly established subsidiary	340	850,110
Subsidiary liquidation	-	(1,695)
Ending balance	<u>\$897,223</u>	<u>\$943,904</u>

(18) Operating revenues

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sales of buildings and land	\$9,493,911	\$11,356,913
Service income	2,369,964	2,023,608
Others	164,119	128,677
Subtotal	12,027,994	13,059,198
Rental income	448,024	464,413
Total	\$12,476,018	\$13,973,611

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

A. Disaggregation of revenue

For the year ended December 31, 2021

	Property and real estate Investment development department	Others	Total
Sales of buildings and lands	\$9,493,911	\$-	\$9,493,911
Service income	-	2,369,964	2,369,964
Sales of goods	-	67,626	67,626
Rental income	282,586	165,438	448,024
Others	-	96,493	96,493
Total	\$9,776,497	\$2,699,521	\$12,476,018
Revenue recognition point:			
At a point in time	\$9,493,911	\$2,534,083	\$12,027,994
Over time	282,586	165,438	448,024
Total	\$9,776,497	\$2,699,521	\$12,476,018

For the year ended December 31, 2020

	Property and real estate Investment development department	Others	Total
Sales of buildings and lands	\$11,356,913	\$-	\$11,356,913
Service income	-	2,023,608	2,023,608
Sales of goods	-	68,154	68,154
Rental income	300,594	163,819	464,413
Others	-	60,523	60,523
Total	<u>\$11,657,507</u>	<u>\$2,316,104</u>	<u>\$13,973,611</u>
Revenue recognition point:			
At a point in time	\$11,356,913	\$2,152,285	\$13,509,198
Over time	300,594	163,819	464,413
Total	<u>\$11,657,507</u>	<u>\$2,316,104</u>	<u>\$13,973,611</u>

B. Contract balances

Contract liabilities - current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sales of goods	\$5,167,680	\$4,421,199	\$3,526,415
Service	117,840	85,423	49,508
Total	<u>\$5,285,520</u>	<u>\$4,506,622</u>	<u>\$3,575,923</u>

For the years ended December 31, 2021 and 2020, the movement in the contract liabilities are as follows:

	For the years ended December 31,	
	2021	2020
Revenue recognized during the year that was included in the balance at the beginning of the year	\$(2,012,917)	\$(938,260)
Increase in receipt in advance during the period	2,791,815	1,868,959

C. Assets recognized from the revenue from contracts with customers

Incremental costs of obtaining contracts

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sales of buildings and lands	\$885,612	\$633,029	\$671,760

The amortized amount of the incremental cost of the Group's acquisition of the contract for the years ended December 31, 2021 and 2020 were NT\$264,224 thousand and NT\$279,282 thousand, respectively.

(19) Expected credit losses/(gains)

	For the years ended December 31,	
	2021	2020
Operating expenses - expected credit losses/ (gains)		
Accounts receivable	\$40	\$(34)

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, and measured by using a provision matrix. The details of the loss allowance measured was as follows:

December 31, 2021

	Neither past due (Note)	Past due					Total
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	
Gross carrying amount	\$488,311	\$5,899	\$-	\$-	\$-	\$-	\$494,210
Loss ratio	-	0.84%	-	-	-	-	
Lifetime expected credit losses	-	50	-	-	-	-	50
Total	\$488,311	\$5,849	\$-	\$-	\$-	\$-	\$494,160

December 31, 2020

	Neither past due (Note)	Past due					Total
		Within 30 days	31-90 days	91-270 days	271- 365days	Over 365 days	
Gross carrying amount	\$503,046	\$848	\$-	\$-	\$-	\$-	\$503,894
Loss ratio	-	1.14%	-	-	-	-	
Lifetime expected credit losses	-	10	-	-	-	-	10
Total	\$503,046	\$838	\$-	\$-	\$-	\$-	\$503,884

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

For the years ended December 31, 2021 and 2020, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Notes receivable	Accounts Receivable
As of January 1, 2020	\$-	\$44
Addition/(reversal) for the current period	-	(34)
Amounts written off during the period as uncollectible	-	-
As of December 31, 2020	-	10
Addition/(reversal) for the current period	-	40
Amounts written off during the period as uncollectible	-	-
As of December 31, 2021	\$-	\$50

(20) Operating leases

A. Operating lease commitments - Group as lessee

The Group leases various property (buildings) and transportation equipment. These leases have terms of between one and twenty years.

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

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use asset

	As of December 31,	
	2021	2020
Land	\$13,335	\$8,264
Buildings	5,165,757	5,125,698
Transportation equipment	1,621	-
Total	\$5,180,713	\$5,133,962

For the years ended December 31, 2021 and 2020, the Group's additions to right-of-use assets amounting to NT\$454,875 thousand and NT\$1,444,976 thousand, respectively.

(b) Lease liability

	As of December 31,	
	2021	2020
Lease liability	\$5,620,280	\$5,509,959
Current	\$424,081	\$349,495
Non-current	5,196,199	5,160,464

Please refer to Note 6.(22).D for the interest on lease liability recognized during the years ended December 31, 2021 and 2020 and refer to Note 12.(5) for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Land	\$10,400	\$7,249
Buildings	395,376	335,957
Transportation equipment	301	-
Total	\$406,077	\$343,206

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expense relating to short-term leases	\$4,569	\$6,588
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	1,337	605
The expense relating to variable lease payments not included in the measurement of lease liabilities	5,242	30,516

As of December 31, 2021 and 2020, the short-term lease portfolio promised by the Group and the types of lease targets related to the aforementioned short-term lease expenses are similar.

