Stock Code: 2501

國泰建設股份有限公司
Cathay Real Estate Development Co., Ltd

2019 Annual Report

Printed on May 1, 2020

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

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

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Contents

Chapter 1 Letter to Shareholders

I. Operating Performance in 2019

(I) Implementation of Business Plans for 2019

Looking back at 2019, the global economy has slow down significantly due to the continuous impact of the US-China trade war. Nevertheless, benefited by the transfer of order as a result of the trade-war and the return of Taiwanese businesses, domestic market showed an upward trend quarter by quarter. The overall economic growth rate forecast by the Directorate-General of Budget, Accounting, and Statistics is 2.71%, which is close to 2.75% of the previous year, showing a trend of recovery. The real estate market is also benefited by the return of Taiwanese investment, which not only boosted up commercial and industrial properties, but also stimulated market sentiment, resulting in continuous recovery in the housing market and a stable price increase in pre-sales market. Number of transactions in completed house market also exceeded 300,000, recorded growth for three consecutive years. Gasping the recovery opportunity, the Company successively launched six pre-sale projects before August, namely, Banqiao “Tree, River, Cathay’s Home II”, Tucheng “Taipei Uptown”, Xindian “LAGOM”, Beitou “Have a Rich Year!”, Taichung “Cathay Mega+”, and Tainan “City Landmark”, and one built project in Kaoshiung, “Cathay Sigma”, total seven projects. As the products meet buyers’ needs, not only was it priced higher than local standard, but also sold well, more than 80% units were sold by the end of 2019, exceeding the sales targets. The Company recognized revenue from the four whole batch construction cases including Taipei “Cathay New Village”, Taoyuan “Cathay Fu-Tu”, Taichung “Chief Executive Officer”, and Kaoshiung “Cathay Sigma”, as well as the accruals from projects of the previous year, the total annual revenue was around NT$9.7366 billion.

(II) Budget Implementation

There was no budget implementation in 2019 due to undisclosed financial forecasting.

(III) Please refer to P.117-125 for the analysis of financial revenue and profitability in 2019.

(IV) Research and Development Status

The current real estate market is recovering, thus with the priority of strengthening fundamental business, the Company is actively engaging in digital transformation, creating value for products and services, and further deepening the brand effect. In terms of future strategy, the Company will move toward an integrated developer. For the core business, in addition to basic land reserves, the land will be acquired in diversified ways, such as joint venture and commercial city reform. In respect to re-investment, the operation of health management and hospitality businesses have been stabilized, the next step is to elevate profitability and expansion, to increase the service capacity and expand business scale. Moreover, the Company will evaluate the investment in other new businesses more actively, thereby expanding the development and business scale, and creating a higher profitability.

In addition, considering both demand and quality, the Company is developing a solid and stable manner, introducing digital integration actively, and creating value-added products and services to sharpen our competitive edge. When facing the new generation of home buyers, in addition to leveraging our advantages in design capability and layout, actively implementing comprehensive quality to create product and service value, the Company also operates the brand more diligently, utilizing modern internet media to deepen the brand placement to achieve word-of-mouth marketing. In addition, the Company has been committed to real estate research for a long time, publishing the Cathay Real Estate Index with the academic units. The Company publishes research results at the end of each quarter and provides market information and has become a reliable source of real estate information in Taiwan. The registration price of pre-sale real estate may still be lagging despite of the official "real-price registration" system (register within one month after the sales completed rather than the transaction done). This study can make up for the insufficient information.

II. Summary of Business Plans for 2020

Looking forward to 2020, while the tension between US-China trade war gradually eased, the global economy was expected to be stable and the trade volume was expected to grow moderately. However, amidst the outbreak of the China coronavirus epidemic at the beginning of the year, multiple countries and regions are effected, bringing uncertainties to the road of recovery. Domestic economy is expected to slow down due to the aforementioned virus outbreak. With regard to funding, low-interest environment is expected to be continued. With regard to policies, as the governing party has been re-elected after the election, polices shall be continued. The government actively promotion of the return of overseas funds was also helpful for the future development of the housing market . With regard to the market, the purchase atmosphere continued to recover and real estate industry players are actively deploying lands. It is expected the launch of new projects will be more intensive, the market should remain on the recovering trend. Although earlier this year the virus outbreak has effected buyers' willingness for house viewing, this should be temporary, the trading order should be restored once the outbreak has be contained. The Company catches the pulsating trend, plans to launch Taoyuan "Catahy ChuanQing" in the first half of the year, and Xindian "Cathay Opulence", Taoyuan "Cathay XiJing", and Nangang "Chenggong New Town Area A" in the second half of the year, four projects in total. Although new projects volume has decreased due to treasury land allocation, but we are targeting at higher sales rate to boost the revenue. The Company is actively preparing the sales of the remaining treasury lands, the timing of which shall be determined based on the market atmosphere.

The Company's business policy this year will focus on "strengthening core business and digital integration” and “value creation and deepening the brand”. With the priority of strengthening fundamental business, the Company is actively engaging in digital transformation, creating products and services value, and further deepening the brand effect. In terms of future strategy, the Company will move toward an integrated developer. For the core business, in addition to basic land reserves, the land will be acquired in diversified ways, such as joint venture and commercial city reform. In respect to re-investment, the operation of health management and hospitality businesses have been stabilized, the next step is to elevate profitability and expansion, to increase the service capacity and expand business scale. Moreover, the Company will evaluate the investment in other new businesses more actively, thereby expanding the development and business scale, and creating a higher profitability.

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

Looking forward to the economic atmosphere in 2020, while the tension between US-China trade war gradually eased, the global economy was expected to be stable and the trade volume was expected to grow moderately. However, amidst the outbreak of the China coronavirus epidemic at the beginning of the year, multiple countries and regions are effected, bringing uncertainties to the road of recovery. Domestic economy is expected to slow down due to the aforementioned virus outbreak. With regard to funding, low-interest environment is expected to be continued. With regard to policies, as the governing party has been re-elected after the election, polices shall be continued. The government actively promotion of the return of overseas funds was also helpful for the future development of the housing market . With regard to the market, the purchase atmosphere continued to recover and real estate industry players are actively deploying lands. It is expected the launch of new projects will be more intensive, the market should remain on the recovering trend. Although earlier this year the virus outbreak has effected buyers’ willingness for house viewing, this should be temporary, the trading order should be restored once the outbreak has be contained. In response to this situation, the Company’s business policy this year will focus on “strengthening core business and digital integration” and “value creation and deepening the brand”. With the priority of strengthening fundamental business, the Company is actively engaging in digital transformation, creating products and services value, and further deepening the brand effect.

Among other things, in land development, we will still acquire land in more ways, and move toward the vision of a comprehensive developer. In land layout, we will also combine the concept of development and management, retain the commercial real estate in prime locations, and ponder operating added value and promote value to stabilize the profits in the future. In design, we will still focus on the demands of customers, strengthen the intimate design, and strengthen the integration of design and construction. In sales, we will continue to introduce the external professional sales team in the early stage of design, so that the planned products can lead the market and even surpass the market standard to enhance our product competitiveness. For the diversification of re-investment, hospitality and health management business have been operating steadily, the next step is to elevate profitability and continue the expansion in the same time, to increase the service capacity and expand business territory.

In construction sites, in addition to strengthening after-sales service for the completed and delivered projects, the Company introduced the digital customer service APP to extend customer relationship management and to enhance customer recognition; in the project under construction, we will focus on the public safety, give prominence to quality and control the budget, and keep developing and improving construction methods and eco-friendly building materials and equipment; in new construction site, we will plan and design the Company's treasury land precisely based on the regional characteristics and innovative thinking, proceed from the practicability of customers, and by setting higher sales rate to increase the revenue.

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

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

(II) Important Production & Sales Policies for 2020

1. Strengthening Core Business and Digital Integration

   Core business is our root, in the time that the real estate industry is still adjusting demand and supply, the Company doesn't leap forward to pursue big volume. Instead, considering both demand and quality, the Company is developing in a solid and stable manner, introducing digital integration actively, and creating value-added products and services to sharpen our competitive edge and expand the future business scale.

2. Value Creation and Brand Deepening

What consumers purchase is the value and what they believe is the brand. Therefore, when facing the new generation of home buyers, in addition to leveraging our advantages in design capability and layout, actively implementing comprehensive quality to create product and service value, the Company also operates the brand more diligently, utilizing modern internet media to deepen the brand placement to achieve word-of-mouth marketing.

III. Development Strategies

(I) Short-term Development Strategies

1. Strengthening brand value
2. Diversified land development strategies
3. Increased sales by practical products
4. Integration of marketing resources
5. Optimization of customer service to maintain reputation
6. Steady expansion of diversified business deployment

(II) Long-term Development Strategies

1. Optimization and continuance of the brand value
2. Actively deploying integrated business opportunities
3. Planning sustainable, safe and energy-efficient buildings
4. Strengthening construction technology and quality
5. Promoting community level with sustainable sales services
6. Operational growth of diversified blue sea business

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

(I) External Competitive Environment

In respect of market supply and demand, the statistical information from the Construction and Planning Agency shows that the total floor area of the national residential buildings increased by 18% in 2019 compared with that in 2018 and has increased for three consecutive years, indicating that the construction industry is optimistic on the real estate market, which has shown a mild recovery. The research in the quarterly report of Cathay Real Estate Index also shows that in 2019, the overall house price in the national pre-sale real estate market has increased with stable volume, number of projects and transactions was higher than 2018, and the housing market is recovering. On the whole, the current real estate market is gradually recovering and it is in the consolidation stage, and the follow-up trend is hopeful. The future will still be adjusted based on US-China trade relations, market interest rates, capital levels, government’s policies on real estate market, market supply and demand, and promotion of cross-strait relations.

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

(II) Regulatory Environment

1. Laws and regulations of urban planning

Latest version of the Urban Renewal Act has passed and promulgated into effect in January 2019, and the content include simplifying procedures for dispute resolution and urban renewal, protecting the equity of the public, as well as raising agreement threshold and agreement. The local autonomy laws and regulations formulated in response to the amendment of the parent law were also gradually put in place in 2019, which resulted in more than one hundred urban renewal projects approved in one single year for the first time.

2. Other Laws and Regulations

In November 2019, Ministry of the Interior has put part of "Mandatory and Prohibitory Provisions of Standard Contracts for Pre-sale Housing" into practice, defining the content of contracts for pre-sale housing, including six major items: no pricing for eaves and rain shelter, parking space without independent ownership should be included in the common items, the revised performance guarantee mechanism, slag is forbidden as building materials, the connection of internal and external pipe for hydropower is borne by the operator, and the structure guarantee. The purpose of regulation is to promote transparent real estate trading and protect the rights of the buyers and seller.

(III) Macroeconomic Conditions

In 2019, the turnover of buildings in six cities was 351,000, with an annual growth rate of 66%, which has shown an increasing trend for several consecutive quarters. Meanwhile, the balance of building and residential loans is gradually increasing, and the overall transaction volume has gradually increased since the end of 2016. The Central Bank’s interest rate has remained low since 2018, the consumers are also benefited by the low housing mortgage interest right, house buyers’ confidence has restored, and the overall real estate market has recovered and bounced back in 2019.

Looking forward to 2020, in terms of domestic situation, the interest rate with influence on the pressure of citizens to buy house and contractors to finance remains unchanged as expected, the continued easing monetary policies contribute to the steady overall economic and financial development, and with the completion of the president election, the governing party will continue to implement the established policy guidelines, and the housing market policy is not expected to change much. In terms of international situation, with the ease of the US-China trade war, most international institutes forecast that the global economy and trading will recover in 2020. However, the global economy recovery rate is still weak.

Overall, various economic data in 2019 show that the real estate market is gradually recovering and the performance is better than that in 2018, showing increase in price with stable volume. After the adjustment at its peak in 2013, the price has been consolidating quarter by quarter since 2016. The current price is still consolidating at a high price. With stable and increasing demands, the risk of re-adjustment is low. Whether the volume of transaction can pick up is the key to the continuous recovery of the housing market.

Chairman: Ching-Kuei Chang

Chapter 2 Company Profile

I. Date of Incorporation

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

II. Company History

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

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

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

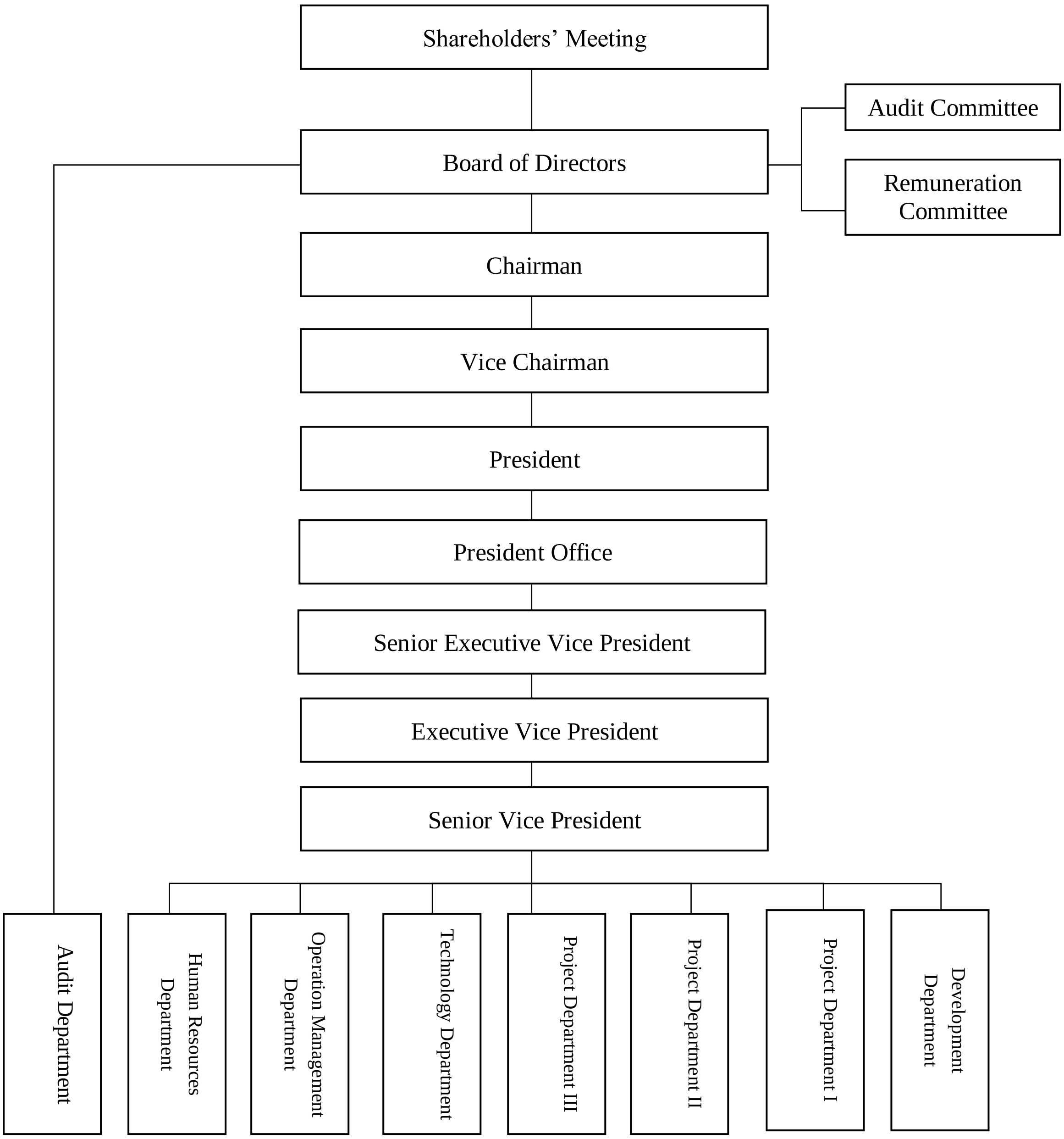
In terms of re-investment, the Company established the Cathay Real Estate Management Co., Ltd. in 2005, which merged into Shihua International Leasing Co., Ltd. with Lin Yuan Property Management Co. Ltd. and San Ching Engineering Co., Ltd. in July 2011, completing the layout of the upstream, middle and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

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

Chapter 3 Report on Corporate Governance

I. Organization

(I) Organization Chart



(II) Major Department Functions

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

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

3. Development Department
   (1) Survey statistics and research of real estate market.
   (2) Research on economic and real estate situation.
   (3) Collection, investigation and analysis of various environmental information and information on business management and news of the construction industry in Taiwan
   (4) Special research report project.
   (5) Investigation, analysis and evaluation of land planning data.
   (6) Review and amendment of the analysis calculation standard for gross profit of annual land planning.
   (7) Collection and analysis of construction laws and regulations and urban planning data.
   (8) Equity investigation and signing of transaction, purchase, exchange and joint construction of real estate.

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

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

(17) Notification of collection and urgency of customer's payment and additional/reduced payment.
(18) Verification of additional/reduced design of engineering change.
(19) Cooperating with the Company to provide financial statements related to the project business.
(20) Organization of the project result display (general inspection) and customer inspection.
(21) Item related to the delivery of housing.
(22) Acceptance and handover of public equipment.
(23) Assistance in the establishment of the Community Management Committee.
(24) Customer service within one year upon acquisition of housing license.
(25) Organization of project completion report and project handover document.
(26) Development and amendment of standard operating procedures, including drawing review, sales, customer change, inspection and delivery, public handover and other processes.
(27) Supplier management and system data maintenance.
(28) Other related items.

5. Project Department III
(1) Items related to investigation and research of real estate market.
(2) Investigation, analysis and evaluation of land planning data.
(3) Items related to land acquisition and management.
(4) Preparation, control and implementation of budget, gross profit and progress targets of the projects.
(5) Preparation and implementation of product positioning, sales strategy and marketing plan.
(6) Selection, appointment and contracting of dealers, architects, consultants and agents.
(7) Investigation and measurement of the foundation.
(8) Review of drawings for architectural design.
(9) Selection of building materials and equipment.
(10) Application and review of building license and related items.
(11) Control of design, production and construction of sales tools, reception centers and sample rooms and related items.
(12) Pricing of real estate.
(13) Sales, leasing, contracting and collection of premise and related items.
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(16) Provision, contact, coordination and verification of information regarding changes in customers.
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(25) Acceptance and handover of public equipment.
(26) Assistance in the establishment of the Community Management Committee.
(27) Organization of project completion report and project handover document.
(28) Contact and reply, on-site investigation, tracing and treatment of customer service cases under authority.
(29) Data collection, statistical analysis and review of customer service cases under authority.
(30) Acceptance and disposal of customer complain, litigation, important case and letters from management committee under authority.
(31) Control of repair engineering contract under authority.
(32) Supplier management and system data maintenance.
(33) Other related items.

6. Technology Department
(1) Preparation and amendment of engineering-related systems, specifications and standard operating procedures.
(2) Recommended use of building materials, equipment and construction methods and collection and maintenance of relevant materials.
(3) Assistance in technical support for group relationship and enterprise development project.
(4) Calculation, budgeting and auditing of various work quantities.
(5) Contracting of various projects and conclusion of contract.
(6) Review and amendment of annual standard construction costs.