In 2021 and 2020, the Group recognized the relevant rent concessions arising as a direct consequence of the covid-19 pandemic as other income NT\$51,506 thousand and NT\$27,445 thousand to reflect changes in variable lease payments that have applied related practical expedients.

d. Cash outflow relating to leasing activities

For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases amounting to NT\$528,652 thousand and NT\$480,667 thousand, respectively.

e. Other information relating to leasing activities

Variable lease payments

Some of the Group's property lease agreements contain variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is very common in the industry of the Group. The variable rent was calculated by the higher amount of fixed payment and payment which calculated by certain percentages of sales under the lease agreements. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. If the payment which calculated by certain percentages of sales under the lease agreements is higher than the fixed payment, the Group expects the consequence that, for every sales increase of NT\$100 thousand, the rental payments will increase by NT\$25 thousand.

B. Group as lessor

Please refer to Note 6.(7) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable		
lease payments that depend on an index or a rate	<u>\$448,282</u>	<u>\$464,559</u>

Please refer to Note 6.(6) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2021 and 2020 are as follow:

	As of December 31,	
	2021	2020
Not later than 1 year	\$299,318	\$298,600
Later than 1 year and not later than 2 years	290,032	297,227
Later than 2 year and not later than 3 years	288,076	288,051
Later than 3 year and not later than 4 years	288,076	286,095
Later than 4 year and not later than 5 years	164,491	286,095
Later than five years	73,971	234,309
Total	<u>\$1,403,964</u>	<u>\$1,690,377</u>

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

Function Description	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	\$593,125	\$374,196	\$967,321	\$478,920	\$356,402	\$835,322
Labor and health insurance	64,461	34,973	99,434	48,633	32,260	80,893
Pension	35,304	23,235	58,539	27,189	22,650	49,839
Other employee benefits expense	25,848	21,709	47,557	24,046	21,447	45,493
Depreciation and depletion	659,972	338,891	998,863	429,148	459,124	888,272
Amortization	2,420	16,715	19,135	2,344	12,243	14,587

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\$927 thousand and NT\$2,400 thousand, estimated as 0.1% and lower than 1% of the Company's net profit and recognized as compensation for employees and directors' remuneration for the year ended December 31, 2021. The amount of employees' compensation and directors' remuneration recognized in the year ended December 31, 2020 was NT\$1,652 thousand and NT\$2,400 thousand, respectively. The aforementioned amounts were listed under salary expenses. If the

abovementioned employees' compensation and directors' remuneration estimations are different from the actual distributed amount resolved by the board of director's meeting, the difference will be recognized as profit or loss in the next period.

The Company's the board of director's meeting on March 18, 2021 resolved to distribute NT\$1,652 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.

(22) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Deposit interest	\$1,347	\$1,766
Others	1,576	1,317
Total	\$2,923	\$3,083

B. Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$146,949	\$117,922
Rental income	258	146
Gain recognized in bargain purchase transaction	-	2,575
Others	160,701	156,090
Total	\$307,908	\$276,733

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains (losses) on disposal and abandon of property, plant and equipment	\$(2,816)	\$(9,195)
Loss of disposal intangible assets	-	(973)
Gains on disposal of investment	-	87,423
Foreign exchange gains (losses), net	(67)	70
Others	(3,778)	(3,471)
Total	\$(6,661)	\$73,854

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest on borrowings from bank	\$101,991	\$85,384
Interest on lease liabilities	148,978	134,331
Total	<u>\$250,969</u>	<u>\$219,715</u>

(23) Components of other comprehensive income

For the year ended December 31, 2021

	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	\$(856)	\$-	\$(856)	\$172	\$(684)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	1,295,089	-	1,295,089	-	1,295,089
Total of other comprehensive income	<u>\$1,294,233</u>	<u>\$-</u>	<u>\$1,294,233</u>	<u>\$172</u>	<u>\$1,294,405</u>

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or losses:					
Remeasurements of defined benefit plans	\$(3,934)	\$-	\$(3,934)	\$786	\$(3,148)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(164,942)	-	(164,942)	-	(164,942)
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of foreign operations	(653)	(87,569)	(88,222)	-	(88,222)
Total of other comprehensive income	<u>\$(169,529)</u>	<u>\$(87,569)</u>	<u>\$(257,098)</u>	<u>\$786</u>	<u>\$(256,312)</u>

(24) Income taxes

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

Income tax expense (income) recognized in profit or loss

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense (income):		
Current income tax charge	\$33,850	\$25,022
Current land value increment tax charge	68,483	65,158
Adjustments in respect of current income tax of prior periods	(1,601)	(2,501)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	3,011	102,812
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(18,352)	(21,994)
Total income tax expense (income)	<u>\$85,391</u>	<u>\$168,497</u>

Income tax relating to components of other comprehensive income

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$(172)</u>	<u>\$(786)</u>

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accounting profit before tax from continuing operations	<u>\$928,891</u>	<u>\$1,685,284</u>
Tax at the domestic rates applicable to profits in the country concerned	\$48,127	\$337,057
Tax effect of revenues exempt from taxation	(400,034)	(303,394)
Tax effect of non-deductible expense	169,029	117,295
Tax effect of deferred tax assets/liabilities	192,137	(48,996)
Surtax on undistributed retain earnings	9,250	3,878
Adjustments in respect of current income tax of prior periods	(1,601)	(2,501)
Current land value increment tax	<u>68,483</u>	<u>65,158</u>
Total income tax expense (income) recognized in profit or loss	<u>\$85,391</u>	<u>\$168,497</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	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	93,652	(2,601)	-	91,051
Depreciation difference for tax purpose - investment property	98,866	(2,747)	-	96,119
Depreciation difference for tax purpose of property, plants and Equipment - interest capitalization	2,235	(97)	-	2,138
Investments accounted for using equity method	-	-	-	-
Unrealized intragroup profits and losses	6,156	(8)	-	6,148
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	2,869	-	-	2,869
Non-current liability - defined benefit liability	30,615	(3,291)	172	27,496
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	113,637	5,733	-	119,370
Unrealized repairing fee	524	-	-	524
Unused tax credits	129,374	18,352	-	147,726
Deferred tax income/ (expense)		<u>\$15,341</u>	<u>\$172</u>	
Net deferred tax assets/(liabilities)	<u>\$469,286</u>			<u>\$484,799</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$479,335</u>			<u>\$494,848</u>
Deferred tax liabilities	<u>\$(10,049)</u>			<u>\$(10,049)</u>

For the year ended December 31, 2020

		Deferred tax income (expense)	Deferred tax income (expense)	Deferred tax income (expense)	Deferred tax income (expense)
	Beginning balance	recognized in profit or loss	comprehensive income	Resulted from the merger	Ending balance
Temporary differences					
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS - land value increment tax	\$(10,049)	\$-	\$-	\$-	\$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	(3,094)	-	-	93,652
Depreciation difference for tax purpose - investment property	101,539	(2,747)	-	74	98,866
Depreciation difference for tax purpose of property, plants and Equipment - interest capitalization	2,332	(97)	-	-	2,235
Investments accounted for using equity method	70,897	(70,897)	-	-	-
Unrealized intragroup profits and losses	112	6,044	-	-	6,156
Allowance for loss	1,400	-	-	-	1,400
Allowance for loss of inventories price falling	28,665	(25,795)	-	-	2,870
Non-current liability - defined benefit liability	15,356	(551)	786	15,023	30,614
Accrued expenses over two years transfer to revenue	7	-	-	-	7
Unrealized advertising fee	119,312	(5,675)	-	-	113,637
Unrealized repairing fee	524	-	-	-	524
Unused tax credits	107,380	21,994	-	-	129,374
Deferred tax income/ (expense)		<u>\$(80,818)</u>	<u>\$786</u>	<u>\$15,097</u>	
Net deferred tax assets/(liabilities)	<u>\$534,221</u>				<u>\$469,286</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$544,270</u>				<u>\$479,335</u>
Deferred tax liabilities	<u>\$(10,049)</u>				<u>\$(10,049)</u>

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

Year	Tax losses for the period	Unused tax losses as of December 31,		Expiration year
		2021	2020	
2012	\$16,888	\$16,888	\$16,888	2022
2013	65,058	65,058	65,058	2023
2014	77,749	77,749	77,749	2024
2015	183,168	183,168	183,168	2025
2016	268,254	268,254	268,254	2026
2017	165,360	165,360	165,360	2027
2018	1,191,904	411,348	368,694	2028
2019	235,632	235,632	235,632	2029
2020	633,702	633,702	633,702	2030
2021	838,706	838,706	-	2031
Total		<u>\$2,895,865</u>	<u>\$2,014,505</u>	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, the deferred tax assets have not been recognized amount to NT\$434,525 thousand and NT\$269,699 thousand, respectively.

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Group and its subsidiaries was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2018
Subsidiary- Cathay Real Estate Management Co., Ltd.	Assessed and approved up to 2020
Subsidiary- Cathay Healthcare Management Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Cathay Hospitality Management Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Cathay Hospitality Consulting Co., Ltd.	Assessed and approved up to 2018
Subsidiary- Cymbal Medical Network Co., Ltd.	Assessed and approved up to 2020
Subsidiary- Cymder Co., Ltd.	Assessed and approved up to 2020
Subsidiary- Cymlin Co., Ltd.	Assessed and approved up to 2020
Subsidiary- Lin Yuan Property Management Co., Ltd.	Assessed and approved up to 2019
Subsidiaries-Jinhua Realty Co., Ltd	Assessed and approved up to 2020
Subsidiaries-Bannan Realty Co., Ltd	Assessed and approved up to 2020

Subsidiaries-Sanchong Realty Co., Ltd, was established in 2021. As of December 31, 2021, the Company have not yet filed income tax return.

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

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

	For the years ended December 31,	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$847,539	\$1,483,980
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Basic earnings per share (NT\$)	\$0.73	\$1.28
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$847,539	\$1,483,980
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Effect of dilution:		
Employee compensation-stock (in thousands)	66	111
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,159,627	1,159,672
Diluted earnings per share (NT\$)	\$0.73	\$1.28

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

(26) Business combinations

Acquisition of Lin Yuan Property Management Co., Ltd.

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

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

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

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

Bargain purchase gain is calculated as follows:

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

Analysis of cash flows on acquisition:

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

From the acquisition date May 15, 2020 to December 31, 2020, Lin Yuan Property Management Co., Ltd. has contributed NT\$40,288 thousand to the profit from continuing operations. If the combination had taken place at the beginning of the year, the operating revenue and the profit from continuing operations for the Group would have been NT\$14,374,378 thousand and NT\$1,539,412 thousand.