(7) Examination on qualification of manufacturer of mechatronic engineering and structure.
(8) Review of the structure, mechanical and electrical design and construction drawings of the project.
(9) Review of additional/reduced design of engineering change.
(10) Construction period calculation and schedule control.
(11) Preparation of supervision plan and review of construction plan and construction drawing.
(12) Inspection and quality supervision of building, structure, mechatronic engineering, civil engineering and equipment construction.
(13) Coordination and integration of construction management in the construction site.
(14) Disposal of assessment and valuation.
(15) Items related to project acceptance (including initial inspection and re-inspection).
(16) Preparation and amendment of customer service related systems, specifications and standard operating procedures.
(17) Contact and reply, on-site investigation, tracing and treatment of customer service cases after handover of Project Department I and II.
(18) Data collection, statistical analysis and review of customer service cases.
(19) Customer data collection, statistical analysis, updating and maintenance
(20) Preparation and implementation of customer relationship business strategy and planning.
(21) Acceptance and disposal of customer complain, litigation, important case and letters from management committee after handover of Project Department I and II.
(22) Control of repair engineering contract after handover of Project Department I and II.
(23) Custody of project completion report and project completion data of Project Department I and II.
(24) Supplier management and system data maintenance.
(25) Other related items.

7. Operation Management Department
(1) Control of finance, tax and other accounting management items.
(2) Preparation of financial budget, budget estimate and final accounting.
(3) Final accounting for completed project.
(4) Coordination and contact with the accounting business of the Group.
(5) Financial analysis and feedback of the same industry.
(6) Post-investment operation overview and performance tracking, and

proposal of strategies and recommendations.

(7) Planning and implementation of long-term and short-term capital.

(8) Custody of cash, bills and marketable securities and management of cashier accounting.

(9) Custody of various performance and guarantee bills during the execution of the Company.

(10) Operation Management of the safe deposit box of treasury.

(11) Holding Investor Conferences.

(12) Comprehensive management of share business.

(13) Sending and receiving of codes and official documents with the Company's official seal and management of documents.

(14) The Company's business registration and trademark management.

(15) Control of the development trend of the Group and organization of the relevant historical materials.

(16) Management of occupational safety and health.

(17) Leasing, procurement, management and maintenance of the office and articles therein.

(18) Procurement and production of various printed products.

(19) Contracting and purchase of sales advertising projects and items related to delivery of housing.

(20) Leasing, taxation, insurance, management and maintenance of investment property.

(21) Purchase, leasing, sales, taxation, insurance, management and maintenance of passenger cars.

(22) Consultation of legal affairs and project support for various units.

(23) Countersign and review of contracts concerning external affairs and other legal documents.

(24) Co-organization and disposal of litigation cases and non-litigation affairs.

(25) Abidance management and assistance in enforcement of laws and regulations.

(26) Operations related to Corporate Governance Team of the Corporate Social Responsibility Committee and social welfare.

(27) Discussion proceedings of the Board of Shareholders, the Board of Directors and other functional committees.

(28) Planning, construction and management of the Company's information system architecture.

(29) Assistance in the development of information systems of subsidiaries and integration of the Group's information operation platform.

(30) Establishment and promotion of the Company's information security management mechanism.

(31) Planning, construction and management of the Company's database, network system and hardware/software equipment.
(32) Development, maintenance, improvement, and integration of various application systems.
(33) Planning of the education training of the Company's information system.

8. Human Resources Section
   (1) Preparation, planning and implementation of the Company's human resources strategies, policies and plans.
   (2) Planning and implementation of salary awards, year-end bonus system and issuance.
   (3) Planning and implementation of personnel recruitment and appointment procedures, and personnel development and talent reserve planning.
   (4) Planning of the performance management system, employee performance appraisal and promotion.
   (5) Execution of compensation and performance appraisal on Directors and Managers.
   (6) preparation and maintenance of personnel-related rules and regulations, management of personnel information and systems, and analysis of the efficiency of human resources.
   (7) Planning and implementation of personnel appointment and dismissal, transfer, attendance, reward and punishment, business trip and vacation, pension and insurance.
   (8) Distribution of material information regarding human resources such as personnel changes.

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

(I) Directors and Supervisors (1)

April 14, 2020

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

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shaereholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position (Note 4)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	The Republic of China	Employee Welfare Committee of Cathay Real Estate Corporation Representative: Chin-Liang Lin	Male	June 16, 2017	3 years	June 16, 2017 June 6, 2014	2,754,800 0	0.24% 0	2,754,800 0	0.24% 0	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Executive Vice President of Cathay Real Estate Corporation Director of Cathay Real Estate Management Co., Ltd. Director of Cathay Hospitality Management Director of Cathay Hospitality Consulting Co., Ltd. Chairman of Cathay Healthcare Management Limited (BVI) Director of Hangzhou Kun-Ning Health Consulting Co., Ltd. Director of Nankang International One Co.,Ltd Director of Nankang International Two Co.,Ltd n Supervisor of Symphox Information Co., Ltd.	None		
Director	The Republic of China	Cathay Charity Foundation Representative: Daniel Tung	Male	June 16, 2017	3 years	June 16, 2017 July 1, 2015	5,941,332 0	0.51% 0	5,941,332 0	0.51% 0	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Senoir Executive Vice President of Cathay Real Estate Corporation Director of Lin Yuan Property Management Co. Ltd. Director of Cathay Real Estate Foundation Director of Cathay Healthcare Management Limited (Cayman) Director of Hangzhou Kun-Ning Health Consulting Co., Ltd. Director of Taiwan Star Telecom Co., Ltd.	None		
Director	Canada	Cathay Real Estate Foundation Representative: Chung-Chang Chu	Male	June 16, 2017	3 years	June 16, 2017 May 19, 1999	2,353,690 11,719	0.20% 0	2,353,690 11,719	0.20% 0	0	0	0	0	York University (Master of Business Administration, MBA)	Chairman of Meifeng Textile & Dyeing Co., Ltd. Chairman of Meifeng Corporation Director of Cathay Life Insurance Corporation	None		
Independent Director	The Republic of China	Shiou-Ling Lin	Female	June 16, 2017	3 years	June 6, 2014	0	0	0	0	0	0	0	0	National Taiwan University (Bachelor of law)	Chairman of Dasheng IV Venture Capital Co., Ltd. Chairman of Baku Investment Co., Ltd. Independent Director of Accton Technology Corporation Director of Dasheng II Venture Capital Co., Ltd. Director of Dasheng Financial Consultant Co., Ltd. Director of Dasheng Venture Capital Co., Ltd. Director of Dasheng IB Venture Capital Co., Ltd. Director of Jiayong Co., Ltd. Director of Anding Co., Ltd. Director of Guanglimei Co., Ltd. Director of Dasheng IAI Investment Co., Ltd. Director of Dasheng V Venture	None		

Title (Note 1)	Nationality / Place of Incorporation	Name	Gender	Date of Election (Accession)	Term	Date First Elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shaereholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position (Note 4)	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
																Capital Co., Ltd. Director of Hongce Investment Co., Ltd. Director of Zhenhan Capital Co., Ltd. Director of Hongshun Investment Co., Ltd. Director of Muying Co., Ltd Director of Anfu Co., Ltd. Director of KHL Investment I Limited (BVI) Director of Scope Star International Limited (BVI) Director of Gloss Victory International Limited (BVI)			
Independent Director	The Republic of China	Chih-Wei Wu	Male	June 16, 2017	3 years	June 6, 2014	0	0	0	0	0	0	0	0	California State University (Master of Business Administration, MBA)	Independent Director of Preferred Bank Chairman of Zhide Investment Co., Ltd. Director of Taiwan Farm Industry Co., Ltd. Independent Director of Long Chen Paper Co., Ltd. Director of Bohui Biotechnology Co., Ltd.	None		
Independent Director	The Republic of China	James Y. Chang	Male	June 16, 2017	3 years	June 16, 2017	0	0	0	0	0	0	0	0	Southern Methodist University (Doctor of Laws)	None	None		

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

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

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

Note 4: Where the chairperson of the board of directors and the general manager or a person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent directors, more than half of the directors do not serve as employees or managers, etc).

Note 5: The directors' part-time job shall be subject to the information on April 14, 2020.

Note 6: The Company has set up an Audit Committee replacing the supervisor since June 16, 2017 in accordance with the provisions of Article 14-4 of the Securities Exchange Act.

Table 1: Substantial shareholders of institutional shareholders

April 14, 2020

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

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

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

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

April 14, 2020

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

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

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

(I) Directors and Supervisors (2)

May 1, 2020

Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Fulfillment of Independence (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ching-Kuei Chang		✓	✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chung-Yan Tsai			✓			✓			✓		✓	✓	✓	✓		None
Hung Ming Lee			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chin-Liang Lin			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Daniel Tung			✓			✓	✓	✓	✓		✓	✓	✓	✓		None
Chung-Chang Chu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
James Y. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

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

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

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

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the manager listed in (1) or any person listed in (2) and (3).

(5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or who appointed representative to be company Director or Supervisor in accordance with Article 27 paragraph 1 or 2, Company Act. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(6) Not a Director, Supervisor, or employee of another company which was controlled by the same person who also controlled majority of the Company's Director seats or voting shares. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of

the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(7) Not a chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the specific company or institution hold more than 20% and not more than 50% of the company's issued shares, and where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or local laws.

(9) Not a professional individual , or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, such restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

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

(11) Not related to any circumstances in Ariticle30 of the Company Law.

(12) Not a governmental, juridical person or its representative as defined in Article27 of the Company Law.

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

April 14, 2020

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	The Republic of China	Hun- Ming Lee	Male	March 1, 2015	0	0	0	0	0	0	Chinese Culture University (Bachelor of Law)	Director & President of Cathay Real Estate Management Co., Ltd. Chairman of Cathay Hospitality Management Co., Ltd. Chairman of Cathay Hospitality Consulting Co., Ltd. Chairman of Nankang International One Co., Ltd. Chairman of Nankang International Two Co., Ltd. Director of Cathay Real Estate Foundation	None		
Senior Executive Vice President	The Republic of China	Chung-Yan Tsai	Male	January 1, 2020	0	0	0	0	0	0	San Francisco State University (Master of Public Administration, MPA)	Director of Cathay Life Insurance Corporation Director of Cathay Healthcare Management Co. Ltd.. Executive Vice President of Liang Ting Industrial Co., Ltd. Director of Cymbal Medical Network Co., Ltd. Director of Xinde Co., Ltd. Director of Xinlin Co., Ltd.	None		
Senior Executive Vice President	The Republic of China	Daniel Tung	Male	January 1, 2020	0	0	0	0	0	0	Indiana University (Master of Business Administration, MBA)	Director of Cathay Real Estate Foundation Director of Cathay Healthcare Management Limited (Cayman) Director of Hangzhou Kun-Ning Health Consulting Co., Ltd. Director of Taiwan Star Telecom Co., Ltd. Director of Lin Yuan Property Management Co. Ltd.	None		

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Excutive Vice President	The Republic of China	Chin-Liang Lin	Male	January 1, 2020	0	0	0	0	0	0	National Cheng Kung University (Bachelor of Architecture)	Director of Cathay Real Estate Management Co., Ltd. Director of Cathay Hospitality Management Co., Ltd. Director of Cathay Hospitality Consulting Co., Ltd. Chairman of Cathay Healthcare Management Limited (BVI) Director of Nankang International One Co., Ltd. Director of Nankang International Two Co., Ltd. Supervisor of Symphox Information Co., Ltd. Director of Hangzhou Kun-Ning Health Consulting Co., Ltd	None		
Senior Vice President	The Republic of China	Shang-Chieh Ku	Male	January 1, 2020	0	0	0	0	0	0	Tamkang University (Bachelor of Architecture)	None	None		
Senior Vice President	The Republic of China	Chun-He Kuo	Male	January 1, 2020	0	0	0	0	0	0	Engineering, National Taiwan University of Science and Technology (Master of Architecture)	None	None		
Senior Vice President	The Republic of China	Jun-An Lin	Male	January 1, 2020	0	0	0	0	0	0	National Taiwan University (Master of Finance)	None	None		
Manager of Development Department	The Republic of China	Kuo-Chiang Cheng	Male	April 1,2011	0	0	0	0	0	0	National Chengchi University (Bachelor of Land Economics)	None	None		
Manager of Project Department I	The Republic of China	Chia-Ming Hsiao	Female	July 1, 2015	0	0	0	0	0	0	National Cheng Kung University (Master of Architecture)	None	None		
Manager of Project Department II	The Republic of China	Fei-Yi Peng	Female	January 1, 2020	0	0	0	0	0	0	China University of Technology Department of Architecture	None	None		
Manager of Project Department III	The Republic of China	Ding-Qian Huang	Male	January 1, 2020	0	0	0	0	0	0	Chaoyang University of Technology (Master of Architecture & Urban Design)	None	None		

Title	Nationality	Name	Gender	Date of Election (Accession)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note)	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief Auditor of Audit Department	The Republic of China	Chang-Yao Huang	Male	November 5, 2015	30	0	0	0	0	0	National Chung Hsing University (Bachelor of Statistics)	None	None		
Manager of Operation Management Department	The Republic of China	Yu-Chi Lo	Female	March 16, 2018	0	0	0	0	0	0	National Chengchi University (Master of Accounting)	None	None		
Corporate Governance Executive	The Republic of China	Miao-ju Yen	Female	April 25, 2019	0	0	0	0	0	0	Soochow University (Bachelor of Law)	None	None		

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

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

Unit: NT$ thousands

Title	Name (Note 1)	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)						
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company		All companies in the consolidated financial statements (Note 7)		The Company	All companies in the consolidated financial statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	13,278	13,278	0	0	2,400	2,400	1,120	1,120	1.23%	1.23%	22,669	22,669	0	0	43	0	43	0	2.88%	2.88%	25
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai																					
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee																					
Director	Employee Welfare Committee of Cathay Real Estate Corporation Representative: Chin-Liang Lin																					
Director	Cathay Real Estate Foundation Representative: Chung-Chang Chu																					
Director	Cathay Charity Foundation Representative: Daniel Tung																					
Independent Director	Shiou-Ling Lin																					
Independent Director	Chih-Wei Wu																					
Independent Director	James Y. Chang																					

1. Please state the policy, system, standards and structure of Independent Directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time devoted and other factors:
   The Company has clearly defined the Independent Directors' remuneration policy, scope, type and periodic review mechanism in the remuneration payment standard. The remuneration payment for Independent Director would factor in the level of involvement into company operation, the contribution, and the usual industrial standard, and the amount would be reviewed by Remuneration Committee and reported to the Board of Directors for approval to issue the total amount. The Company regularly evaluates the remuneration of Independent Directors every three years.
2. In addition to the above remuneration, Director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate Directors for their services, such as being independent contractors: 15..

Table of Range of Remuneration

Range of Remuneration Paid to Each Director	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (I) (Note 9)	The Company (Note 8)	All companies in the consolidated financial statements (J) (Note 9)
Under NT$ 1,000,000	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Yan Tsai, Hung-Ming Lee, Chin-Liang Lin, Daniel Tung, Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation	Chung-Chang Chu, Cathay Charity Foundation, Cathay Real Estate Foundation, Employee Welfare Committee of Cathay Real Estate Corporation
Under NT$ 1,000,000(inclusive)~2,000,000(exclusive)	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.,	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.,	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.,	Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang, He Xin Industrial Co., Ltd.,
NT$2,000,000 (inclusive) ~ NT$3,500,000 (not inclusive)	0	0	0	0
NT$3,500,000 (inclusive) ~ NT$5,000,000 (not inclusive)	0	0	Chin-Liang Lin, Chung-Yan Tsai	Chin-Liang Lin, Chung-Yan Tsai,
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	Ching-Kuei Chang	Ching-Kuei Chang	Daniel Tung, Hung-Ming Lee, Ching-Kuei Chang	Daniel Tung, Hung-Ming Lee, Ching-Kuei Chang
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	0	0	0	0
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	0	0	0	0
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	0	0	0	0
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	0	0	0	0
Over NT$100,000,000	0	0	0	0
Total	13	13	13	13

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

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

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

Note 4: Allowances paid out to Directors in the most recent year, including travel allowance, special expenses, various allowances, accommodation, vehicles and provision of physical goods. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$ 653,000.

Note 5: Salary, Bonuses, and Allowances received by Directors who are also employees (President, Executive Vice President, other managers or employees) in the most recent year, including salaries, job remuneration, severance, bonuses, performance fees, travel allowance, special expenses, various subsidies, accommodation, vehicles and provision of physical items. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including certificates of employee stock options, new restricted employee shares and subscription of shares for increment of cash, shall also be included in remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$ 2,804,000.

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

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

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

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

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

Note 11:

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

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

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

Note 12: The 2019 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 23, 2020, but not recognized by the shareholders' meeting yet.

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

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

Unit: NT$ thousands

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 8)		Compensation Paid to the President and Executive Vice Presidents from an Invested Company Other than the Company's Subsidiary (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Hung-Ming Lee	9,164	9,164	0	0	9,876	9,876	32	0	32	0	1.39%	1.39%	25
Executive Vice President (Promoted to Senior Executive Vice President on January 1, 2020)	Chung-Yan Tsai													
Executive Vice President (Promoted to Senior Executive Vice President on January 1, 2020)	Daniel Tung													

Table of Range of Remuneration

Range of Remuneration Paid to Each President and Executive Vice President	Name of President and Executive Vice President	
	The Company (note 7)	All companies in the consolidated statements (E) (Note 8)
Under NT$1,000,000	0	0
Under NT$1,000,000 (inclusive) ~ NT$2,000,000 (not inclusive)	0	0
NT$2,000,000 (inclusive) ~ NT$3,500,000 (not inclusive)	0	0
NT$3,500,000 (inclusive) ~ NT$5,000,000 (not inclusive)	Chung-Yan Tsai	Chung-Yan Tsai
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	Daniel Tung, Hung-Ming Lee	Daniel Tung, Hung-Ming Lee
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	0	0
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	0	0
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	0	0
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	0	0
Over NT$100,000,000	0	0
Total	3	3

Note 1: The names of the President and the Executive Vice President shall be listed separately, and the payment amounts shall be disclosed collectively. If the Director is also the President or Executive

Vice President, this table and the table above (1-2) shall be filled out.

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

Note 3: Bonuses, performance fees, travel allowance, special expenses, various subsidies, accommodation, vehicles and provision of physical items received by the President and Executive Vice Presidents in the most recent year. In the case of providing housing, automobile and other means of transport or exclusive individual expenditures, the nature and cost of the assets provided, as well as the actual rent, oil cost and other payments or that calculated at a fair market price shall be disclosed. Where there is a driver, the remuneration of whom paid by the Company shall be noted but not included into the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including certificates of employee stock options, new restricted employee shares and subscription of shares for increment of cash, shall also be included in remuneration. The total remuneration paid by all companies in the Company's consolidated statement to the driver is NT$2,275,000.

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

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

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

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

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

Note 9:

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

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

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

Note 10: The 2019 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 23, 2020, but not recognized by the shareholders' meeting yet.