7. RELATED PARTY TRANSACTIONS

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

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Subsidiary (Note)
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
Cathay Financial Holdings Co., Ltd. (Cathay Financial Holdings)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Lin Yuan Investment Co., Ltd. (Lin Yuan Investment)	Others
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

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

(2) Significant transactions with the related parties

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

A. Cash in banks and short-term loan

		For the year ended December 31, 2021			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	\$8,485,868	\$1,961,767	0.01%~0.05%	\$203
	Checking accounts	5,929,533	57,685	-	-
	Securities accounts	1,315,408	160,131	0.01%	7
	Time deposits	321,350	256,650	0.50%~0.77%	1,754
	Short-term loan	-	-	-	-

For the year ended December 31, 2020					
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	\$8,659,764	\$2,678,656	0.01%~0.05%	\$246
	Checking accounts	3,508,379	113,095	-	-
	Securities accounts	1,050,098	17,518	0.01%	9
	Time deposits	321,200	268,250	0.50%~1.02%	1,434
	Short-term loan	250,000	-	1.00%	(60)

B. Purchase

		For the years ended December 31,	
Name of the related parties	Type	2021	2020
Others:			
San Ching Engineering	Building constructing or expansion	\$2,337,393	\$1,901,357
Cathay United Bank	Management fee of trust service	6,481	7,732
Lin Yuan Investment	Urban renewal co-construction landlord subsidies	6,720	3,960
Total		<u>\$2,350,594</u>	<u>\$1,913,049</u>

- The purchase price to the above related parties was determined through agreement based on the market rates.
- The total price of the commissioned construction and consultancy contracts signed by the Group and San Ching Engineering was NT\$13,649,042 thousand and NT\$7,325,649 thousand for the years ended December 31, 2021 and 2020, respectively.

C. Sales

a. Rental Income

		For the years ended December 31,	
Name of the related parties	Type	2021	2020
Others:			
Cathay Life Insurance	Office and vehicles rental	\$7,574	\$7,977
Cathay United Bank	Office and vehicles rental	18,008	18,594
Total		<u>\$25,582</u>	<u>\$26,571</u>

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

b. Service revenue

Name of the related parties	For the years ended December 31,	
	2021	2020
Others:		
Cathay Life Insurance	\$850,000	\$526,239
Cathay United Bank	95,198	60,408
Cathay Financial Holdings	4,011	1,855
Cathay Century Insurance	3,263	3,203
San Ching Engineering	7,914	989
Total	<u>\$960,386</u>	<u>\$592,694</u>

The service revenues are generated from the subsidiary providing health inspection , housing, technology and maintenance services. The transaction price and collection terms above were not significantly different from those with the non-related parties.

D. Notes and account 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,	
	2021	2020
Others:		
Cathay United Bank	<u>\$6,464</u>	<u>\$4,686</u>

E. Notes and accounts payable – related parties

The debt between the Group and the related parties (both uninterested) are as follows:

Name of the related parties	As of December 31,	
	2021	2020
Others:		
Cathay Life Insurance	\$14,150	\$2,003
San Ching Engineering	-	48,574
Total	<u>\$14,150</u>	<u>\$50,577</u>

F. Lease - related parties

a. Right-of-use assets

	As of December 31,	
	2021	2020
Others:		
Cathay Life Insurance	<u>\$5,087,697</u>	<u>\$5,073,435</u>

The Group acquired right-of-use assets from Cathay Life Insurance amounting to NT\$440,252 thousand and NT\$1,272,946 thousand for the years ended December 31, 2021 and 2020, respectively.

b. Lease liabilities

	As of December 31,	
	2021	2020
Others:		
Cathay Life Insurance	\$5,398,487	\$5,253,645

c. Interest expenses

	For the years ended December 31,	
	2021	2020
Others:		
Cathay Life Insurance	\$144,245	\$112,717

G. Others

a. Other current assets-restricted assets

Name of the related parties	Type	As of December 31,	
		2021	2020
Others:			
Cathay Life Insurance	Engineering guarantee 、 Performance bond	\$5,000	\$6,250

b. Refundable deposits

Name of the related parties	Type	As of December 31,	
		2021	2020
Others:			
Cathay Life Insurance	Rent deposit	\$37,860	\$33,748
Lin Yuan Investment	Joint construction deposit	12,000	8,000
Total		\$49,860	\$41,748

c. Guarantee deposit received

Name of the related parties	Type	As of December 31,	
		2021	2020
Others:			
Cathay United Bank	Rent deposit	\$4,446	\$4,446

H. Other income

		For the years ended December 31,	
Name of the related parties	Items	2021	2020
Others:			
Cathay United Bank	Management fee and planning fee	\$4,837	\$4,852
Cathay Life Insurance	Management fee and planning fee	4,536	3,445
Cathay Life Insurance	Rent concession	51,506	27,445
Nangang One	Consultancy service	7,040	-
Nangang Two	Consultancy service	8,960	-
Total		\$76,879	\$35,742

I. Operating costs

		For the years ended December 31,	
Name of the related parties	Items	2021	2020
Other:			
Lin Yuan Property	Management and repairing fee	\$-	\$13,390
Cathay Life Insurance	Management fee	58,835	62,066
Cathay Life Insurance	Others	7,906	7,704
Cathay Life Insurance	Insurance fee	5,180	3,190
Cathay Century Insurance	Insurance fee	5,992	6,041
Symphox Information	Others	3,207	5,603
Total		\$81,120	\$97,994

J. Operating expenses

		For the years ended December 31,	
Name of the related parties	Items	2021	2020
Others:			
Cathay Life Insurance	Rental fee	\$15,964	\$15,944
Cathay Life Insurance	Insurance and selling expenses	1,838	16,986
Cathay Century Insurance	Insurance fee	11,422	-
Seaward Card	Temporary worker service	4,111	4,827
Total		\$33,335	\$37,757

K. Property transactions

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

For the year ended December 31, 2021: None.

For the year ended December 31, 2020				
Name of the related parties	Items	Shares	Subject matter	Purchase price
Others:				
San Ching Engineering	Investments accounted for using equity method	1,230,000	Shares of Lin Yuan Property	\$53,247

L. Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$69,789	\$71,496
Post-employment benefits	1,292	1,351
Total	\$71,081	\$72,847

8. PLEDGED ASSETS

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

Items	As of December 31,		Secured liabilities
	2021	2020	
Negotiable certificate of deposit	\$6,220	\$7,470	Engineering guarantee 、 Performance bond
Inventories	3,120,000	4,080,000	Short-term loan & Long-term loan
Investment property	7,979,172	8,057,172	Short-term loan & Long-term loan
Total	\$11,105,392	\$12,144,642	

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

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

Besides Note 7.(2).B, as of December 31, 2021, the total contract price of the construction contracts signed by the Group and non-related parties was NT\$8,023,476 thousand, in which NT\$5,209,060 thousand was not paid.

(2) Others

Guarantee notes issued for borrowings (financing) were NT\$44,849,200 thousand as of December 31, 2021.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

Considering the overall operation, the Company disposed of 195,000 thousand ordinary shares from Taiwan Star Telecom Co., Ltd. with a fair value of NT\$1,846,000 thousand. Involved shares were transferred on March 4, 2022. The cumulative unrealized valuation loss amounted to NT\$104,000 thousand reclassified from other equity to retained earnings.

12. OTHERS

(1) Categories of financial instruments

Financial Assets

	As of December 31,	
	2021	2020
Financial assets at fair value through other comprehensive income	\$5,806,495	\$4,511,406
Financial assets at amortized cost:		
Cash and cash equivalents	3,932,639	3,391,259
Notes receivable	20,905	32,406
Accounts receivable	473,255	471,478
Other receivables	33,663	30,590
Refundable deposits	1,536,733	1,533,892
Subtotal	5,997,195	5,459,625
Total	\$11,803,690	\$9,971,031

Financial Liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Short-term loans	\$11,460,000	\$7,351,000
Short-term notes payable	3,629,296	3,090,501
Accounts payables	1,756,864	2,303,456
Long-term loans (including current portion)	12,802,685	10,909,741
Lease liabilities	5,620,280	5,509,959
Guarantee deposit received	92,981	85,773
Total	\$35,362,106	\$29,250,430

(2) Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Company's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group consistently complies with its financial risk management policies.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market price. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instrument).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

Foreign currency risk

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

Interest rate risk

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

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\$15,089 thousand and NT\$10,442 thousand for the years ended December 31, 2021 and 2020, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT\$272,554 thousand and NT\$206,400 thousand for the years ended December 31, 2021 and 2020 on the equity attributable to the Group.

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

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

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

As of December 31, 2021 and 2020, 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, 2021				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$16,717,215	\$11,406,809	\$-	\$-	\$28,124,024
Accounts payable	1,756,864	-	-	-	1,756,864
Lease liabilities (Note)	424,081	671,043	639,635	3,885,521	5,620,280
Guarantee deposits	40,096	33,676	8,902	10,307	92,981

	As of December 31, 2020				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	\$15,945,792	\$5,553,569	\$-	\$-	\$21,499,361
Accounts payable	2,303,456	-	-	-	2,303,456
Lease liabilities (Note)	349,495	693,565	598,553	3,868,346	5,509,959
Guarantee deposits	27,407	38,609	11,467	8,290	85,773

Note: Further information on the maturity analysis of lease liabilities:

As of December 31, 2021

	Maturities				
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years
Lease liabilities	\$424,081	\$1,310,678	\$1,791,154	\$1,437,914	\$656,453
					Total
					\$5,620,280

As of December 31, 2020

	Maturities				
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years
Lease liabilities	\$349,495	\$1,292,118	\$1,664,277	\$1,486,703	\$717,366
					Total
					\$5,509,959

(6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2021:

	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, 2021	\$7,351,000	\$3,090,501	\$10,909,741	\$5,509,959	\$26,861,201
Cash flows	4,109,000	538,795	1,892,944	(517,504)	6,023,235
Non-cash changes					
Interest on lease liability	-	-	-	148,978	148,978
Other (Note)	-	-	-	478,847	478,847
As of December 31, 2021	<u>\$11,460,000</u>	<u>\$3,629,296</u>	<u>\$12,802,685</u>	<u>\$5,620,280</u>	<u>\$33,512,261</u>

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

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

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$7,263,000	\$1,034,540	\$11,102,682	\$4,373,611	\$23,773,833
Cash flows	88,000	2,055,961	(192,941)	(442,959)	1,508,061
Non-cash changes					
Interest on lease liability	-	-	-	134,331	134,331
Other (Note)	-	-	-	1,444,976	1,444,976
As of December 31, 2020	<u>\$7,351,000</u>	<u>\$3,090,501</u>	<u>\$10,909,741</u>	<u>\$5,509,959</u>	<u>\$26,861,201</u>

(7) Fair values of financial instruments

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

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

- a. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- c. Equity instruments that are not actively traded in the market (for example, , shares of publicly issued companies in an inactive market, and shares of undisclosed companies) are estimated by market method and are derived from market transactions of the same or comparable company equity instruments. The fair value is derived from the price and other relevant information (such as lack of liquidity discount factor, similar company stock price-to-earnings ratio, like the company's stock price-to-equity ratio).