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

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

May 1, 2020 Unit: NT$ thousands

	Title (Note 1)	Name (Note 1)	Stock	Cash (Note 5)	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Hung-Ming Lee	0	118	118	0.0085%
	Executive Vice President(Promoted to Senior Executive Vice President on January 1, 2020)	Chung-Yan Tsai				
	Executive Vice President(Promoted to Senior Executive Vice President on January 1, 2020)	Daniel Tung				
	Senior Vice President(Promoted to Executive Vice President on January 1, 2020)	Chin-Liang Lin				
	Manager of Development Department	Kuo-Chiang Cheng				
	Manager of Project Department I	Chia-Ming Hsiao				
	Manager of Project Department II(Promoted to Senior Vice President on January 1, 2020)	Shang-Chieh Ku				
	Manager of Technology Department(Promoted to Senior Vice President on January 1, 2020)	Chun-He Kuo				
	Chief Auditor of Audit Department	Chang-Yao Huang				
	Operation Management Department	Yu-Chi Lo				

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

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

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

(1) President and its equivalent

(2) Executive Vice President and its equivalent

(3) Senior Vice President and its equivalent

(4) Executive of Finance Department

(5) Executive of Accounting Department

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

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

Note 5: The 2019 annual surplus distribution case has been passed upon the resolution of the Board meeting held on April 23, 2020, but not recognized by the shareholders' meeting yet.

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

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

   The total remuneration paid to Directors, Supervisors, President and Executive Vice Presidents was NT$39,510,000 and NT$53,738,000 in 2019 and 2018, accounting for 2.88% and 1.49% of the net income respectively.

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

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

(V) The remuneration of the top five paid executives of companies listed on the TWSE or the TPEx (names and methods of remuneration disclosed individually)

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 8)		Compensation Paid to the President and Executive Vice Presidents from an Invested Company Other than the Company's Subsidiary (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Not applicable														

III. Implementation of Corporate Governance

1. Board of Directors

The 18th Directors (statistical period: January 1, 2019 to December 31, 2019)

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of Directors and Supervisors were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 2)	Remarks
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	7	0	100	
Director	He Xin Industrial Co., Ltd. Representative: Chung-Yan Tsai	6	1	86	
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee	7	0	100	
Director	Cathay Real Estate Foundation Representative : Chung-Chang Chu	7	0	100	
Director	Employee Welfare Committee of Cathay Real Estate Representative: Chin-Liang Lin	7	0	100	
Director	Cathay Charity Foundation Representative: Daniel Tung	7	0	100	
Independent Director	Shiou-Ling Lin	6	1	86	
Independent Director	Chih-Wei Wu	6	1	86	
Independent Director	James Y. Chang	7	0	100	

Other required disclosure:

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

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

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

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

Name of Director	Contents of Motion	Causes for Avoidance	Voting
Ching-Kuei Chang, Chung-Yan Tsai, Hung-Ming Lee, Daniel Tung, Chin-Liang Lin	Proposals for paying year-end bonus and special incentives to Directors and managers participating in businesses in 2018	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Ching-Kuei Chang, Shiou-Ling Lin, Chih-Wei Wu, James Y. Chang	Compensation assessment of Independent Directors and Executive Directors participating in businesses in 2018	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

Name of Director	Contents of Motion	Causes for Avoidance	Voting
Chung-Yan Tsai, Hung-Ming Lee, Daniel Tung, Chin-Liang Lin	Assessment of manager compensation in 2018	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chung-Yan Tsai, Chin-Liang Lin	Compensation assessment of part of managers	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Ching-Kuei Chang, Chung-Yan Tsai, Hung-Ming Lee, Daniel Tung, Chin-Liang Lin, Chung-Chang Chu	Employees' and Directors' remuneration of 2018	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Daniel Tung, Shiou-Ling Lin	Removal of business strife limitation on the Company's directors	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Daniel Tung	Removal of business strife limitation on the Company's directors	Directors stated were involved in the contents of motion.	Not participated in the discussion and voting
Chung-Yan Tsai, Chung-Chang Chu	The Company intend to obtain the right-of-use asset of Taipei International Building from related parties	Directors stated were involved in the contents of motion	Not participated in the discussion and voting
Chung-Yan Tsai, Chung-Chang Chu	The Company intend to obtain the right-of-use asset of Taipei International Building, TaiChung ChungGang Building, and Kaoshiung ZhongZheng Building from related parties	Directors stated were involved in the contents of motion	Not participated in the discussion and voting
Ching-Kuei Chang	Propose to sell properties, lands and parking lots of Company's pre-sale projects to related parties	Directors stated were involved in the contents of motion	Not participated in the discussion and voting
Chung-Yan Tsai, Daniel Tung, Chin-Liang Lin	Appoint Chung-Yan Tsai and Daniel Tung as the Senior Executive Vice President and Chin-Liang Lin as Executive Vice President of the Company	Directors stated were involved in the contents of motion	Not participated in the discussion and voting
Chin-Liang Lin	Removal of business strife limitation on the Company's managers	Directors stated were involved in the contents of motion	Not participated in the discussion and voting

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

Strengthen the functions of the Board of Directors

The Board of Directors of the Company consists of nine directors. In order to strengthen the professional functions of the Board of Directors and to be in line with international standards, the Company has set up the Remuneration Committee to enact and assess of performance assessment standards and remuneration of Directors and managers, in hopes of effectively establishing the performance assessment system to improve the Company's operational performance. In addition, the Company has set up the Audit Committee which consists of the three independent directors to assist the Board of Directors to strengthen the corporate governance. The members of the Board of Directors of the Company have diversity, including different professional experience/work areas and backgrounds. In order to strengthen the corporate governance and promote the sound development of the composition and structure of the Board of Directors, Article 22-2 of Code of Practice of Corporate Governance of the Company includes Policy of Diversity of Members of Board of Directors and the relevant contents and the implementation are as follows:

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

I. Operation judgment ability.

II. Accounting and financial analysis ability.

III. Operation management capabilities.

IV. Crisis management ability.

V. Industrial knowledge.

VI. International market view.

VII. Leadership.

VIII. Decision-making ability.

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

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

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

Note 2:

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

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

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

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

Evaluation cycle	Period of Evaluation	Scope	Evaluation Method	Assessment Content
Annually	From January 1, 2019 to December 31, 2019.	Including the entire Board of Directors and all functional committees.	Evaluation of execution unit, self-evaluation of performance of the Directors and self-evaluation of performance of the functional committees.	The criteria for evaluating the performance of the Company's Board of Directors should separate into "qualitative measurement indicators" and "quantitative measurement indicators", and each should cover the following five aspects: 1. The degree of participation in the Company's operation 2. Improvement of the quality of the Board of Directors' (functional committees') decision making 3. Composition and structure of the Board of Directors (functional committees) 4. Election and continuing education of the directors (members of functional committees) 5. Internal control.

V. The board of directors performance linkage and evaluation result:

1. Evaluation result of the 2019 Board of Directors' Performance

The Company assesses the performance of the Board in December of each year in accordance with the Regulations for Performance Evaluation of Board of Directors .

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

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

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

The internal performance evaluation result of the Company's Board of Directors in 2019 shows that the achievement rate for all indicators is above 90%, meaning the performance is beyond the standard, which shows the result of the Company's effort to enhance the efficiency of the Board of Directors. The Company has disclosed the Regulations for Performance Evaluation of the Board of Directors on the Market Observation Post System and the Company's website, as well as the results of the assessment in the annual report and the Company's website for inquiry.

2. The Linkage between Directors' and Managerial Officers' Performance Evaluation and Remuneration

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

2. Audit Committee

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

The tasks of the Audit Committee mainly include the following:

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

Key auditing projects includeing:

1. Review financial statements

The Board of Directors presented the Company's 2019 annual business report, financial statements (including the consolidated financial statements) and surplus distribution plan, of which the financial statements (including the consolidated financial statements) were verified by Ernst & Young Certified Public Accountants Jung-Huang Hsu, and Chien-Che Huang and issued an audit report. The above-mentioned reports presented by the Board of Directors have been verified by the Audit Committee, and it is considered that there is no inappropriate content.

2. Assessment of the effectiveness of the internal control system

The Audit Committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, outsourcing, regulatory compliance, etc.) and audited The Company's audit department and CPAs, as well as management's periodic reports, including risk management and regulatory compliance. The committee also refer to the Internal Controal-Integrated Framework which is published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, and concluded that the Company's risk management and internal control system is effective, the Company has also adopted required control mechanism to supervise and correct the violations.

3. Appointment of CPA

The Audit Committee is authorized to supervise the independence of the CPA firm, to ensure the fairness of financial statements. In General, except for tax-related services or specially authorized projects, certified accounting firm shall not provide other services for the Company.

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

The 1st Audit Committee (statistical period: January 1, 2019 to December 31, 2019)

There have been 7 (A) meetings of Audit Committee in the recent years and the attendance situations are shown as follows:

Title	Name	Number of actual attendance (B)	Time of proxy attendance	Actual attendance rate (%) (B/A) (note)	Remarks
Independent Director	Shiou-Ling Lin	7	0	100	
Independent Director	Chih-Wei Wu	6	1	86	
Independent Director	James Y. Chang	7	0	100	

Other required disclosure:

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

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

Board of Directors	Contents Proposed by the Board of Directors	Matters referred to in Article 14-5 of the Securities and Exchange Act.	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
The 12th Meeting of The 18th Board of Directors, March 21, 2019	1. Draw up Internal Control System Statement of 2018 of the Company submitted to the Securities and Futures Bureau of the Securities Regulatory Commission	✓	×
	2. Parent company only financial report and consolidated financial report for 2018.	✓	×
	3. It is proposed to entrust the new project Tree Rivers, Cathay’s Home II of the Company to San-Ching Engineering Co., Ltd.	✓	×
	Results of the Audit Committee Resolution (March 21, 2019): Proposals 1 to 3 are approved by the all independent directors actually attended.		
	The Company’s response to auditors’ opinions Proposals 1 to 3 were approved by all directors actually attended. (Please refer to P.34-35 for Directors’ avoidance of motions in conflict of interest)		

Board of Directors	Contents Proposed by the Board of Directors	Matters referred to in Article 14-5 of the Securities and Exchange Act.	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
The 13th Meeting of The 18th Board of Directors April 25, 2019	1. Remove restrictions on the competition prohibition for directors of the Company.	✓	×
	2. Amend the procedures for acquisition or disposal assets of the Company.	✓	×
	3. Amend the procedures for lending funds and endorsements and guarantees of the Company.	✓	×
	4. Amend the Detailed Rules for Internal Control System and Internal Audit of the Stock Affair Units of the Company.	✓	×
	5. Remove restrictions on the competition prohibition for directors of the Company.	✓	×
	6. The Company intends to obtain the right-of-use asset of Taipei International Building from related party	✓	×
	7. Proposed to entrust the new project Tree Rivers, Cathay's Home of the Company in BanQiao to San-Ching Engineering Co., Ltd.	✓	×
	Results of the Audit Committee Resolution (April 25, 2019): Proposal 1 was approved by all Independent Directors present, except for the Independent Director Shiou-Ling Lin in recusal. Proposals 2-7 were approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1 was approved by all directors actually attended, except for the Independent Director Shiou-Ling Lin in recusal. Proposal 2-7 were approved by all Directors present. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)		
The 14th Meeting of The 18th Board of Directors June 14, 2019	1. The Company intends to reinvest and establish Cymbal Medical Network Co., Ltd.	✓	×
	2. Proposed to entrust the project Cathay Uptown of the Company in TuCheng, New Taipei City to San-Ching Engineering Co., Ltd.	✓	×
	3. Amend the Audit Committee Charter of the Company	✓	×
	Results of the Audit Committee Resolution (June 14, 2019): Proposal 1-3 was approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1-3 was approved by all Directors present. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)		
The 15th Meeting of The 18th Board of Directors Augest 8, 2019	1. The Company intends to obtain the right-of-use asset of Taipei International Building, TaiChung ChungGang Building, and Kaoshiung ZhongZheng Building from related parties	✓	×
	2. The Company intends to obtain shares of Lin Yuan Property Management Co.Ltd	✓	×
	Results of the Audit Committee Resolution (Augest 8, 2019): Proposal 1-2 was approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1-2 was approved by all Directors present. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)		
The 16th se Meeting of The 18th Board of	1.Review on CPA certificate remuneration of the Company of 2020.	✓	×
	2. Proposed to entrust the project Cathay Mega+ of the Company in Taichung City	✓	×

Board of Directors	Contents Proposed by the Board of Directors	Matters referred to in Article 14-5 of the Securities and Exchange Act.	Any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead
Directors, November 13, 2019	Beitun to related party San-Ching Engineering Co., Ltd.		
	3. Propose to sell properties, lands and parking lots of Company's pre-sale projects to related parties	✓	×
	4. Amend the Audit Committee Charter of the Company	✓	×
	Results of the Audit Committee Resolution (November 13, 2019): Proposal 1-4 was approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1-4 was approved by all Directors present. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)		
The 17th Meeting of The 18th Board of Directors December 12, 2019	1. Appoint Chung-Yan Tsai and Daniel Tung as the Senioe Executive Vice President and Chin-Liang Lin as Executive Vice President of the Company.	✓	×
	2. Removal of business strife limitation on the Company's manager.	✓	×
	Results of the Audit Committee Resolution (December 12, 2019): Proposal 1-2 was approved by all Independent Directors present.		
	The Company's response to the opinions of the Audit Committee: Proposal 1-2 was approved by all Directors present. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)		

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

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

Name of Independent Director	Proposal contents	Reasons for recusal due to conflict of interests	Voting outcomes
Shiou-Ling Lin	Removal of business strife limitation on the Company's directors	Independent Directors stated were involved in the contents of motion.	Not participated in the discussion and voting

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

(1) The Company's Audit Committee is composed of Independent Directors solely. The CPA reports at least once a year to the Independent Directors on the Company's financial status and internal control check, and communicates the impact of major adjustments or legislative amendments. Summary of previous communications:

Summary of previous communications between independent directors and CPAs:

Date	Communication Focus	Results
March 21, 2019	1. Discussions on the review of the financial statements of 2018, and reports on the execution and results on the internal control assessment. 2. Communication regarding key audit matters in the Audit Report. 3. Progress assessment of the IFRS 16 Lease Implementation Plan 4. The impact of recent important legislative amendments and IFRS update notes 5. Discussion and Communication between accountants and participants of the meeting.	1. The annual financial statements were approved by the Audit Committee and submitted to the Board of Directors for approval, which is announced and declared as scheduled. 2. Recommendation from Independent Directors: None
June 05, 2019	1.Communication before the shareholders' meeting in 2019 2.Discussion on Economic Substance Regulations of Overseas Companies	1. Opinion exchange on popular topics 2. Continue to pay attention to the development of Economic Substance Regulations of Overseas Companies and the principle to liquidate non-essential foreign company. 3.Recommendation from Independent Directors: None
March 19, 2020	1.Discussions on the review of the financial statements of 2019, and reports on the internal control test execution and results. 2.Communication regarding key audit matters in Audit Report. 3. Audit differences identified in the audit. 4. The impact of recent important legislative amendments and IFRS update notes 5. Discussion and Communication between accountants and participants of the meeting.	1. The Audit Committee passed the annual financial statements and submitted to the board for approval, and announced and declared as scheduled 2.Recommendation from Independent Directors: None

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

Date	Communication Focus	Results
March 21, 2019	Discussion on the Audit performance in the 2018 with the audit supervisor.	1. Fully inform the Independent Directors of the recommendation and improvement. 2. Recommendation from Independent Directors: None
March 19, 2020	1. Audit performance in 2019 2. Discussion on new projects contracting out review tasks	1. Fully inform the Independent Directors of the recommendation and improvement. 2. Opinion exchange and communication on the contracting out review task process. 3.Recommendation from Independent Directors: None

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

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has revised the Corporate Governance Best Practice Principles on March 19, 2020 and disclosed it on the Market Observation Post System and the company website. (http://www.cathay-red.com.tw/socialres.asp	No material discrepancy.
II. Shareholding Structure & Shareholders' Rights				
(I) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		Spokesmen and deputy spokesmen are responsible for responding and the stock affair unit is responsible for summarizing and handling the proposals or disputes of shareholders.	No material discrepancy
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company reports information regarding changes in shareholding of major shareholders to TWSE monthly in accordance with Article 25 of the Securities and Exchange Act, and makes sure that the register of shareholders and the application materials are consistent when the stock transfer is stopped to keep abreast of the shareholding of major shareholders.	No material discrepancy.
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The financial operations of the Company and its affiliates operate independently, and a subsidiary supervision operation system has been established.	No material discrepancy.
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company has formulated the Codes of Ethical Conduct. Any information insiders has learned at duties that may significantly affect the price of securities transactions shall be kept strictly confidential in accordance with the provisions of the Securities and Exchange Act, and such information shall not be used for insider trading.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		The Company has established a diversified policy for the composition of the Board in Corporate Governance Best Practice Principles, taken into account the gender of members, covered all professional fields, and led to a prosperous development of the operations of the Company. Please refer to P.35 for III. Measures taken to strengthen the functions of the Board for the current year and the most recent year and the implementation.	No material discrepancy.
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	In addition to the Remuneration Committee and the Audit Committee set up in accordance with the law, the Company will establish other functional committees if necessary.	No material discrepancy.
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The Company has formulated rules and procedures for evaluating the Board's performance and conducts it annually. Please refer to P.37 for V. The board of directors performance linkage and evaluation result.	No material discrepancy.
(IV) Does the company regularly evaluate the independence of CPAs?	✓		The Company recruits CPAs once a year and fully evaluates their independence and competency by the Board of Directors. The major evaluation items are as follows: 1.Independence (1) Does the CPA firm reach a certain scale? (2) Has the CPA been providing auditing service consecutively for less than seven years? (3) Does the nature and degree of non-audit services provided by the CPAs not affect the independence? (4) Is the CPA's auditing and attestation fee reasonable? Is there any "Contingent Fee" agreement? (5) Is there any mutual financing or guarantee behavior between the Company and the firm, the affiliated companies of the firm and the audit service team members?	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
	✓		(6) Has the Company not employed the personnel once served as the CPA auditor as the senior financial executives or other personnel affecting the major decision-making of the Company? 2. Competency (1) Does the CPA firm have a good reputation? (2) Is the CPA qualified for attestation? (3) Do the CPAs have no legal lawsuits, or cases corrected or investigated by the competent authority? (4) Is the quality of the audit services provided by CPAs and key management personnel good? (5) Does the CPA take regular training and provide the Company with the latest professional information? (6) Does the account have fair interaction with management team and internal audit supervisors? Submit the above assessment results to the Audit Committee and the Board of Directors for discussion and use as a reference for the board to appoint an independent accountant. The assessment results of the recent two years have been reported to the Board of Directors for approval on November 8, 2018 and November 13, 2019, respectively.	
IV. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing	✓		Miao-ju Yen has served as the corporate governance supervisor upon the resolution of Board meeting held on April 25, 2019. 1.The implementation of corporate governance is as follows: (1) Handling affairs related to the Board meetings and shareholders' meetings in accordance with the law, (2) Producing minutes of Board meetings and shareholders' meetings, (3) Assisting Directors in taking office and engaging in constant	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
minutes of board meetings and shareholders' meetings)?			training , (4) Providing Directors and supervisors with the information for business operations, (5) Assisting Directors to comply with laws and regulations (6) Handling other matters in accordance with the Articles of Association. 2. Implementation in the year: (1) Formulate and amend related procedures ● Formulate the standard procedures to handle Director's requirement, ● Amend Ethical Corporate Management Best Practice Principles, ● Amend Performance of Board of Director Evaluation Practice Principles, ● Amend Audit Committee Charter ● Amend Rules and Procedures for Board of Directors' Meeting, ● Amend Remuneration Committee Charter ● Formulate Corporate Governance Best Practice Principles (2) Purchase Directors Liability Insurance. The most recent purchase of liability insurance for all Directors is with insured amount of US$5,000 thousand, and the period of insurance is from June 18, 2019 to June 18, 2020. (3) Evaluate the Board of Directors annually and reported to the Board of Directors. (4) Handling of matters relating to the meetings of the Board of Directors and Shareholders' Meetings. 3. Training hours and content of the corporate governance supervisors at the beginning of their terms of office: (1) Key information in annual reports and responsibility analysis; View of Directors and Supervisors - 3 hours	

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(2) How to read annual reports- a class for Directors and Supervisors without financial backgrounds - 3 hours (3) 2019 briefing on the insider equity transaction of listed and unlisted (counter) companies - 3 hours (4) 2019 Prevention of inside trading conference - 3 hours (5) Effective use of Directors' function conference - 3 hours (6) Enhance corporate governance structure with intellectual property management - Intellectual property management obliged conference of the Board of Directors of TWSE/GTSM Listed Companies2.5 hours.	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		Please refer to P.52.	No material discrepancy.
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		✓	The Company handles its own stock affairs and has a stock affair unit to handle shareholders' problems and affairs of shareholders' meeting. Therefore, no stock affair agency has been appointed.	No material discrepancy.
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has established "Investor Information" and "Corporate Social Responsibility" for investors on the website to disclose both financial standings and the status of corporate governance. (http://www.cathay-red.com.tw/index.asp)	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company has appointed designated people to handle information collection and disclosure, as well as created a spokesman system.	No material discrepancy.
(III) Does the Company publish and file the annual financial statement within two months after the end of the fiscal year, and publish and file the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?		✓	Published within the prescribed filing time limit.	No material discrepancy.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing D&O liability insurance for Directors and Supervisors)?	✓		Please refer to P.54.	No material discrepancy.
IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority	✓		1. 1.Improvements which have been made： (1) Disclose detailed discussion and results of Remuneration Committee in the annual statement and the Company's response to the members' opinions. (2) Disclose the communication	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
enhancement measures. (Companies that were not evaluated need not explain.)			between Independent Directors, internal audit supervisor, and accountants (such as the communication method, items, and results of the Company's financial statements and financial status) on the Company website. (3) Assigned corporate governance supervisor to be in charge of corporate governance matters, and describe the job scope, execution focus of the year, and training status in annual statements and on the Company website. 2. Priority Enhancement Measures： Assign a full-time (part-time) unit that promotes corporate ethical management, responsible for the formulation and supervision of the ethical management policy and prevention plan, and explain the operation and implementation of the unit on the Company's website and annual report, and report to the Board of Directors at least once a year.	
X. Does the Company establish a IP management plan which is linked to operational targets, disclose the execution process on the Company's website or the annual report, and report to the Board of Directors at least once a year?		✓	The Company convenes an operation and management committee at the end of each year, invites senior executives to discuss and make decisions, approve the Company's business objectives and business plans for the next year, and issue announcements to provide the basis for the Company's units to formulate the next year's departmental work plan. In addition, the above goals will be presented in the first Board meeting of the next year, and a business goal proposal will be drawn up, and the company's new year's operating priorities and business goals will be submitted to the board for discussion and approval. The operating priorities and business goal and plan will be disclosed publicly through the Company spokesperson system via roadshow.	As the Company's operating objectives are formulated mainly for operations and business, not for research and development, there are no goals and plans for linking intellectual property management.

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

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

		➢ Focus on issues such as climate change and population aging, and invest in energy conservation and carbon reduction, full-aging, green (including smart) buildings and master the development of new building materials, new construction methods and design.	
Partners (suppliers/building contractors/sales agents)	➢ Supplier CSR promotion ➢ Purchasing Policies ➢ Company sustainable development	➢ Understand and provide assistance for the companies to implement CSR ➢ Legal and fair trade. ➢ Understand the environmental, safety and health matters and specification details. ➢ Build long-term and mutually-trust business partnership with suppliers	➢ Contact Person: Mr. Liu, President Office ➢ Tel: 02-23779968#5800 ➢ Email: CSR: csr@cathay-red.com.tw ➢ Integrity: honest@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Unscheduled conferences / training sessions ➢ Regular suppliers assessment ➢ Organize supplier observation tour ➢ Direct communication
Government agencies	➢ Integrity management ➢ Laws compliance ➢ Environmental protection ➢ Public safety	➢ Good corporate citizens should follow government regulations, cooperate with government policies, and maintain good relations with the government.	➢ Contact Person: Mr. Liu, President Office ➢ Phone: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Official correspondences ➢ Irregular discussion meeting/review meeting
Media	➢ Laws compliance ➢ Economic performance ➢ Social welfare ➢ Environmental protection ➢ Public safety	➢ Maintain the correctness and immediacy of external communication information, and seek to be transparent and open. ➢ Maintain the brand image of the Company.	➢ Contact Person: Mr. Liu, President Office ➢ Phone: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Nonscheduled press conference ➢ Product launch conference
Community residents / adjacent houses	➢ Community participation ➢ Sewage and waste emissions ➢ Community impact ➢ Community development ➢ Community charity	➢ Maintain good relationships with adjacent houses and community residents in various means (such as identification of adjacent houses and cleaning and repair of exterior walls). ➢ Pay attention to site pollution prevention and control and reduce construction dust ➢ Smooth communication channels reducing the adjacent loss events. ➢ Invest in community libraries and other public benefit programs.	➢ Contact Person: Mr. Liu, President Office ➢ Tel: 02-23779968#5800 ➢ Email: csr@cathay-red.com.tw ➢ Surveying CSR issues regularly ➢ Updating designated sections of the official website ➢ Neighborhood visit ➢ On-site communication of responsible personnel

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

(I) Status of employee rights and employee welfare: Please refer to P.109-110 for V. (I) Employee Welfare to (IV) Labor Management Agreements and Protection of Employee Equity.

(II) Investor Relations: Please refer P.45 and P.49 for II. Shareholding Structure & Shareholders' Rights and VII. Information Disclosure.

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

(IV) Rights of Stakeholders: Please refer to P.52 for V. Establishment of Communication Channels for Stakeholders.

(V) Directors' and Supervisors' Training Records (statistical period: January 1, 2019-December 31, 2019):

Name	Sponsoring Organization	Course	Training Hours
Ching-Kuei Chang	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Ching-Kuei Chang	Taiwan Stock Exchange (TWSE)	ESG Investment Forum	2
Ching-Kuei Chang	Taiwan Corporate Governance Association	Legal risk and crisis management in company operation	3
Hung-Ming Lee	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Hung-Ming Lee	Taiwan Institute of Directors	Enterprise Growth and Innovation	3
Hung-Ming Lee	Taiwan Stock Exchange (TWSE)	Board Functions Enhancement Seminars	3
Chung-Yan Tsai	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Chung-Yan Tsai	Taiwan Corporate Governance Association	Corporate Strategy: Past, Present, Future	3

Name	Sponsoring Organization	Course	Training Hours
Chung-Yan Tsai	Taiwan Corporate Governance Association	Economic Sanction and Export Control, and US-China Trade War	3
Daniel Tung	Securities & Futures Institute	2019 Publicity Meeting for Prevention of Insider Trading	3
Daniel Tung	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Daniel Tung	Taiwan Stock Exchange (TWSE)	Board Functions Enhancement Seminars	3
Chung-Chang Chu	Taiwan Insurance Institute	Impact of IFRS17 on the insurance business strategy	3
Chung-Chang Chu	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Chin-Liang Lin	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Chin-Liang Lin	Taiwan Corporate Governance Association	Corporate Management and Media Crisis Management Strategy	3
Chin-Liang Lin	Taiwan Corporate Governance Association	Impact of US-China trade war on the Taiwanese enterprises and the responses	3
Shiou-Ling Lin	Taiwan Corporate Governance Association	How do Directors and supervisors audit internal control and internal audit	3
Shiou-Ling Lin	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Shiou-Ling Lin	Taiwan Corporate Governance Association	Corporate governance and the responsibilities of Directors and supervisors under the revised Company Act	3
Chih-Wei Wu	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
Chih-Wei Wu	Taiwan Corporate	The Fifteenth Corporate Governance International Forum- Director's duty of financial statements, the	6

Name	Sponsoring Organization	Course	Training Hours
	Governance Association	active role of global institutional investors on corporate governance enhancement, citation of business judgment rules, implementation of independent director system, and fulfillment of independent directors' duty	
James Y. Chang	Taipei Bar Association	Planning and controversial issues for the company's management rights	3
James Y. Chang	Taiwan Corporate Governance Association	Analysis of key messages of annual report and obligations: opinions of Directors and Supervisors	3
James Y. Chang	Cathay Real Estate Development Co., Ltd.	Senior Executive Seminar	3
James Y. Chang	Taiwan Corporate Governance Association	Compliance and Supervision	1
James Y. Chang	Taiwan Corporate Governance Association	The Fifteenth Corporate Governance International Forum- Director's duty of financial statements, the active role of global institutional investors on corporate governance enhancement, citation of business judgment rules, implementation of independent director system, and fulfillment of independent directors' duty	6

(VI) The implementation of risk management policies and risk evaluation measures: Please refer to P.344-346 for VI. Risk Evaluation for the Most Recent Years and as of the Publication Date of Annual Report.

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

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

4. Composition, Responsibilities and Operations of the Remuneration Committee

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

May 1, 2020

Identity (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shiou-Ling Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chih-Wei Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	James Y. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

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

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

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

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the manager listed in (1) or any person listed in (2) and (3).

(5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings or who appointed representative to be company Director or Supervisor in accordance with Article 27 paragraph 1 or 2, Company Act. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(6) Not a Director, Supervisor, or employee of another company which was controlled by the same person who also controlled majority of the Company's Director seats or voting

shares.. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(7) Not a chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. Not applicable in cases where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the specific company or institution hold more than 20% and not more than 50% of the company's issued shares, and where the person is an Independent Director of the Company, its parent company, any subsidiary or any subsidiaries of the same parent company as appointed in accordance with the Act or local laws.

(9) Not a professional individual , or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, such restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not related to any circumstances in Article 30 of the Company Law.

(2) Operations of the Remuneration Committee

I. The 3rd Remuneration Committee is composed of 3 members. Term of office of the 3rd Remuneration Committee members: from June 30, 2017 to June 15, 2020. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows (statistical period: from January 1, 2019 to December 31, 2019)

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】(Note)	Remarks
Convener	Shiou-Ling Lin	3	0	100%	
Committee Member	Chih-Wei Wu	2	1	67%	
Committee Member	James Y. Chang	3	0	100%	

II. Important resolutions of the Remuneration Committee

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

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
The 4th Meeting of the 3rd Remuneration Committee	2019.1.24	1. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2018. 2. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2018. 3. Approval of the assessment of managers' compensation in 2018. Results: the above important resolutions were approved by all Directors present without any demur. Company's response: submitted at the Board meeting and approved by all Directors present without any demur. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)
The 5th Meeting of the 3rd Remuneration Committee	2019.3.21	1.Approval of the Director's Remuneration Payment Standard and Manager's Remuneration Payment Standard 2. Approval of the partial managers' remuneration adjustments 3. Approval of the distribution of employee bonus and remuneration of Directors for 2018 Results: the above important resolutions were approved by all Directors present without any demur. Company's response: submitted at the Board meeting and approved by all Directors present without any demur. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)
The 6th Meeting of the 3rd Remuneration Committee	2019.12.12	1. Approval of Manager's Remuneration Payment Standard and Manager's Performance Evaluation Standard Results: the above important resolutions were approved by all Directors present

Shareholders' Meeting/Board Meeting	Date	Important Resolutions
		without any demur. Company's response: submitted at the Board meeting and approved by all Directors present without any demur. (Please refer to P.34-35 for Directors' avoidance of motions in conflict of interest)

Other required disclosure:

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

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

Notes

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

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

5. Corporate Social Responsibility

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
I. Corporate Governance Implementation (I) Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The Company's 2018 CSR Report has dedicated chapter (CH1, Section 1.1, P.12-17) on business risk identification. After comparing the risk issues with the major issues, it listed the company's annual material issues, and proposed management policies and guidelines in the subsequent chapters. The Company establishes the CSR Committee according to the organization rules of the CSR Committee, and formulates the CSR policies and sets up five special groups according to the task characteristics, including corporate governance group, customer care group, employee care group,	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			environmental protection group, and social benefit group and their functional authorities are shown as follows: 1. According to international trends, concerns of stakeholders, and specific issues in the operation regions, study the overall CSR strategies of the Company, formulate policies, and supervise the Company's adjustments. 2. Supervise the various measures of the CSR topics of each special group of the Committee and review the results regularly. 3. Externally disclose the Company's environment, society, and governance. 4. Supervise the official website to set up a platform for CSR. 5. Assist and coordinate the Company and the special groups of the Committee to handle difficult matters. 6. Review the Company's CSR report. In addition, the Board of Directors of the Company passed the 2019 CSR strategy plan resolution of the Company on March 21, 2019 as the policies for implementing the annual CSR objectives. On the same day, the Company's 2018 review report on the implementation of CSR was submitted to the Board of Directors.	
(II) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company is committed to integrating CSR into corporate policy, operational management and employee education and training. In 2019, coordinated with the publication of the CSR report, the Company hired professional consultants to hold the education and training seminar on environment, society and governance issues and wrote the Company's implementation results in the report.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	✓		In order to effectively promote the implementation of CSR, the Company establishes the CSR Committee and appoints a Chairman served by the President of the Company and the committee members are served by senior executive. In accordance with the task characteristics, the Committee has established five special groups, including corporate governance group, customer care group, employee care group, environment protection group, and social benefit group with members of different departments of the Company. The President Office of the Company is appointed as the specific promotion unit of the committee to assist in coordinating the meeting, and submit regular reports on implementation to the Board of Directors at regular intervals. The specific promotion unit submitted the implementation review report and publication report to the Board of Directors respectively in March and August, 2019.	No material discrepancy.
(IV) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		There is a reasonable salary and remuneration policy and a complete performance appraisal system stipulated for Directors, managers and employees of the Company and the overall assessment is carried out according to Code for Integrity Management and Code of Ethics stipulated by combining with the CSR and the implementing achievements of social benefits and sustainable environments. The Code of Personnel Management announced to all employees establishes clear and effective incentive and disincentive system.	No material discrepancy.
II. Sustainable Environment Development (I) Does the company endeavor to utilize all resources more efficiently and use renewable materials which	✓		In order to maintain the environment and care for the environment protection, the Company uses building material equipment with low impact on the environmental load.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
have low impact on the environment?			1. Use energy-saving T5, LED lamps. 2. Set up a rainwater recovery system and use water-saving toilets, faucets and other appliances. 3. Set energy-saving sensitization control and solar power generation equipment. 4. Replace the traditional ballast with the electronic energy-saving ballast. 5.Increase window opening and light guiding in architectural planning. 6. Increase ventilation and heat convection in equipment planning, and use natural ventilation to reduce heat. 7. Use frequency conversion and energy saving host as air conditioning equipment. 8. Carry out shade tree planting green design on roof and in garden. 9. Give priority to use green building material seal for interior and exterior decoration. 10. The new project of the building aims to obtain the green building certificate. In 2019, 10 projects have obtained the green building candidate certificate or seal. 11. Require builders to strengthen environmental maintenance on the site, including air pollution prevention, noise control and water pollution prevention.	
(II) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company perceives that the environment protection is an important issue for people all over the world to work together and faces up to the importance of global warming to the ecological impact and environmental protection. The Company is in the construction investment industry with no qualification as a construction plant and entrusts the related businesses to the professional engineering management consulting firm and sets up Technology Department to manage the supervision, coordination, and management of construction of construction companies, actively	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			promotes actual environmental protection activities such as energy conservation and carbon reduction to fulfill the social responsibilities of enterprises.	
(III) Does the Company assess the current and future potential risks and opportunities on enterprises as a result of climate change? And take responding measures regarding to climate-related issues?		✓	The Company has identified a total of 19 business risk issues through questionnaires, including a total of 3 environmental aspects, including extreme weather events. The risk level is low and acceptable for the Company. The Company has not taken corresponding measures to regarding this issue.	Minor discrepancy. Assessment only without corresponding measures.
(IV) Does the Company count the company's greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, and formulate policies for the Company's energy saving and carbon reduction, greenhouse gas reduction, water use, and other waste management?	✓		The Company pays close attention to the impact of climate change on operational activities and formulates corporate energy conservation and carbon reduction and GHG reduction policies: 1. Take relevant energy conservation measures cooperating with the Autonomous Regulations for Counseling Management of Energy Conservation and Carbon Reduction of Business formulated by Industry Development Bureau of Taipei Municipal Government. 2. Control the paper use for affairs and use of various printed materials, and introduce paperless measures. 3. Promote no tie at work, and set the office temperature to 26℃. 4. Provide the automatic power saving controller and set the mechanism for lighting off in midday rest and closing time. 5. Invite professional organizations to handle office lighting and CO2 environmental testing. 6. Continue to implement ISO 14001 environmental management and ISO 14064-1 GHG management system, establish an office water electricity consumption measurement mechanism, and establish an energy concept. The Company introduced ISO 14064-1:2018 in 2020 to conduct 2019 internal GHG checking. Through the inspection process and results, the	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			Company understands its greenhouse gas emissions. In the future, we are committed to GHG reduction, slow down the trend of global warming, and be responsible as a part of the global village. The on-site total weight of waste, related energy utilization policies and green office space are set out in the 2018 CSR Report (P.84-87).	
III. Preserving Public Welfare (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company referred to the United Nations Convention on the Rights of Persons with Disabilities, the Convention on the Elimination of All Forms of Discrimination against Women, and the Convention on Human Rights for Children and abides by the relevant labor laws and regulations. When it comes to the working conditions regarding general employees, intern hiring, working hours, salary, gender equality, and prevention of sexual harassment, the Company practices in accordance with the law, and has formulated the "Code of Ethical Conduct", employee service codes, and handling methods for reporting illegal and unethical or dishonest behaviors, and amended the “Working Codes” and announced them in accordance to related laws and regulations. The Company also evaluates the labor laws and regulations on a regular basis to ensure compliance with relevant labor laws and international human rights conventions.	No material discrepancy.
(II) Does the Company formulate and important reasonable employee welfare measures (including compensation, leave, and other benefits...etc), and properly reflect business performance or results in employee compensation?	✓		According to the Company’s Articles of Association, if there is any profit in the year, 0.1% to 1% of the profit shall be distributed as the employee bonus. However, if the Company still has accumulated losses, it shall retain the amount for loss in advance. The employee performance objective setting, tracking and assessment are carried out according to the policies and annual objectives, and the compensation and post adjustment are performed according to the	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			assessment result, and the bonus is calculated according to the employee's performance by rule each year.	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. The Company performs office environment testing every six months (June 25 and December 24, 2019), including the measurement of lamp illuminance and CO2 concentration in order to provide an excellent workplace environment with adequate illumination and good air quality with employees. 2. The Company arranges all employees to accept health check every year (March to May, 2019), and holds health and safety lectures (December 6 and December 10, 2019) to provide health information and consulting services for employees to ensure that each employee can be in best status and has physical and psychological health. 3. The Company strictly implements the automatic check plan for official vehicles every month, and completes the records of daily point inspections and monthly regular inspections to ensure the safety of official vehicles used by employees. 4. The Company arranges 6 colleagues who accepted emergency personnel training in the office spaces and prepares general standing drugs and related medical supplies, first-aid equipment (such as: ADR) to cope with the unexpected situations of employees when working in workplaces. 5. The Company does legally offer the safety and health education training courses for occupational safety and health business executives, new employees and ordinary employees, and carries out various safety measures drills or tests (building security check and fire drill) coordinating with building management units in the office	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			spaces to strengthen the occupational safety concept of employees and promote the maintenance of work environment safety, and then implement the safety management of workplace work. 6. The Company has formulated Executive Measures for Maternal Health Protection of Female Workers, Prevention Plan for Illegal Immunization in Performing Jobs, Plan for Prevention of Sexual Harm and Plan for Prevention of Diseases caused by Abnormal Workload to maintain the physical and psychological health of employees and avoid unnecessary work injuries. In 2019, there were no occupational injury cases in the whole Company.	
(IV) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		The Company provides the opportunities for employees to obtain information and express opinions on the Company's operation management decisions through employee communication meets, electronic official document systems, employee email, and policy communication explanation sessions.	No material discrepancy.
(V) Does the company provide its employees with career development and training sessions?	✓		The Company plans and implements assessment of core functions and personality traits of employee and executive function feedback assessment in the long term, establishes various career capacity databases of employees and effectively plan a series of development training plans for weaker projects of employees such as decision-making, organization, team, performance, innovation, execution, leadership and creativity.	No material discrepancy.
(VI) Has the Company set up an employee hotline or grievance mechanism to handle complaints appropriately? And disclosed in the annual report or the company website?	✓		The Company has established an appeal channel system for assessment performance interviews, performance assessment complaints, sexual harassment appeal lines, Chairman mailbox and internal control audit, and employee appeals can be properly handled.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(VII) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant protection policies and appeal procedures for consumer rights?	✓		The Company follows relevant laws and regulations and various consumer protection laws and regulations, and has established strict protection methods for customer personal information confidentiality measures, which are signed by all employees. s. If the consumer has any appeal about the equity, the Company can provide prompt handling and reply through the email of the affiliate of the Company's website or service department. The Company actively implements the protection of consumer rights, and there are also dedicated units to handle customer complaint cases, as detailed in the 2018 CSR Report (P.37-43).	No material discrepancy.
(VIII) Does the Company comply with relevant regulations and international standards with regards to the marketing and labeling of the products and services?	✓		The Company adheres to product responsibility and marketing ethics, and ensures product and service quality according to the government laws and regulations and industry-related regulations to protect consumer equity. Marketing advertisements for products or services are subject to government laws and regulations and must not be deceptive, misleading or harm consumer equity.	No material discrepancy.
(IX) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		The Company attaches great importance to maintenance of the environment and society, and focuses on integrity and environmental and social influence to assess the competence of supplier when selecting suppliers.	No material discrepancy.
(X) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	✓		The clause above is involved in Paragraph 3, Article 22 of the Company's Corporate Social Responsibility Code, which has been fully notified to all units and subsidiaries of the Company and incorporated into the contract with the main suppliers, subject to the strict implement and execution.	No material discrepancy.