B. Fair value of financial instruments measured at amortized cost

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

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

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	<u>\$3,605,083</u>	<u>\$1,846,000</u>	<u>\$355,412</u>	<u>\$5,806,495</u>

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	<u>\$2,437,036</u>	<u>\$1,690,972</u>	<u>\$383,398</u>	<u>\$4,511,406</u>

The Group had no assets and liabilities recurring measured at fair value transferring between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

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

	Asset measured at fair value through other comprehensive income- Stocks	
	2021	2020
As of January 1	\$383,398	\$318,144
Total gains and losses recognized for the year ended 31		
Amount recognized in OCI	(27,986)	78,241
Disposals	-	(12,987)
As of December 31	<u>\$355,412</u>	<u>\$383,398</u>

Total gains and losses recognized in profit or loss is NT\$27,986 thousand and NT\$75,136 thousand for the years ended December 31, 2021 and 2020, 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, 2021

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%~50%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$25,968 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\$17,349 thousand

As of December 31, 2020

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%~50%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$34,998 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\$17,560 thousand

(9) Significant assets and liabilities denominated in foreign currencies

The Group did not hold major foreign currency financial assets and liabilities as of December 31, 2021 and 2020.

(10) Capital management

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

(10) Others

The operation of the Group's subsidiaries Cathay Hospitality Management Co., Ltd. and Cathay Hospitality Consulting Co., Ltd. was affected by covid-19 pandemic, resulting in decrease in operating revenue and profit. The management continues to pay attention to the impact of the incident on the companies and responds to it by adjusting operating strategies, broadening source of revenue and reducing expenditures, in order to reduce the impact of covid-19 pandemic.

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, 2021 (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 % of the capital stock: Please refer to Table 2.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Table 3.
- 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 4.
- 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 5.

(2) Investee information

- A. Financings provided to others: None.
- B. Endorsement/guarantee provided to others: None.
- C. Securities held as of December 31, 2021 (not including subsidiaries, associates and joint ventures): Please refer to Table 6.
- 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 7.

(3) Investment in Mainland China

None.

(4) Information on Major Shareholders

Please refer to Table 8.

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

Movable property and real estate development department: The main businesses of the department are entrusted the manufacturer to build residential and commercial buildings for leasing or selling.

The operating segment information does not summarize more than one operating segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner like transactions with third parties.

(1) Information about profit or loss, assets and liabilities of reportable segment

The Group's profit or loss information of operating segments for the years ended December 31, 2021 and 2020 is as follows:

Information for the year ended December 31, 2021

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated amount
Revenue				
External customer	\$9,776,496	\$2,699,522	\$-	\$12,476,018
Inter-segment	57,086	42,673	(99,759)	-
Total revenue	<u>\$9,833,582</u>	<u>\$2,742,195</u>	<u>\$(99,759)</u>	<u>\$12,476,018</u>
Segment profit	<u>\$923,868</u>	<u>\$(683,230)</u>	<u>\$688,253</u>	<u>\$928,891</u>
Interest income	\$667	\$2,256	\$-	\$2,923
Interest expense	85,955	191,118	(26,104)	250,969
Depreciation and amortization	233,818	841,525	(57,345)	1,017,998
Loss (gain) of investments accounted for using equity method	(653,728)	(17,228)	670,956	-
Dividend income	146,949	-	-	146,949

Information for the year ended December 31, 2020

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated amount
Revenue				
External customer	\$11,657,507	\$2,316,104	\$-	\$13,973,611
Inter-segment	1,678,721	447,411	(2,126,132)	-
Total revenue	<u>\$13,336,228</u>	<u>\$2,763,515</u>	<u>\$(2,126,132)</u>	<u>\$13,973,611</u>
Segment profit	<u>\$1,648,236</u>	<u>\$(360,151)</u>	<u>\$397,199</u>	<u>\$1,685,284</u>
Interest income	\$1,156	\$1,927	\$-	\$3,083
Interest expense	72,909	173,881	(27,075)	219,715
Depreciation and amortization	225,848	733,910	(56,899)	902,859
Loss (gain) of investments accounted for using equity method	(399,266)	(5,336)	404,602	-
Loss (gain) on disposal of investments	87,569	(146)	-	87,423
Dividend income	117,922	-	-	117,922

Capital expenditures for non-current assets were incurred because of the corporate headquarters building and is not included in segment information.

The following table presents segment assets and liabilities of the Group's operating segments as at December 31, 2021 and 2020:

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated amount
Assets of December 31, 2021	\$57,318,517	\$14,311,366	\$(3,393,737)	\$68,236,146
Assets of December 31, 2020	\$49,112,708	\$13,552,249	\$(3,168,029)	\$59,496,928

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Liabilities of December 31, 2021	\$31,880,905	\$10,967,084	\$(946,678)	\$41,901,311
Liabilities of December 31, 2020	\$24,657,484	\$10,429,394	\$(989,078)	\$34,097,800

External revenue, segment profit and loss and total assets provided to the chief operating decision maker are measured in the same way as the revenue, net profit after tax and total assets in the financial report. Therefore no reconciliation is needed.

(2) Area-specific information

The Group did not have foreign segments that contributed 10% or more to the Group's revenue and assets for the years ended December 31, 2021 and 2020.

(3) Major customer information

The Group's net sales to a single customer for the years ended December 31, 2021 and 2020 both did not exceed 10% of the consolidated net sales revenue.