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>IV. Enhancing Information Disclosure
(I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>The Company publishes the Corporate Social Responsibility Report according to the regulations, and uploads the electronic report to the Market Observation Post System for disclosure. The Company also has a corporate social responsibility zone on the website for the purpose of both browsing and interaction, and uploading the electronic report to the website for downloading.</td><td>No material discrepancy.</td></tr>
<tr><td colspan="5">V. If the company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: No discrepancy. Relevant operations have been implemented pursuant to the code.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: Please refer to P.111 for (VIII) Corporate Responsibility and Ethical Conduct.</td></tr>
<tr><td colspan="5">VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The reports are certified by Ernst & Young Taiwan according to the requirements of No. 1 Certainty Standard Statements published by Accounting Research and Development Foundation.</td></tr>
</table>

6. Ethical Corporate Management

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the commitment of the board of directors and management to actively implement the operation policy?	✓		In order to establish a corporate culture of integrity management and sound the development, and to implement a good corporate governance and risk management & control mechanism, the Company has developed the Code for Integrity Management according to Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, which was approved by the Board of Directors, disclosed and announce on the internal and external website.	No material discrepancy.
(II) Has the Company established an assessment mechanism for the risk of unethical conduct, regularly analyzes and evaluates business activities with a higher risk of unethical conduct in the business scope and bases on the result to formulate a prevention plan of unethical conduct, and the plan at least covers the preventional measures against activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company's Code for Integrity Management covers all the activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies. The internal audit unit should be based on the evaluation result of unethical conduct to formulate related audit plans and verify the preventional measures. In addition, anyone who finds that the personnel of the Company has violated the integrity management can report to the integrity management unit (CSR committee) of the Company through an independent report mailbox (honest@cathay-red.com.tw) or directly. After the case is filed, the management unit will conduct investigation and processing according to certain procedures, and report the results to the Board of Directors	No material discrepancy.
(III) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies and	✓		The Company has established Code of Ethics and Code for Integrity Management to forbid the unethical conduct against the Company by the Company’s Directors, Managers, employees, appointees and the material controllers of the Company, such as offering or accepting bribes,	No material discrepancy.

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>review the mentioned policies regularly?</td><td></td><td></td><td>providing illegal political contributions, or improper charitable donation or sponsorship, providing or accepting unreasonable gifts, reception or other improper interests, disclosing the Company’s trade secrets, trespassing against intellectual property rights, working on unfair competition, or providing products and services with damage to consumers or other interested parties. The Company reviews and amends the related policies regularly, the latest version was amended on November 13, 2019.</td><td></td></tr>
<tr><td>II. Fulfill operations integrity policy
(I) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</td><td>✓</td><td></td><td>The Company conducts business activities on the basis of the principle of integrity management and in a fair and transparent manner. Before cooperation, the Company considers the legality of agents, suppliers, customers or other transaction objects and whether they involve unethical conducts, to avoid transactions with those involved in unethical conducts. The contract between the Company and its agents, suppliers, customers or other transaction objects shall include the clause where the counterpart complying with integrity management policies and transaction is involved in a unethical conduct, the contract may be terminated or rescinded at any time.</td><td>No material discrepancy.</td></tr>
<tr><td>(II) Does the Company set up a dedicated (part-time) unit that promotes integrity management under the Board of Directors, and regularly (at least once a year) report to the board on its integrity management policies and the implementation of unethical conducts prenventional plan?</td><td>✓</td><td></td><td>The Board of Directors appointed CSR Committee as the dedicated unit to promote the integrity management of the Company, and report the execution status on an annual basis. (The 2019 implementation review on integrity management, together with the implementation review on CSR, have been reported to the Board of Directors on March 19, 2020)</td><td>No material discrepancy.</td></tr>
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Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		According to the Company’s Code for Integrity Management, Directors shall be highly self-disciplined. Where the proposal listed in the Board meeting is related to their own interests, they shall state clearly the important contents of their own interests at the Board meeting. Where there are damages to the Company’s interests, they shall express their opinions and give a reply, but not participate in the discussion and voting, during which they shall avoid but not exercise the right to vote on behalf of other directors. In addition, according to the Code of Ethics, the Company’s Directors and managers, in order to prevent conflicts of interest, shall handle official business in an objective and efficient manner, but not make improper benefits for themselves, their spouse, parents, children or relatives within the second degree of kinship by their positions in the Company. The Company shall pay special attention to preventing conflicts of interest, and state clearly whether there is a potential conflict of interest with the Company through official documents, meetings and internal communications when the Company lends funds to or provides guarantees for, has material asset transaction with or purchases goods from or sells goods to the company in which the aforementioned personnel works.	No material discrepancy.
(IV) Has the company established effective systems for both accounting and internal control, and the internal audit unit base on the assessment result of the risk of unethical conduct to formulate auditing plan so the unit can the verify the implementation of prenventional plan or verified by CPAs?	✓		The Company's accounting system and internal control system are designed and implemented in accordance with the code of ethical management and should be reviewed at any time to ensure its continuous and effective implementation. Both the internal audit and regular CPAs internal control audit are conducted in normal procedures.	No material discrepancy.

Evaluation Items	Implementation Status			Deviations from the Integrity Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		Integrity is the core value of the Company. In the monthly executive and internal department meeting, each supervisor provides education and training for their employees according to Code for Integrity Management.	No material discrepancy.
III. Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		Anyone can make a report through the independent report mailbox (honest@cathay-red.com.tw) or directly to the Company's ethical management unit (CSR Committee). No reporting mail received in 2019.	No material discrepancy.
(II) Does the company establish standard operating procedures on investigating accusation cases、follow-up after investigating and confidentiality mechanism?	✓		Article 19 of the Company's Code of Integrity Management specifies a reporting system, a whistle blowing clause and a handling procedure for a dedicated unit, with an independent and confidential mechanism.	No material discrepancy.
(III) Does the company provide proper whistleblower protection?	✓		Article 19, paragraph 2 of the Company's Code of Ethical Management stipulated a whistle-blower protection provision, the whistle-blower will not be treated inappropriately.	No material discrepancy.
IV. Enhancing Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company has disclosed relevant information on the website and Market Observation Post System.	No material discrepancy.
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. No material discrepancy, follow the principles for related operations.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): the Company approved the Code for Integrity Management at the Board meeting on November 13, 2019. The main amendment was to appoint a responsible unit and establish an independent reporting system, showing the Company's determination in ethical management.				

7. Access to the Corporate Governance Best Practice Principles and related regulations:

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

8. Other important information: None.

9. Implementation of Internal Control System

1. Internal Control System Statement

Cathay Real Estate Development Co., Ltd.

Internal Control System Statement

Date: March 20, 2020

The Company's internal control system in 2019, based on the results of the self-assessment, is hereby declared as follows:

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

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

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

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

V. Based on the previous assessment results, the Company believes that the design and implementation of the internal control system (including supervision and management of subsidiaries) of the Company on December 31, 2019, including the understanding of the operation result and achievement of efficiency objectives, and reliability, timeliness, transparency and regulatory compliance (including relevant laws and regulations) of reporting, are effective and can reasonably ensure the achievement of the above objectives.

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

VII. This Statement was passed by the Board Meeting held on March 19, 2020, with none of the nine Directors present expressing dissent, and the remainder all affirming the content of this Statement. Hereby declare.

Cathay Real Estate Development Co., Ltd.

Chairman: Ching-Kuei Chang

President: Hung-Ming Lee

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

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

11. Major resolutions made in the shareholders’ meeting and the Board meeting in the most recent years and as of the date of publication of Annual Report:

Shareholders’ Meeting/Board Meeting	Date	Major Resolutions
The 11th Meeting of the 18th Board of Directors	2019.1.24	1. Approval of authorizing the Chairman to grant credit to financial institutions within NT$50 Billion. 2. Approval of the business objectives in 2019. 3. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2018. 4. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2018. 5. Approval of the assessment of managers’ compensation in 2018. 6. Approval of the amendment of the Company's Corporate Governance Best Practice Principles Note: The aforementioned important resolutions have been implemented.
The 12th Meeting of the 18th Board of Directors	2019.3.21	1. Approval of the 2018 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission. 2. Approval of the 2019 Corporate Social Responsibility Strategy Plan. 3. Approval of the 2018 business report. 4. Approval of the 2018 parent company only financial report and consolidated financial report. 5. Approval of the matters related to stipulating the particulars, date and site of the 2019 Annual Shareholders’ Meeting and receiving of shareholders’ proposals. 6. Approval of the amendment of Director Remuneration Payment Standard and Manager Remuneration Payment Standard. 7. Approval of the adjustment of partial managers’ remuneration. 8. Approval of the distribution of employee bonus and remuneration of Directors for 2018. 9. Approved to entrust the new project Tree Rivers, Cathay’s Home II of the Company to San-Ching Engineering Co., Ltd.. Note: The aforementioned important resolutions have been implemented.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 13th Meeting of the 18th Board of Directors	2019.4.25	1. Approval of 2018 earnings distribution proposal. 2. Approval of the removal of business strife limitation on the Company's Directors. 3. Approval of amendments to the Procedures for Acquisition and Disposal of Assets. 4. Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee. 5. Approval of the agenda of 2019 Annual Shareholders' Meeting. 6. Approval of amendments to the Detailed Rules for Internal Control System and Internal Audit of the Stock Affair Units of the Company. 7. Approval of the new appointment of the Company's corporate governance executive. 8. Approval of the removal of business strife limitation on the Company's managers. 9. Approval of the formulation of the Company's Standard Working Process for Director's Requirement. 10. Approval of the Company to obtain the right-of-use asset of Taipei International Building from related party 11. Approval of contracting the new project Tree Rivers, Cathay's Home I of the Company in BanQiao to San-Ching Engineering Co., Ltd.. Note: The aforementioned important resolutions have been implemented.
2019 Annual Shareholders' Meeting	2019.6.14	1.Approval of the 2018 business report and consolidated financial report. 2. Approval of 2018 earnings distribution proposal. 3. Approval of amendments to the Procedures for Acquisition and Disposal of Assets. 4. Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee. 5. Approval of the removal of business strife limitation on the Company's Directors. Note: The aforementioned important resolutions have been implemented.Please refer to P.92.
The 14th Meeting of the 18th Board of Directors	2019.6.14	1. Approval of the base date of 2018 cash dividend distribution. 2. Approval of the Company's reinvestment "Cymbal Medical Network Co. Ltd."to establish . 3. Approval of contracting the project Cathay Uptown of the Company in New Taipei City TuCheng to San-Ching Engineering Co., Ltd.. 4. Approval of amendments to the Audit Committee Charter of the Company. Note: The aforementioned important resolutions have been implemented.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
The 15th Meeting of the 18th Board of Directors	2019.8.8	1. Approval of the Company to obtain the right-of-use asset of Taipei International Building, TaiChung ChungGang Building, and Kaoshiung ZhongZheng Building from related parties. 2. Approval of the Company to obtain shares of Lin Yuan Property Management Co.Ltd.. Note: The aforementioned important resolutions have been implemented.
The 16th Meeting of the 18th Board of Directors	2019.11.13	1. Approval of the 2020 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission. 2. Approval of the Company's 2020 appointment and certificate remuneration deliberation of CPAs. 3. Approval of contracting the project Cathay Mega+ of the Company in Taichung City Beitun to related party San-Ching Engineering Co., Ltd.. 4. Approval of selling the premises and parking space of the Company's pre-sale projects to the related parties. 5. Approval of the amendments to the Company's Code for Integrity Conducts. 6. Approval of the amendments to the Company's Regulations for Performance Evaluation of the Board of Directors. 7. Approval of amendments to the Audit Committee Charter of the Company. Note: The aforementioned important resolutions have been implemented.
The 17th Meeting of the 18th Board of Directors	2019.12.12	1. Approval of amendments to the Manager's Remuneration Payment Standards and Manager's Remuneration Payment Standards. 2. Approval of the appointment of Chung-Yan Tsai an Daniel Tung as the Company's Senior Executive Vice President, and Chin-Liang Lin as the Company's Executive Vice President. 3. Approval of the appointment of Shang-Chieh Ku, Chun-He Kuo, and Jun-An Lin as the Company's Senior Vice President. 4. Approval of the removal of business strife limitation on the Company's managers. Note: The aforementioned important resolutions have been implemented.
The 18th Meeting of the 18th Board of Directors	2020.1.21	1. Approval of authorizing the Chairman to grant credit to financial institutions within NT$50 Billion. 2. Approval of the business objectives in 2020. 3. Approval of the proposal for the distribution of year-end bonus and special incentives to Executive Directors and managers participating in businesses in 2019. 4. Approval of the assessment of the compensation of Independent Directors and Executive Directors participating in businesses in 2019. 5. Approval of the assessment of managers' compensation in

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
		2019. 6. Approval of the urban renewal co-development agreement with the affiliate of Lin Yuan Building Urban Renewal Project. 7. Approval of contracting the project Cathay Lagom of the Company in New Taipei City Xindian to related party San-Ching Engineering Co., Ltd. . 8. Approval of amendments to the Company's Articles of Association. Note: The aforementioned important resolutions have been implemented.
The 19th Meeting of the 18th Board of Directors	2020.3.19	1. Approval of the 2019 Internal Control System Statement issued by the Company to the Securities and Futures Bureau of Financial Supervisory Commission. 2. Approval of the 2020 Corporate Social Responsibility Strategy Plan. 3. Approval of the 2019 business report. 4. Approval of the distribution of employee bonus and remuneration of Directors for 2019. 5. Approval of the 2019 parent company only financial report and consolidated financial report. 6. Approval of the re-election of the Company's Director upon expiration of their term of office. 5. Approval of the matters related to stipulating the particulars the 2020 Shareholders' Meeting: date, site, receiving of shareholders' proposals and the nomination period of director candidates. 8. Approval of the dissolution of the reinvestment subsidiary Cathay Real Estate Holding Corporation (BVI). 9. Approval of amendments to the Rules of Procedure for Board of Directors Meetings of the Company. 10. Approval of amendments to the Remuneration Committee Charter of the Company 11. Approval of amendments to the Company's Code of Best Practice for Corporate Governance. 12. Approval of amendments to the Manager's Performance Evaluation Standards of the Company. Note: The aforementioned important resolutions have been implemented.
The 20th Meeting of the 18th Board of Directors	2020.4.23	1. Approval of 2018 earnings distribution proposal. 2. Approval of the candidate qualification review of the Company's 19th director (including Independent Directors). 3. Approval of the removal of business strife limitation on the Company's members of the 19th Board of Directors (including Independent Directors). 4. Approval of the agenda of 2020 Annual Shareholders' Meeting, change of meeting location and authorize the Chairman to change meeting location based on the status of COVID-19 outbreak.

Shareholders' Meeting/Board Meeting	Date	Major Resolutions
		5. Approval of amendments to the Company's Internal Control System and Internal Audit Implementation Rules regarding the ability to prepare financial reports on its own. 6. Approval of amendment to the Company's Rules of Implementation for Internal Control System and Internal Audit of Service Units. 7. Approval of amendment to the Company's Audit Committee Charter. Note: The aforementioned important resolutions have been implemented.