English Translation of Financial Statements Originally Issued in Chinese

Table 1: Securities held as of December 31, 2021 (not including subsidiaries, associates and joint ventures)

Unit: NT\$1,000 ; Share

Holding Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2021				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay Real Estate Development Co., Ltd.	Stock — Cathay Financial Holdings Co., Ltd.	Others	Financial assets at fair value through other comprehensive income—current	57,681,332	\$3,605,083	0.44%	\$3,605,083	
"	Stock — Symphox Information Co., Ltd.	Others	Financial assets at fair value through other comprehensive income—non-current	5,489,000	128,058	11.00%	128,058	
"	Stock — Taiwan Star Telecom Co., Ltd.	None	"	195,000,000	1,846,000	3.68%	1,846,000	
"	Stock — Gong Cheng Industrial Co.	None	"	1,580,083	-	3.23%	-	
"	Stock — Gian Feng Investment Co., Ltd.	None	"	2,000,000	25,423	10.00%	25,423	
"	Stock — MetroWalk international Co., Ltd.	None	"	3,448,276	53,862	1.72%	53,862	
"	Stock — Budworth Investments Limited	None	"	30,314	45	3.33%	45	
"	Stock — Nangang International One Co., Ltd.	Others	"	7,485,000	74,167	4.99%	74,167	
"	Stock — Nangang International Two Co., Ltd.	Others	"	7,485,000	73,561	4.99%	73,561	

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

English Translation of Financial Statements Originally Issued in Chinese

Table 2: Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital

Unit : NT\$1,000

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As of January 1, 2021		Purchase (Note 3)		Sell (Note 3)				As of December 31, 2021	
					Shares	Amount	Shares	Amount	Shares	Price	Book Cost	Gain / Loss	Shares	Amount
Cathay Real Estate Development Co., Ltd.	The stocks of Cathay Hospitality Management Co., Ltd.	Investments accounted for using equity method	Cathay Hospitality Management Co., Ltd.	Subsidiary	-	\$-	39,000,000	\$390,000	-	\$-	\$-	\$-	-	\$-
"	The stocks of Cathay Hospitality Consulting Co., Ltd.	Investments accounted for using equity method	Cathay Hospitality Consulting Co., Ltd.	Subsidiary	-	\$-	30,000,000	\$300,000	-	\$-	\$-	\$-	-	\$-

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

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

Note 3 : The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach 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.

Table 3: Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital

Unit : NT\$1,000

Company	Property Name	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Relationship with the Company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
Cathay Real Estate Development Co., Ltd.	Land and Buildings No. 252, 252-1, Guandi Section, East District, Tainan City	2021.02.05	\$653,131	Installment by agreement	Individual	None	-	-	-	\$-	1. Refer to the report of a professional real estate appraiser 2. Negotiation by two parties	Construction & Building	None
Cathay Real Estate Development Co., Ltd.	land Serial No. 952 etc, Section 4, Zhongdu Section, Sanmin District, Kaohsiung City	2021.03.11	1,046,965	Installment by agreement	Individual	None	-	-	-	-	1. Refer to the report of a professional real estate appraiser 2. Negotiation by two parties	Construction	None
Cathay Real Estate Development Co., Ltd.	No. 174, Sanchong Section, Sanchong District, New Taipei City	2021.04.13	3,394,600	Pay the final payment within 60 days after winning the bid	Legal person	None	-	-	-	-	The bid is submitted to the chairman for approval after internal evaluation	Construction	None
Cathay Real Estate Development Co., Ltd.	No. 70, Huili Section, Nantun District, Taichung City	2021.04.28	993,603	Installment by agreement	Individual	None	-	-	-	-	1. Refer to the report of a professional real estate appraiser 2. Negotiation by two parties	Construction	None
Cathay Real Estate Development Co., Ltd.	land Serial No. 569, 570, 571, 573, 574, 575 in Meihe Section, Beitun District, Taichung City	2021.08.26	775,398	Installment by agreement	Individual	None	-	-	-	-	1. Refer to the report of a professional real estate appraiser 2. Negotiation by two parties	Construction	None
Cathay Real Estate Development Co., Ltd.	Land No. 61, Section 5, Tammei Section, Neihu District, Taipei City	2021.11.25	1,985,879	Installment by agreement	Individual	None	-	-	-	-	1. Refer to the report of a professional real estate appraiser 2. Negotiation by two parties	Construction	None

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Table 4: 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	
Cathay Real Estate Development Co., Ltd.	San Ching Engineering Co., Ltd	Associate	Construction-in-progress	\$2,337,393	16.56%	Not applicable	\$-	-	\$-	0.00% (Note)	Construction

Note : The notes/accounts payable of consolidated financial statements.