12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year as of the Date of Publication of Annual Report: None.
13. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D in the Most Recent Year as of the Date of Publication of Annual Report: None.

IV. Information Regarding CPA Fees

Table of Audit Fee Range

Unit: NT$ thousand

<table>
<tr><th rowspan="2">Accounting Firm</th><th rowspan="2">Name of CPA</th><th rowspan="2">Audit Fee</th><th colspan="5">Non-Audit Fee</th><th rowspan="2">Period Covered by CPA's Audit (Note 1)</th><th rowspan="2">Remarks</th></tr>
<tr><th>System of Design</th><th>Company Registration</th><th>Human Resource</th><th>Others (Note 2)</th><th>Subtotal</th></tr>
<tr><td rowspan="2">Ernst & Young Taiwan</td><td>Jung-Huang Hsu</td><td rowspan="2">3,382</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">952</td><td rowspan="2">952</td><td>2019.1.1~ 2019.12.31</td><td rowspan="2">(1) Consolidated business report of affiliates
(2) Affiliation report
(3) Computer control environment assessment
(4) Dividend policy
(5) Review of annual report
(6)English financial statements
(7)Other consulting fees</td></tr>
<tr><td>Chien-Che Huang</td><td>2019.1.1~ 2019.12.31</td></tr>
</table>

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

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

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

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

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

V. Information Regarding Changes in CPAs:None.

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

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

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

Title	Name	2019		As of May 1, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	He Xin Industrial Co., Ltd. Representative: Ching-Kuei Chang	0	0	0	0
Director	He Xin Industrial Co., Ltd. Representative:Chung-Yan Tsai	0	0	0	0
Director	He Xin Industrial Co., Ltd. Representative: Hung-Ming Lee	0	0	0	0
Director	Cathay Charity Foundation Representative: Daniel Tung	0	0	0	0
Director	Cathay Real Estate Foundation Representative : Chung-Chang Chu	0	0	0	0
Director	Employee Welfare Committee of Cathay Real Estate Development Co., Ltd. Representative: Chin-Liang Lin	0	0	0	0
Independent Director	Shiou-Ling Lin	0	0	0	0
Independent Director	Chih-Wei Wu	0	0	0	0
Independent Director	James Y. Chang	0	0	0	0
10% Major Shareholder	Cathay Life Insurance Co., Ltd. Employee Pension Fund Management Committee	0	0	0	0
10% Major Shareholder	Wan Pao Development Co., Ltd.	0	0	0	0
President	Hung Ming Lee	0	0	0	0
Senior Executive Vice President	Chung-Yan Tsai	0	0	0	0
Senior Executive Vice President	Daniel Tung	0	0	0	0
Executive Vice President	Chin-Liang Lin	0	0	0	0
Senior Vice President	Shang-Chieh Ku (newly appointed on January 1, 2020)			0	0
Senior Vice President	Chun-He Kuo (newly appointed on January 1, 2020)			0	0
Senior Vice President	Jun-An Lin (newly appointed on January 1, 2020)			0	0
Manager of Operation Management Department	Yu-Chi Lo	0	0	0	0
Corporate Governance Executive	Miao-ju Yen	0	0	0	0

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

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

Book closed on April 14, 2020 in share; %

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd. Representative: Li-Qiu Wang	288,067,626 0	24.84% 0%	0	0	0	0	Cathay Life Insurance Co., Ltd.	Promotor of the fund	
Wan Pao Development Co., Ltd. Representative: Weng-Chuan Lin	204,114,882 0	17.60% 0	0	0	0	0	Lin Yuan Investment Co., Ltd. Wan-Da Investment Co., Ltd	The Chairman is the same person	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	87,133,000 0	7.51% 0	0	0	0	0	None	None	
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	68,574,584 0	5.91% 0	0	0	0	0	Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.	Promotee of this company	
Lin Yuan Investment Co., Ltd. Representative: Weng-Chuan Lin	54,094,814 0	4.67% 0	0	0	0	0	Wan Pao Development Co., Ltd. Wan-Da Investment Co., Ltd	The Chairman is the same person	
He Xin Industrial Co., Ltd. Representative: Chung-Hsin Huang	22,000,000 0	1.90% 0	0	0	0	0	None	None	
Wan-Da Investment Co., Ltd Representative: Weng-Chuan Lin	18,351,652 0	1.58% 0	0	0	0	0	Wan Pao Development Co., Ltd. Lin Yuan Investment Co., Ltd.	The Chairman is the same person	
Zhen-Sheng Industrial Co., Ltd. Representative: Cheng-Chih Chen	17,500,000 0	1.51% 0	0	0	0	0	None	None	
Taiwan Life Insurance Co., Ltd. Representative: Ssu-Kuo Huang	16,335,000 0	1.14% 0	0	0	0	0	None	None	

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of kinship(Note 3)		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Shin Kong Life Insurance Co., Ltd.	15,367,000	1.33%	0	0	0	0	None	None	
Representative: Dong-Jin Wu	0	0							

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

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

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

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

March 31, 2020 Unit: Share; %

Re-invested company (Note 1)	Investments of the Company		Investments of Directors, Supervisors, managers and subsidiaries directly or indirectly controlled		Comprehensive investment	
	Number of shares (Note 2)	Shareholding Ratio	Number of shares (Note 2)	Shareholding Ratio	Number of shares	Shareholding Ratio
Cathay Real Estate Management Co., Ltd.	5,000,000	100.00%	0	0	5,000,000	100.00%
Cathay Healthcare Management Co., Ltd.	46,750,000	85.00%	0	0	46,750,000	85.00%
Cymbal Medical Network Co., Ltd.	10,000,000	100.00%	0	0	10,000,000	100.00%
Cathay Hospitality Managemnet Co., Ltd.	40,000,000	100.00%	0	0	40,000,000	100.00%
Cathay Hospitality Consulting Co., Ltd.	75,000,000	100.00%	0	0	75,000,000	100.00%
Cathay Real Estate Holding Corporation	9,591,891	100.00%	0	0	9,591,891	100.00%
CCH Commercial Company Limited	0	0	7,758	66.67%	7,758	66.67%
Cathay Healthcare Management Limited (BVI)	0	0	170,000	100.00%	144,500	85.00%
Cathay Healthcare Management Limited (Cayman)	0	0	170,000	100.00%	144,500	85.00%
Hangzhou Kunning Health Consulting Limited	0	0	0	100.00%	0	85.00%
Xin-De Co., Ltd.	0	0	8,000,000	100%	8,000,000	100.00%

Note 1: Invested by the Company using the equity method

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

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Source of Capital

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

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

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

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

Information on the shelf registration system: None.

(II) Structure of Shareholders

April 14, 2020

Status of Shareholders / Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	35	147	49,659	268	50,112
Shareholding (shares)	315,862	206,059,462	639,664,864	205,325,806	108,195,065	1,159,561,059
Percentage	0.03%	17.77%	55.16%	17.71%	9.33%	100.00%

(III) Shareholding Distribution Status

1. Common stock

April 14, 2020

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 to 999	27,193	8,623,384	0.74%
1,000 to 5,000	15,933	37,074,845	3.20%
5,001 to 10,000	3,374	25,166,547	2.17%
10,001 to 15,000	1,142	14,291,709	1.23%
15,001 to 20,000	644	11,473,436	0.99%
20,001 to 30,000	609	15,235,640	1.31%
30,001 to 50,000	498	19,767,959	1.71%
50,001 to 100,000	368	26,821,472	2.31%
100,001 to 200,000	184	26,207,837	2.26%
200,001 to 400,000	81	22,030,806	1.90%
400,001 to 600,000	18	8,718,909	0.75%
600,001 to 800,000	8	5,579,897	0.48%
800,001 to 1,000,000	12	10,851,056	0.94%
1,000,001 or over	48	927,717,562	80.01%
Total	50,112	1,159,561,059	100.00%

2. Preferred Stock: None

(IV) List of Major Shareholders

April 14, 2020

Shareholder's Name \ Share	Shareholding (shares)	Percentage
Employee Pension Fund Management Committee of Cathay Life Insurance Co., Ltd.	288,067,626	24.84%
Wan-Pao Development Co., Ltd.	204,114,882	17.60%
Fubon Life Insurance Co., Ltd.	87,133,000	7.51%
Cathay Life Insurance Co., Ltd.	68,574,584	5.91%

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

Note 2: Please refer to P.84 for the list of shareholders holding shares ranked top ten, as well as their shareholding amount and percentage.

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

Unit: NT$

Items \ Year			2018	2019	As of May 1, 2020 (Note 7)
Market Price per Share (Note 1)	Highest Market Price		21.15	30.25	22.40
	Lowest Market Price		15.15	19.20	15.10
	Average Market Price		17.56	23.73	19.13
Net Value per Share (Note 5)	Before Distribution		21.62	21.02	20.50
	After Distribution		19.52	(Note 6)	(Note 8)
Earnings per share (Note 5)	Weighted Average Shares (shares)		1,159,561,059	1,159,561,059	1,159,561,059
	Earnings per Share		3.11	1.18	(0.15)
Dividends per Share	Cash Dividends		2.1	(Note 6)	(Note 8)
	Stock dividend	Dividends from Retained Earnings	0	(Note 6)	(Note 8)
		Dividends from Capital Surplus	0	(Note 6)	(Note 8)
	Accumulated Undistributed Dividends		0	0	0
Return on Investment	Price / Earnings Ratio (Note 2)		5.65	20.11	(Note 8)
	Price / Dividend Ratio (Note 3)		8.36	(Note 6)	(Note 8)
	Cash Dividend Yield Rate (Note 4)		11.96%	(Note 6)	(Note 8)

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

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

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

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

Note 5: Data of 2018 and 2019 audited by CPAs, and data of Q1, 2020 reviewed by CPAs.

Note 6: Distribution of earnings for 2019 has not been approved by the shareholders' meeting yet.

Note 7: The net value per share and earnings per share are the data of Q1, 2020 reviewed by CPAs; the remaining columns are the annual data up to the date of publication of the Annual Report.

Note 8: Not applicable in specific seasons.

(VI) Dividend Policy and Implementation Status

1. If the Company earns profit for the year, 0.1% to 1% of it shall be distributed as employee compensation, and no more than 1% as Director and Supervisor compensation. However, the Company's accumulated losses, if any, shall first be covered.
2. If there is surplus after the Company's annual final accounting, besides paying taxes according to the law, the Company shall first offset its previous years' losses, and set aside legal reserve, set aside or reverse special reserve according to the law, and then allocate 30% to 100% as shareholders dividends and bonus. The remaining, together with the beginning undistributed earnings, shall be the distributable profit. The Board of Directors shall prepare earnings distribution proposal, and submit it at the shareholders' meeting for approval. The distribution ratio of the above shareholders' dividends and bonus shall be planned depending on the current year's major financial or working capital, and may be adjusted upon resolution of the shareholders' meeting against the proposal of the Board of Directors.
3. In response to the economy and market environment changes, the Company adopts a diversified investment approach to increase profitability. In consideration of long-term financial planning and future funding requirements, the residual dividend policy is adopted for dividend policy, so as to achieve steady growth and sustainable operation.
4. Based on the Company's operational planning and capital investment, as well as taking into account shareholders' cash inflow requirements and avoiding over expansion of share capital, profit is to be first distributed in a form of cash dividend, followed by stock dividend. However, cash dividend distribution ratio shall not be less than 50% of total dividend.

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

   The proposal for the distribution of 2019 profits was passed at the meeting of the Board of Directors on April 23, 2020:

   A cash dividend of NT$1.0 per share will be allocated.
6. Significant changes in the expected dividend policy: None.

(VII) Implementation of Resolutions of Shareholders' Meeting:

1. Following matters have been approved at the shareholders' meeting on June 14, 2019 and hence implemented:

   (1) 2018 business report and financial statements.

   (2) 2018 earnings distribution proposal.
   Status: July 8, 2019 was the ex-dividend base date, and a cash dividend of NT$2,435,078,224 has been allocated (NT$2.1 per share) on July 29, 2019, the payment date. The Company had completed the payment.

   (3) Approval of amendments to the Company's Procedures for Acquisition and Disposal of Assets.
   Status: The revised procedures have been implemented.

   (4) Approval of amendments to the Procedures for Lending Funds to Other Parties and Endorsement/Guarantee.
   Status: The revised procedures have been implemented.

   (5) Approval of the removal of business strife limitation on the Company's Directors.
   Status: The business strife limitation on Director Daniel Tung, Independent Director Shiou-Ling Lin and Independent Director Chih-Wei Wu has been removed, and announced on the Market Observation Post System on June 14, 2019.

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

(IX) Remuneration of Employees, Directors and Supervisors

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

2. Accounting treatment for any discrepancy between the estimate foundation of current compensation of employees, Directors and Supervisors, calculation foundation of number of shares in the compensation of employees allocated in stocks and the actual amount allocated and the number estimated: the estimation shall be made by the after-tax net profit as of 2019 in consideration of legal reserve and other factors on the basis of the percentage set out in the Articles of Association. However, if there is discrepancy between the actual allocated amount proposed by the shareholders' meeting and the estimated number afterwards, it will be listed as the profit and loss in 2020.

3. Compensation allocation passed by the Board Meeting (March 19, 2020):

   (1) Compensation of employees, directors and supervisors allocated in cash or stock: employees were paid with NT$1,509,000 and directors NT$2,400,000, both in cash.

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

4. The actual distribution of employee bonus and the compensation of Directors and Supervisors in 2018:

The employee bonus of NT$3,841,000 and the compensation of Directors of NT$2,400,000 were distributed in cash in line with the resolution of the Board of Directors.

(X) Buyback of Treasury Stock: None.

II. Corporate Bonds

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

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

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

Note 3: For overseas corporate bonds.

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

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

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

III. Preferred Stocks: None.

IV. Global Depository Receipts: None

V. Employee Stock Options: None.

VI. Issuance of New Restricted Employee Shares: None

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

VIII. Financing Plans and Implementation

(I) Finance Plans

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

(II) Implementation:

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

Chapter 5 Operational Highlights

I. Business Activities

(I) Business Scope

1. Main areas of business operations
   (1) Retail sale of Medical Equipments
   (2) Department Stores
   (3) Car Rental and Leasing
   (4) Parking Garage Business
   (5) Residence and Buildings Lease Construction and Development
   (6) Industrial Factory Buildings Lease Construction and Development
   (7) Specialized Field Construction and Development
   (8) Public Works Construction and Investment
   (9) New County and Community Construction and Investment
   (10) Land Levy and Delimit
   (11) Reconstruction within the Renewal Area
   (12) Renovation, or Maintenance within the Renewal Area
   (13) Construction Management
   (14) Real Estate Commerce
   (15) Real Estate Rental and Leasing
   (16) Management Consulting Services
   (17) Other Consultancy
   (18) All business items that are not prohibited or restricted by law, except those that are subject to special approval.
2. Revenue Distribution in 2019

Unit: NT$ thousands

Items	Amount	Percentage
Rental Income	539,247	4.64%
Sales of buildings and land	9,296,499	79.98%
Service Income	1,717,128	14.77%
Others	71,054	0.61%
Total	11,623,928	100.00%

3. Main Products and New Products Development

The Company’s existing product is primary the investment in the construction of residential buildings with elevators for sales. In the first half of 2020, the Company plans to launch “Catahy ChuanQing” in Taoyuan; In the second half of 2020, the Company plans to launch “Cathay Opulence” in Xindian, “Cathay XiJing” in Taoyuan, and “Chenggong New Town Area A” in Nangang, and will actively prepare and launch these projects depending on the economy and market conditions.

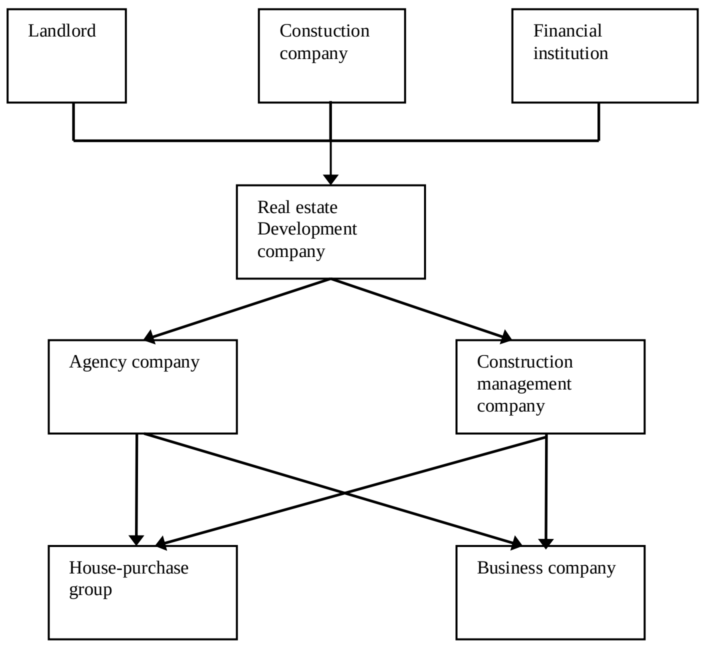
(II) Industry Overview

1. Current state and development of the industry

In recent years, the real estate market in Taiwan has caused popular discontent due to the high housing prices. After the government implemented a series of housing policies (luxury tax, real-price registration, combined building tax and land tax, etc.), the housing market has gradually returned to a self-occupation market after short-term investors have left the market. In the absence of market confidence, the number of buildings for sales and transfer nationwide in 2016 reached a record low, and the overall real estate market entered a validation period. However, under the support of self-occupation demand and the price adjustment by the seller to increase trading volume, the house price is no longer unattainable, and the market has entered a consolidation stage. In recent years, the number of buildings sold and transferred had increased, and the balance of construction and residential loans had also gradually risen, the number of domestic transaction in 2019 has even reached a record high in the past five years.

Supply and demand of the overall real estate market: In terms of supply, since the overall real estate market in 2019 was more prosperous than 2018, and the peers in the sector were more confident, it is expected that the new supply will increase in 2020 compared with that of the previous year. In terms of demand, the US has lowered the interest rates for the first time in ten years and the domestic interest rates remain low, which supports the demands on the real estate market to a certain extent. With the price adjustment in recent years, most buyers have regained confidence in the housing market and the self-occupied purchase gradually appears, which will continuously drive the performance of purchasing houses this year continually. The demand is expected to increase this year as compared to 2019. Overall, the confidence in the real estate market in 2020 is still strong. Without the impact of other factors, as the economy recovers, the market sentiment of the real estate market in 2019 can be maintained.

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

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

3. Product Trends

(1) Architectural brand leadership

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

(2) Futuristic design

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

(3) Economical and environment-friendly construction

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

(4) Integrated community living function

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

4. Product Competition

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

(III) Technology and R&D Overview

In order to strengthen the transparency of the real estate market information, sound the development of the real estate market, and fulfill the corporate social responsibility, the Company started to prepare the Cathay Real Estate Index with Taiwan Real Estate Research Center of National Chengchi University at the end of 2002 and has kept for 18 years by 2019. More than NT$3 million of budget is input in the preparation every year, and it has become one of the important reference data of domestic real estate information. In terms of R&D of product technology, we have invested lots of manpower and funds in the fields of planning, design, building materials and equipment. Therefore, the projects developed by the Company can be favored by customers and sold well in a short period of time. In recent years, with the purpose of breaking through design thinking, we also introduced foreign design teams to enable the Company's products to be more competitive.

1. Industry Trends

(1) Changes in the real estate business cycle

(2) Evolution of the real estate market products

(3) Quarterly Report of Cathay Real Estate Index

2. Architectural technology

(1) Control of architecture construction cost

(2) Discussion on the standard construction period

(3) Discussion on construction laws and building products

(4) Discussion on building construction specifications

(5) Discussion on green building design

(6) Discussion on intelligent construction equipment

(7) Discussion on earthquake-resistant buildings

(8) Discussion on energy-saving and carbon-reduced equipment

(IV) Long-term and Short-term Development

1. Long-term Development

(1) Branding

Implement the Company’s core values, business philosophy and four guarantees, keep initiative, innovate services, and pursuit of excellence, in order to achieve the philosophy of sustainable management and sustainable service. The Company continues executing the brand optimization and implement action plan, give full play to superiority of Cathay and implement the total quality based on the new thinking of “Quality Lifetime House”, and maintain and continue brand value through sustainable services. Moreover, the Company actively implements digital transformation program to achieve high-efficiency services, and moving toward higher value creation.

(2) Land Development

After the strengthening and stabilizing the core business, we have also introduced our business philosophy and integrated digital technology into the development of real estate and created added value to enhance our competitive edge, expand the business scale and move towards the vision of becoming an integrated developer.

(3) Product Planning

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

(4) Marketing

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

(5) Customer Service

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

2. Short-term Development

(1) Branding

“Value Creation and Deepening the Brand”, the Company actively differentiate product values and create brand advantages to obtain recognition from our customers and avoid homogenous price wars.

(2) Project Development

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

(3) Product Planning

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

(4) Marketing

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

(5) Customer Service

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

II. Market and Sales Overview

(I) Market Analysis

1. Sales (Service) Region

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

	2018		2019	
	Launched amount (100 Million)	30-day sales rate (%)	Launched amount (100 Million)	30-day sales rate (%)
Taipei	2,447	12.67	1,790	12.41
New Taipei	2,800	12.22	3,829	10.88
Taoyuan	1,018	10.91	1,895	9.68
Hsinchu	661	13.12	567	10.37
Taichung	1,511	13.24	1,820	13.88
Tainan	490	13.62	764	13.11
Kaohsiung	1,387	15.84	2,060	10.92
Nationwide	10,314	13.16	12,725	11.51

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

2. Market Share

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

Unit: NT$ thousands

Company Name	2018 revenue		2019 revenue	
	Amount	Rank	Amount	Rank
Highwealth	30,717,971	1	20,373,762	1
Huaku	4,588,530	11	19,800,557	2
Farglory	22,316,785	3	19,347,316	3
Goldsun	11,402,464	6	12,728,434	4
Gedge	11,318,212	7	11,362,618	5
Cathay	12,812,525	4	9,736,609	6
Chonghong	11,449,588	5	8,793,221	7
Kingdom	7,502,772	8	8,117,436	8
Xinya	7,471,526	9	7,313,749	9
ASE	4,384,582	12	6,264,599	10
Prince	6,485,290	10	5,680,054	11
Hwang Chang	4,295,020	13	5,335,865	12
Chien Kuo	3,932,756	14	4,756,126	13
Long Da	2,577,520	19	4,394,621	14
Crowell	3,918,034	15	2,886,010	15
Huang Hsiang	2,848,737	17	2,704,945	16
Sweeten	3,739,865	16	1,752,826	17
Radium	28,119,062	2	1,475,855	18
Shining Group	2,738,252	18	1,440,904	19
Pacific	1,046,442	20	326,875	20

Data source: Market Observation Post System

3. Future supply & demand and growth of the market

According to the quarterly research of Cathay Real Estate Index, the trend of the Cathay Real Estate Index in 2019, indicated that the prices of the national housing market recorded a stable increase and the housing market is recovering, with better overall performance as compared with 2018. Looking forward to the market trend in 2020, the key to the recovery of the housing market in 2020 is whether the number and amount of transactions will continue to grow. The market is expected to be upward consolidation.

In terms of supply of the real estate market, the market shows a low-level consolidation pattern last year, the amount of supply is expected to increase as compared to the past. In terms of demands, as there are more and more self-occupation house buyers, the purchasing atmosphere will rebound slowly. It is expected that demand will continue to increase.

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

(1) Politics and policy

As the presidential election has ended and the governing party will continue to implement formulated policies, little change is expected on the housing policies. It is expected that the policies of the real estate market with respect to tax reform will affect the subsequent supply and demand. With the government promoting urban renewal, reconstruction of dangerous and old buildings, social and housing policies, the housing market is expected to benefit and show a gradual recovery trend.

(2) Economic growth rate

The Office of Accounting and Statistics estimates that the economic growth rate in 2020 will be 2.37%.

(3) Interest rate and price

The interest rate will remain low. In the term of price, the Office of Accounting and Statistics estimates that the Consumer Price Index (CPI) in 2020 will increase slightly by 0.71%.

4. Competitive Niches

(1) Excellent brand image

(2) Steady financial situation

(3) Professional R&D and design

(4) Solid engineering construction

(5) Permanent after-sales service

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

(1) Favorable Factors

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

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

(2) Unfavorable Factors

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

b. International uncertainties prevail, the subsequent development of the two sides of the strait and the progress of the US-China trade negotiations may affect the future trend of the housing market.

(3) Strategies

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

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

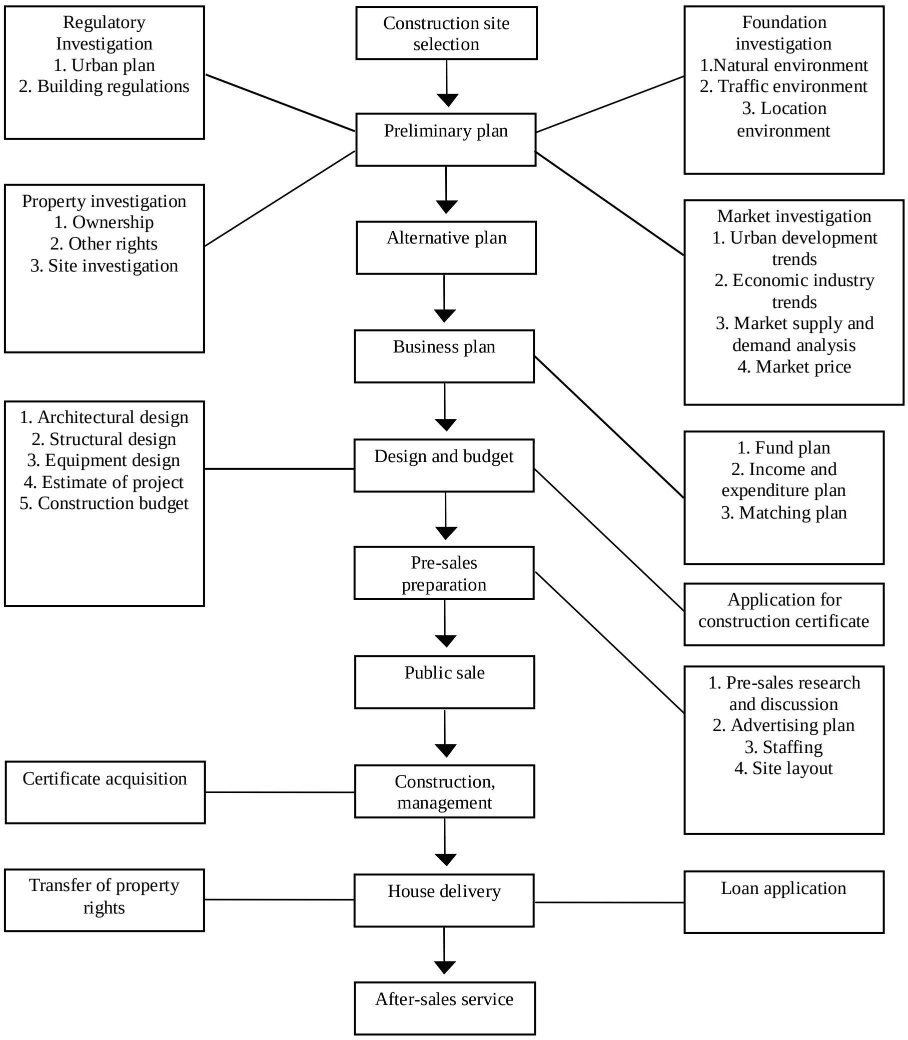
c. Make effective use of the advantages of the Group’s value chain and properly deploy new business investments to strengthen diversified operations and achieve overall effectiveness.

(II) Production Procedures of Main Products

1. Major Products and Their Main Uses

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

2. Production Procedures of Main Products



(III) Supply Status of Main Materials

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

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

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

Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Items	2018				2019				2020 (As of the end of the previous quarter)			
	Company Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage to the total annual net purchases (%)	Relation with Issuer	Company Name	Amount	Percentage to the total net purchases up to the end of the previous quarter of the current year (%)	Relation with Issuer
1	San Ching Engineering Co., Ltd.	2,430,896	38.11	Affiliated company	San Ching Engineering Co., Ltd.	1,467,349	19.22	Affiliated company	None	-	-	
2												
	Others	3,947,057	61.89		Others	6,168,178	80.78		Others	3,893,430	100.00	
	Net purchases	6,377,953	100		Net purchases	7,635,527	100		Net purchases	3,893,430	100.00	
Reasons for Changes	Fund of project under construction				Fund of project under construction				Fund of project under construction			

Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

Items	2018				2019				2020 (As of the end of the previous quarter)			
	Company Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage to the total annual net sales (%)	Relation with Issuer	Company Name	Amount	Percentage to the total net sales up to the end of the previous quarter of the current year (%)	Relation with Issuer
1	None				None				None			
	Others	12,812,825	100.00		Others	9,736,609	100.00		Others	531,508	100.00	
	Net sales	12,812,825	100.00		Net sales	9,736,609	100.00		Net sales	531,508	100.00	
Reasons for Changes	None				None				None			

(V) Production in the Last Two Years

Unit: NT$ thousands

Production / Year / Output / Major Products (or by department)	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Apartments, shops, buildings	-	A batch	9,225,088	-	A batch	7,088,054
Rental and Leasing	-	-	318,934	-	-	320,916
Total	-	A batch	9,544,022	-	A batch	7,408,970

(VI) Sales in the Last Two Years

Unit: NT$ thousands

Sales / Year / Output / Major Products (or by department)	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Apartments, shops, buildings	478	12,400,858	-	-	327	9,296,499	-	-
Rental and Leasing	-	411,667	-	-	-	440,110	-	-
Others	-	-	-	-	-	-	-	-
Total	478	12,812,525	-	-	327	9,736,609	-	-

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

Year		2018	2019	2020 (As of April 30)
Number of Employees	Office clerk	143	141	141
	Total	143	141	141
Average Age		42.8	43.6	43.8
Average Year of Services		12.71	13.18	13.4
Education	Ph.D.	0%	0%	0%
	Masters	32.2%	32.6%	32.6%
	Bachelor’s Degree	61.5%	61.7%	62.4%
	Senior High School	6.3%	5.7%	5%
	Below Senior High School	0%	0%	0%

IV. Environmental Protection Expenditure

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

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

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

V. Labor Relations

(I) Employee Welfare

The Company has always attached great importance to harmonious labor management relations, and has established the Employees' Welfare Committee, in addition to reasonable treatments and various on-the-job educations, to promote employee benefits including subsidies for marriage, childbirth, children, education, birthday, language training, leisure and entertainment, as well as hiking activities, health examination and family day so as to ensure the physical and mental protection of employees. In 2019, the accumulated expenditure on employees' welfare was NT$31,534,000.

(II) Advanced studies and trainings of employees

The implementation of Company's education and training:

In 2019, besides continuing to intensifying the core and management functions such as accountability and cultivation, the Company held the general courses such as market research and house delivery acceptance to comprehensively increase the basic professional knowledge of colleagues. The total training hours were 4,776 and the total cost was NT$2,431,000.

Course items	Number of Trainee	Total hours
Professional training	371	2,231
General training	542	1,436
Function development	386	1,109
Total	1,299	4,776

(III) Retirement System and Implementation

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

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

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

Important labor agreement: None.

(V) Names and number of employees holding professional licenses

License type	Sponsor	Number of people
Architect	Examination Yuan	9
CPA	Examination Yuan	1
Real estate broker	Examination Yuan	10
Land administration agent	Examination Yuan	4
Appraiser	Examination Yuan	2
Civil engineer	Examination Yuan	1
Geotechnical engineer	Examination Yuan	1
British Royal Chartered Surveyor	Royal Institution of Chartered Surveyors (RICS)	1
Test of securities investment analyst	Securities & Futures Institute	1
Test of sales representive in stock company	Securities & Futures Institute	2
Test of high level sales representive in stock company	Securities & Futures Institute	3
Professional test for stock affair specialist	Securities & Futures Institute	13

(VI) Employee behavior or ethics code

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

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

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

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

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

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

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

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

(VIII) Corporate responsibility and ethical behavior

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

Over the years, the Company has often sponsored various public benefit activities, made donation for disaster relief, and undertaken the social responsibility of corporate citizens. In 1982, we established Cathay Real Estate Foundation which has long held cultural and educational activities, passed on local culture, and subsidized the disadvantaged. We also set up 9 libraries in Taiwan to hold cultural activities. The Foundation has sponsored the Cathay Excellence Awards Plan, Teach For Taiwan and other activities and hopes to continue to sponsor education and learning to cultivate young people for the future. We support the public benefit in the long term and assist in holding new resident care activities, summer blood donation, children's growth camp, Christmas warming and other activities to give back to the society with action.

1. Lin Yuan Libraries

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

2. Joint activities of public benefit group

   (1) New immigrant care activities in Taiwan of Cathay

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

   (2) Summer Blood Donation Activities

   Establish a number of blood donation points in the summer time, and make about 280 promotions to ease the summer time blood shortage, and lead the prevailing blood donation benevolences.

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

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

   (4) Christmas Warming

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

3. Activities related to talent teaching

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

4. Sponsorship Activities

(1) Cathay Excellence Awards Plan

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

(2) Teach For Taiwan (TFT) Cooperation Scheme

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

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

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

VI. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Construction contract	Japanese Taisei Construction Engineering Co., Ltd.	2019.1.15- 2021.10.31	New Construction Contract for Land Serial No.49 and 57 in Sixin Section, Xindian District, New Taipei City	None
	San-Ching Engineering Co., Ltd.	2019.3.21- 2022.8.4	New Construction Contract for Land Serial No.46 and 47 in Xindu Section, Banqiao District, New Taipei City	None
	San-Ching Engineering Co., Ltd.	2019.6.14- 2011.10.26	New Construction Contract for Land Serial No.181 and 182 in Mingde Section, Tucheng District, New Taipei City	None
	San-Ching Engineering Co., Ltd.	2019.7.31- 2022.7.31	New Construction Contract for Land Serial No.144 and 144-1 in Jiangcui Section, Banqiao District, New Taipei City	None
	Japanese Taisei Construction Engineering Co., Ltd.	2019.9.27- 2022.12.14	New Construction Contract for Land Serial No.40, 40-1, and 41-1 in Yucheng Section, Nangang District, Taipei City	None
	San-Ching Engineering Co., Ltd.	2019.11.13- 2022.4.8	New Construction Contract for Land Serial No. 212 in Zhuxing, Beitun District, Taichung City	None
	Chien-Kuo Construction Co., Ltd.	2019.11.29- 2023.11.20	New Construction Contract for Land Serial No.0712-0001 and other 39 lands in Dayeh Erxiao Section, Beitou District, Taipei City	None
Real estate transaction	Natural person	2019.01.25	Acquisition of the construction contract for Sanming Section, Taoyuan District, Taoyuan City	None
	Natural person	2019.07.03	Acquisition of the construction contract for Sanming Section, Taoyuan District, Taoyuan City	None
	Natural person	2019.07.15	Acquisition of the construction contract for Ruanqiao Section, Beitou District, Taipei City	None
	Natural person	2019.10.01	Acquisition of the construction contract for Huiyi Section, Nantun District, Taichung City	None
	Natural person	2019.10.30	Acquisition of the construction contract for Renxin Section, Sanchong District, New Taipei City	None
	Natural person	2019.11.18	Acquisition of the construction contract for Fuxing Sanxiao Section, Daan District, Taipei City	None

Chapter 6 Financial Information

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

(I) Condensed Balance Sheet

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

Unit: NT$ thousands

Items \ Year		Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		$40,344,785	$34,049,676	$32,827,177	$30,748,510	$31,458,872
Property, plant and equipment		89,720	84,896	65,471	66,611	72,394
Intangible assets		2,511	786	1,124	778	1,533
Other assets		14,651,330	14,582,738	13,793,973	15,876,202	16,082,198
Total assets		55,088,346	48,718,096	46,687,745	46,692,101	47,614,997
Current liabilities	Before distribution	21,212,301	11,064,521	11,487,107	17,372,072	18,172,212
	After distribution	21,212,301	12,803,863	12,878,580	19,807,150	(Note 2)
Non-current liabilities		8,613,055	14,675,016	12,432,136	4,245,293	5,064,693
Total liabilities	Before distribution	29,825,356	25,739,537	23,919,243	21,617,365	23,236,905
	After distribution	29,825,356	27,478,879	25,310,716	24,052,443	(Note 2)
Equity attributable to shareholders of the parent		25,262,990	22,978,559	22,768,502	25,074,736	24,378,092
Capital stock		16,565,158	11,595,611	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	10,407	18,063	25,783	31,628
Retained earnings	Before distribution	8,046,960	11,064,867	10,770,163	13,373,271	12,311,946
	After distribution	8,046,960	9,325,525	9,378,690	10,938,193	(Note 2)
Other equity		640,465	307,674	384,665	80,071	438,907
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	25,262,990	22,978,559	22,768,502	25,074,736	24,378,092
	After distribution	25,262,990	21,239,217	21,377,029	22,639,658	(Note 2)

Note 1: No relevant information in Q1, 2020.

Note 2: The 2019 earnings distribution proposal has not been approved by the shareholders' meeting.