Table 5: Significant intercompany transactions between consolidated entities

Unit : NT\$1,000

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Cathay Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Rental income	\$349	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Accounts Receivable-related parties	36	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Operating expenses-miscellaneous expenses	71	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Operating expenses-conference fee	179	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathy Hospitality Consulting Co., Ltd.	1	Operating expenses-entertainment expenses	10	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	1	Deferred credits-gains on Inter-affiliate accounts	13,293	Regular	0.02%
0	Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	1	Cost of rental sales	1,800	Regular	0.01%
0	Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	1	Other income	22	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	1	Rental income	18	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	1	Accounts Receivable-related parties	55	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	1	Construction cost	12	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	1	Other income	12	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Rental income	73	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Operating expenses-miscellaneous expenses	211	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Operating expenses-entertainment expenses	120	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Operating expenses-traveling expense	2	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Operating expenses-advertising fee	137	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Operating expenses-research expenses	1	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Construction cost	2	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Accounts Receivable-related parties	30	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	1	Other income	10	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Accounts Receivable-related parties	28	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Operating expenses-miscellaneous expenses	772	Regular	0.01%
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Rental income	38	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Cost of rental sales	37,028	Regular	0.30%
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Other income	153	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	1	Operating expenses-cleaning management fee	525	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Other income	2,120	Regular	0.02%
0	Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Rental income	161	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Guarantee deposits received	41	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	1	Investment accounted for using equity method	30,259	Regular	0.04%
0	Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	1	Other income	6,204	Regular	0.05%
0	Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	1	Rental income	92	Regular	-
0	Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	1	Guarantee deposits received	23	Regular	-
1	Cathay Hospitality Consulting Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	349	Regular	-
1	Cathay Hospitality Consulting Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Accounts payable-related parties	36	Regular	-
1	Cathay Hospitality Consulting Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Hospitality income	260	Regular	-
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Accumulated depreciation-investment property	367	Regular	-
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Investment property-land	12,813	Regular	0.02%
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Investment property-buildings	847	Regular	-
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Cost of rental sales	41	Regular	-
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Management fee income	1,800	Regular	0.01%
2	Cathay Real Estate Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-software fee	22	Regular	-
3	Cathay Healthcare Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	18	Regular	-
3	Cathay Healthcare Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Accounts payable-related parties	55	Regular	-
3	Cathay Healthcare Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Service income	12	Regular	-
3	Cathay Healthcare Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-Repair and maintenance expense	12	Regular	-
4	Cathay Hospitality Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	73	Regular	-
4	Cathay Hospitality Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Hospitality income	473	Regular	-
4	Cathay Hospitality Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Accounts payable-related parties	30	Regular	-
4	Cathay Hospitality Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-miscellaneous expenses	10	Regular	-
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Accounts payable-related parties	28	Regular	-
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Technical service income	772	Regular	0.01%
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	38	Regular	-
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Maintenance income	37,028	Regular	0.30%
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-service fee	153	Regular	-
5	Lin Yuan Property Management Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Service income	525	Regular	-
6	Jinhua Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-miscellaneous expenses	2,120	Regular	0.02%
6	Jinhua Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	161	Regular	-
6	Jinhua Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Refundable deposits	41	Regular	-
6	Jinhua Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Land held for construction site	30,259	Regular	0.24%
7	Bannan Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Operating expenses-miscellaneous expenses	6,204	Regular	0.05%
7	Bannan Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Rent	92	Regular	-
7	Bannan Realty Co., Ltd.	Cathay Real Estate Development Co., Ltd.	2	Refundable deposits	23	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 calculation for the Percentage of consolidated total operating revenues or total assets, if it recognized to assets or liabilities and it should be calculated by the ending balance for the consolidated assets.

If it recognized to profit or loss and it should be calculated by the ending balance for the consolidated revenue.

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Table 6: Securities held as of December 31, 2021 (not including subsidiaries, associates and joint ventures) (Investee information)

Unit: NT\$1,000 ; Share

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December 31, 2021				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	\$149	0.01%	\$149	
"	Stocks Nangang International Two Co., Ltd.	Others	"	15,000	147	0.01%	147	

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

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Table 7: Names, locations and related information of investee companies (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, 2021	Balance at December 31, 2020	Number of shares	Percentage	Amount			
Cathay Real Estate Development Co., Ltd.	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	\$50,000	\$50,000	5,000,000	100.00%	\$118,195	\$26,661	\$26,661	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	525,996	26,138	22,232	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	1,640,000	650,000	40,000,000	100.00%	246,677	(281,901)	(275,738)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cathay Hospitality Consulting Co., Ltd.	ROC	Service industry	1,050,000	750,000	35,000,000	100.00%	244,815	(398,328)	(387,211)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	350,000	100,000	35,000,000	100.00%	305,610	(31,390)	(31,390)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Lin Yuan Property Management Co., Ltd.	ROC	Apartment building management service industry	68,809	68,809	1,530,000	51.00%	55,129	57,164	29,156	Subsidiary
Cathay Real Estate Development Co., Ltd.	Jinhua Realty Co., Ltd.	ROC	Housing and Building Development and Rental industry	408,000	408,000	40,800,000	51.00%	342,764	(66,966)	(34,153)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Bannan Realty Co., Ltd.	ROC	Housing and Building Development and Rental	408,000	408,000	40,800,000	51.00%	402,489	(6,441)	(3,285)	Subsidiary
Cathay Real Estate Development Co., Ltd.	Sanchong Realty Co., Ltd.	ROC	Housing and Building Development and Rental	660	-	66,000	66.00%	660	-	-	Subsidiary
Cymbal Medical Network Co., Ltd.	Cymder Co., Ltd.	ROC	Manpower dispatch and leasing industry	120,000	80,000	12,000,000	100.00%	103,632	(10,696)	(10,696)	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Cymlin Co., Ltd.	ROC	Manpower dispatch and leasing industry	140,000	26,000	14,000,000	100.00%	133,264	(6,532)	(6,532)	Second-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.

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

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Table 8: Information of major shareholder

Shareholders	Shares	Total Shares Owned	Ownership Percentage
Employee Pension Management Committee of Cathay Life Insurance Co., Ltd.		288,067,626	24.84%
Wan Pao Development Co., Ltd.		204,114,882	17.60%
Fubon Life Insurance Co., Ltd.		87,000,000	7.50%
Cathay Life Insurance Co., Ltd.		68,646,584	5.92%