2. Based on International Financial Reporting Standards (Consolidated)

Unit: NT$ thousands

Year / Items		Financial Summary for The Last Five Years					Current year as of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		$41,645,933	$34,984,049	$34,083,427	$32,529,906	$32,654,308	$35,587,116
Property, plant and equipment		1,168,913	1,131,539	1,136,419	1,858,494	4,614,222	4,565,846
Intangible assets		39,214	30,936	33,008	20,416	24,210	25,363
Other assets		19,079,215	19,283,152	18,508,334	14,362,572	16,443,390	16,390,233
Total assets		61,933,275	55,429,676	53,761,188	48,771,388	53,7360,130	56,568,558
Current liabilities	Before distribution	24,109,194	12,716,135	12,729,074	18,777,777	19,819,000	22,390,603
	After distribution	24,109,194	14,455,477	14,120,547	21,212,855	(Note 2)	(Note 2)
Non-current liabilities		11,764,974	19,134,014	17,807,952	4,652,062	9,435,080	10,302,860
Total liabilities	Before distribution	35,874,168	31,850,149	30,537,026	23,429,839	29,254,080	32,693,463
	After distribution	35,874,168	33,589,491	31,928,499	25,864,917	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent		25,262,990	22,978,559	22,768,502	25,074,736	24,378,092	23,772,744
Capital stock		16,565,158	11,595,611	11,595,611	11,595,611	11,595,611	11,595,611
Capital surplus		10,407	10,407	18,063	25,783	31,628	31,551
Retained earnings	Before distribution	8,046,960	11,064,867	10,770,163	13,373,271	12,311,946	12,133,847
	After distribution	8,046,960	9,325,525	9,378,690	10,938,193	(Note 2)	(Note 2)
Other equity		640,465	307,674	384,665	80,071	438,907	11,735
Treasury stock		0	0	0	0	0	0
Non-controlling interest		796,117	600,968	455,660	266,813	103,958	102,351
Total equity	Before distribution	26,059,107	23,579,527	23,224,162	25,341,549	24,482,050	23,875,095
	After distribution	26,059,107	21,840,185	21,832,689	22,906,471	(Note 2)	(Note 2)

Note 1: Reviewed by CPAs in Q1, 2020.

Note 2: The 2019 earnings distribution proposal has not been approved by the shareholders' meeting.

(II) Condensed Statement of Comprehensive Income

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

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

Items \ Year	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	$8,709,076	$17,408,316	$10,610,084	$12,812,525	$9,736,609
Gross profit	3,354,083	4,467,141	2,354,577	3,268,503	2,327,639
Income from operations	2,733,028	3,880,079	1,667,343	2,340,979	1,400,160
Non-operating income and expenses	(143,763)	(340,346)	(295,471)	1,493,829	104,527
Income before tax	2,589,265	3,539,733	1,371,872	3,834,808	1,504,687
Income from operations of continued segments - after tax	2,327,053	3,017,907	1,444,638	3,609,611	1,370,505
Income from discontinued operations	0	0	0	0	0
Net income (Loss)	2,327,053	3,017,907	1,444,638	3,609,611	1,370,505
Other comprehensive income (income after tax)	(233,831)	(332,791)	76,991	(335,754)	362,084
Total comprehensive income	2,093,222	2,685,116	1,521,629	3,273,857	1,732,589
Net income attributable to shareholders of the parent	2,327,053	3,017,907	1,444,638	3,609,611	1,370,505
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	2,093,222	2,685,116	1,521,629	3,273,857	1,732,589
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.40	2.06	1.25	3.11	1.18

Note 1: No relevant information in Q1, 2020.

2. Based on International Financial Reporting Standards (Consolidated)

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

Items \ Year	Financial Summary for The Last Five Years					Current year as of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenue	$9,848,217	$18,695,526	$12,270,182	$14,294,770	$11,623,928	$841,417
Gross profit	3,480,391	4,509,997	2,586,811	3,718,199	3,162,589	188,235
Income from operations	2,395,435	3,402,230	1,341,775	2,228,233	1,499,287	(165,541)
Non-operating income and expenses	40,919	(69,222)	(150,297)	2,280,747	71,051	(38,513)
Income before tax	2,436,354	3,333,008	1,191,478	4,508,980	1,570,338	(204,054)
Income from operations of continued segments - after tax	2,194,124	2,838,245	1,241,625	4,241,797	1,400,358	(179,719)
Income from discontinued operations	0	0	0	0	0	0
Net income (Loss)	2,194,124	2,838,245	1,241,625	4,241,797	1,400,358	(179,718)
Other comprehensive income (income after tax)	(258,877)	(423,429)	103,720	(260,946)	331,893	(427,160)
Total comprehensive income	1,935,247	2,414,816	1,345,345	3,980,851	1,732,251	(606,878)
Net income attributable to shareholders of the parent	2,327,053	3,017,907	1,444,638	3,609,611	1,370,505	(178,099)
Net income attributable to non-controlling interests	(132,929)	(179,662)	(203,013)	632,186	29,853	(1,619)
Comprehensive income attributable to Shareholders of the parent	2,093,222	2,685,116	1,521,629	3,273,857	1,732,589	(605,271)
Comprehensive income attributable to non-controlling interest	(157,975)	(270,300)	(176,284)	706,994	(338)	(1,607)
Earnings per share	1.40	2.06	1.25	3.11	1.18	(0.15)

Note 1: Reviewed by CPAs in Q1, 2020.

(III) Auditors' Opinions

Year	Accounting Firm	CPA	Audit Opinion
2015	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2016	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2017	Ernst & Young Taiwan	Li-Huang Lin, Chien-Che Huang	Standard unqualified opinion
2018	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang (Note 1)	Standard unqualified opinion
2019	Ernst & Young Taiwan	Jung-Huang Hsu, Chien-Che Huang	Standard unqualified opinion

Note 1: In 2018, due to the internal regularization of employment of the firm, the CPA was changed from Li-Huang Lin to Jung-Huang Hsu.

II. Five-Year Financial Analysis

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

Items		Financial Summary for The Last Five Years (Note 1)				
	Year	2015	2015	2016	2017	2018
Financial structure (%)	Debt ratio	54.14	52.83	51.23	46.30	48.8
	Ratio of long-term capital to property, plant and equipment	37,757.55	44,352.61	53,765.36	44,016.68	40,670.08
Solvency (%)	Current ratio	190.20	307.74	285.77	177.00	173.12
	Quick ratio	25.53	37.00	33.11	26.70	27.07
	Interest Coverage ratio	8.16	13.23	5.85	16.48	7.23
Operating performance	Accounts receivable turnover (times)	107.38	372.16	168.80	76.78	55.97
	Average collection Days	3.39	0.98	2.16	4.75	6.52
	Inventory turnover (times)	0.16	0.40	0.28	0.35	0.28
	Accounts payable turnover (times)	12.23	18.07	10.16	11.20	7.92
	Average days in sales	2,281.25	912.50	1,303.57	1,042.85	1,303.57
	Property, plant and equipment turnover (times)	89.03	199.39	141.12	194.01	140.09
	Total assets turnover (times)	0.16	0.34	0.22	0.27	0.21
Profitability	Return on total assets (%)	4.38	5.84	3.04	7.73	2.92
	Return on stockholders' equity (%)	9.29	12.51	6.32	15.09	5.54
	Pre-tax income to paid-in capital (%)	15.63	30.53	11.83	33.07	12.98
	Profit ratio (%)	26.72	17.34	13.62	28.17	14.08
	Earnings per share (NT$)	1.40	2.06	1.25	3.11	1.18
Cash flow (%)	Cash flow ratio	2.65	60.83	12.03	14.48	7.99
	Cash flow adequacy ratio	19.18	54.67	67.36	70.74	113.43
	Cash reinvestment ratio	(4.41)	24.08	(1.39)	6.29	(5.41)
Leverage	Operating leverage	1.12	1.11	1.22	1.15	1.23
	Financial leverage	1.01	1.00	1.00	1.00	1.01

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

1. The interest Coverage ratio decreased by 56% due to the decrease in income tax and net profit before income tax of the period.
2. The accounts receivable turnover rate decreased by 27% due to the decrease in net sales of the period
3. The average collection Days increased by 37% due to the decrease in accounts receivable turnover of the period
4. The inventory turnover decreased by 20% due to the increase in inventory of the period
5. The accounts payable turnover (times) decreased by 29% due to the decrease in cost of sales of the period.
6. The average days in sales increased by 25% due to the decrease in inventory turnover of the period.
7. The property, plant and equipment turnover (times) decreased by 28% due to the decrease in net sales of the period.
8. The total assets turnover (times) decreased by 22% due to the decrease in net sales of the period.
9. The return on total assets ratio decreased by 62% due to the decrease in net profit after tax of the period.
10. The return on stockholders' equity ratio decreased by 63% due to the decrease in net profit after tax of the period
11. The pre-tax income to paid-in capital ratio decreased by 61% due to the decrease in net profit before tax of the period
12. The profit ratio decreased by 50% due to the decrease in net profit after tax of the period.
13. Earnings per share decreased by 62% due to the decrease in net income attributable to shareholders of the parent of the period.
14. The cash flow ratio decreased by 45% due to the decrease in net cash inflow from operating activities of the period.
15. The cash flow adequacy ratio increased by 60% due to the increased in net cash inflow from operating activities in the last five years.
16. The cash reinvestment ratio decreased by 186% due to the decrease in net cash inflow from operating activities of the period.

Note 1: No relevant information in Q1, 2020.

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

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

(2) Average Collection Period = 365 / Accounts Receivable Turnover.

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash Flow

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

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

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

6. Leverage

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

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

2. Based on International Financial Reporting Standards (Consolidated)

Analysis Items	Year	2015	2016	2017	2018	2019	Current year as of March 31, 2020
		Financial Summary for The Last Five Years					
Financial structure (%)	Debt ratio	57.92	57.46	56.80	48.04	54.44	57.79
	Ratio of long-term capital to property, plant and equipment	3,235.83	3,774.82	3,610.65	1,613.87	735.06	748.56
Solvency (%)	Current ratio	172.74	275.12	267.76	173.24	164.76	158.94
	Quick ratio	26.52	36.83	36.39	32.03	28.53	22.03
	Interest Coverage ratio	5.55	7.51	3.02	12.73	5.02	0.50
Operating performance	Accounts receivable turnover (times)	50.17	91.32	47.94	36.74	29.33	14.22
	Average collection Days	7.27	3.99	7.61	9.93	12.44	25.66
	Inventory turnover (times)	0.19	0.44	0.33	0.39	0.32	0.09
	Accounts payable turnover (times)	8.89	11.56	8.08	10.34	8.39	2.44
	Average days in sales	1,921.05	829.54	1,106.06	935.89	1,140.62	4,055.55
	Property, plant and equipment turnover (times)	9.33	16.25	10.82	9.55	3.59	0.73
	Total assets turnover (times)	0.17	0.32	0.22	0.28	0.23	0.06
Profitability	Return on total assets (%)	3.94	5.15	2.65	8.48	2.95	0.26
	Return on stockholders' equity (%)	8.47	11.44	5.31	17.47	5.62	(Note 1)
	Pre-tax income to paid-in capital (%)	14.71	28.74	10.28	38.89	13.54	(Note 1)
	Profit ratio (%)	22.28	15.18	10.12	29.67	12.05	(Note 1)
	Earnings per share (NT$)	1.40	2.06	1.25	3.11	1.18	(0.15)
Cash flow (%)	Cash flow ratio	4.01	49.82	7.55	13.47	11.52	(11.71)
	Cash flow adequacy ratio	18.82	45.40	52.00	57.56	64.32	80.74
	Cash reinvestment ratio	(2.77)	21.74	(2.78)	5.95	(0.69)	(11.70)
Leverage	Operating leverage	1.33	1.27	1.68	1.40	1.68	(Note 1)
	Financial leverage	1.08	1.07	1.22	1.06	1.10	(Note 1)

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

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

1. The ratio of long-term capital to property, plant and equipment decreased by 54% due to the increase in property, plant and equipment of the period after reclassification
2. The interest Coverage ratio decreased by 61% due to the decrease in income tax and net profit before income tax of the period.
3. The accounts receivable turnover decreased by 20% due to the increase in net sales of the period
4. The average collection Days increase by 25% due to the decrease in the accounts receivable turnover of the period.
5. The average days in sales increased by 22% due to the decrease in inventory turnover of the period
6. The property, plant and equipment turnover (times) decreased by 62% due to the decrease in net sales of the period
7. The return on total assets ratio decreased by 65% due to the decrease in net income of the period
8. The return on stockholders' equity ratio decreased by 68% due to the decrease in net income of the period
9. The pre-tax income to paid-in capital ratio decreased by 65% due to the decrease in net income before tax of the period
10. The profit ratio decreased by 59% due to the decrease in net income of the period
11. Earnings per share decreased by 62% due to the decrease in net income attributable to shareholders of the parent of the period.
12. The cash reinvestment ratio decreased by 112% due to the decrease in net cash flow from operating activities of the period
13. The operating leverage ratio increased by 22% due to the decrease in operating income of the period.

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

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

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

4. Profitability

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

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

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

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

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

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

6. Leverage

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

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

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

Audit Committee's Review Report

The Board of Directors prepared the Company's 2019 Business Report, Financial Statements (including Consolidated Financial Statements) and Earnings Distribution, where the Financial Statements (including Consolidated Financial Statements) were audited and certificated by the CPAs of Ernst & Young Taiwan, Jung-Huang Hsu, and Chien-Che Huang, and an audit report was issued.

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

Regards

Cathay Real Estate Development Co., Ltd.

Audit Committee

Convener: Shiou-Ling Lin

April 23, 2020

CATHAY REAL ESTATE DEVELOPMENT CO., LTD

Parent Company Only Financial Statements

For The Years Ended

December 31, 2019 And 2018

Report of Independent Auditors

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

Independent Auditors' Report Translated from Chinese

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

Opinion

We have audited the accompanying parent company only balance sheets of Cathay Real Estate Development Co., Ltd. (the "Company") as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and their parent company only financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

We also assess whether the the company properly disclose information relating the construction income of financial statement. Please refer note 4(16) and note 6(19).

Valuation of inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheet

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Assets			December 31,2019		December 31,2018	
Code	Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and Cash equivalents	4 & 6(1) & 7	$1,638,228	4	$925,462	2
1120	Financial Assets At Fair Value Through Other Comprehensive Income-Current	4 & 6(2)	2,454,341	5	2,620,886	6
1150	Notes Receivable(Net)	4 & 6(3),(20)	39,048	-	23,164	-
1170	Accounts Receivable(Net)	4 & 6(4),(20)& 7	55,615	-	230,089	-
1200	Others Receivable		9,568	-	2,195	-
1220	Current Tax Assets	4 & 6(25)	59	-	59	-
130x	Inventories	4 & 6(5) & 7	26,538,616	56	25,991,144	56
1410	Prepayments	6(10)	1,228	-	119,074	-
1470	Others Current-Assets		50,409	-	354,840	1
1480	Revenue from Contracts with Customers	4 & 6(5),(19)	671,760	1	481,597	1
11xx	Total Current-Assets		31,458,872	66	30,748,510	66
	Non-Currents Assets					
1517	Financial Assets At Fair Value Through Other Comprehensive Income-Non-Current	4 & 6(2)	2,234,695	5	1,637,651	3
1550	Investment Accounted for Using Equity Method	4 & 6(6)	1,542,646	3	1,652,433	4
1600	Property,Plant and Equipment	4 & 6(7)	72,394	-	66,611	-
1755	Right-of-use Asset	3 & 4 & 6(21)	38,373	-	-	-
1760	Investment property(Net)	4 & 6(8)	10,891,199	23	11,122,684	24
1780	Intangible Assets	4 & 6(9)	1,533	-	778	-
1840	Deferred Tax Assets	4 & 6(25)	428,022	1	408,941	1
1900	Other Non-Currents Assets	6(10) & 7	947,263	2	1,054,493	2
15xx	Total Non-Currents Assets		16,156,125	34	15,943,591	34
1xxx	Total Assets		$47,614,997	100	$46,692,101	100

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Balance Sheet(Continue)

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity			December 31,2019		December 31,2018	
Code	Items	Notes	Amount	%	Amount	%
	Current Liabilities					
2100	Short-term Loans	4 & 6(11) & 7	$6,900,000	15	$8,150,000	18
2110	Short-term Notes Payable	4 & 6(12)	499,540	1	-	-
2130	Contract Liability-Current	4 & 6(19)	3,526,415	8	3,626,329	8
2150	Notes Payable		144,213	-	90,385	-
2170	Accounts Payable		440,989	1	392,450	1
2180	Accounts Payable－Related Parties	7	211,266	-	590,534	1
2200	Others Payable		189,958	-	207,715	-
2230	Current Tax Liabilities	4 & 6(25)	59,821	-	-	-
2280	Current lease liability	3 & 4 & 6(21)	19,300	-	-	-
2300	Other-Current Liabilities	4	180,710	-	114,659	-
2320	Long-Term Liabilities-Current Portion	4 & 6(13),(14)	6,000,000	13	4,200,000	9
21xx	Total Current-Liabilities		18,172,212	38	17,372,072	37
	Non-Current Liabilities					
2530	Corporate Bonds	4 & 6(13)	-	-	3,000,000	6
2540	Long-term Loans	4 & 6(14)	4,799,510	10	998,050	2
2570	Deferred Tax Liabilities	4 & 6(25)	10,049	-	10,049	-
2580	Non-Current lease liability	3 &4 & 6(21)	13,952	-	-	-
2600	Other Non-Current Liabilities	4 & 6(15) & 7	241,182	1	237,194	1
25xx	Total Non-Current Liabilities		5,064,693	11	4,245,293	9
2xxx	Total Liabilities		23,236,905	49	21,617,365	46
	Equity	4				
3100	Capital stock					
3110	Common Stock	6(16)	11,595,611	24	11,595,611	25
3200	Capital Surplus	6(17)	31,628	-	25,783	-
3300	Retained earnings	6(18)				
3310	Legal Capital Reserve		4,352,457	9	3,991,496	9
3320	Special Capital Reserve		504,189	1	504,189	1
3350	Unappropriated Retained Earnings		7,455,300	16	8,877,586	19
	Total Retained Earnings		12,311,946	26	13,373,271	29
3400	Other Equity		438,907	1	80,071	-
3xxx	Total Equity		24,378,092	51	25,074,736	54
	Total Liabilities and Equity		$47,614,997	100	$46,692,101	100

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Parent Company Only Income Statement

For the year-ended 31 December 2019 and 2018

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

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating Revenue	4 & 6(8),(19) & 7	$9,736,609	100	$12,812,525	100
5000	Operating Cost	4 & 6(5),(7),(8),(21),(22) & 7	(7,408,970)	(76)	(9,544,022)	(75)
5900	Gross Margin		2,327,639	24	3,268,503	25
5920	Realized sales profit		41	-	41	-
5950	Gross Margin(net)		2,327,680	24	3,268,544	25
6000	Operating Expense	4 & 6(7),(8),(21),(22) & 7				
6200	Administrative Expense		(927,488)	(10)	(927,553)	(7)
6450	Expected credit loss	4 & 6(20)	(32)	-	(12)	-
	Total Operating Expense		(927,520)	(10)	(927,565)	(7)
6900	Operating Income		1,400,160	14	2,340,979	18
7000	Non-Operating Income and Expenses	4 & 6(23) & 7				
7010	Other Revenues		178,467	2	274,338	2
7020	Other Gain or Loss		(13,254)	-	2,514	-
7050	Finance Costs		(9,911)	-	(1,906)	-
7070	Investment Income on Equity-Method Investees	4 & 6(6)	(50,775)	(1)	1,218,883	10
	Total Non-Operating Income and Expenses		104,527	1	1,493,829	12
7900	Income before Income Tax		1,504,687	15	3,834,808	30
7950	Income Tax (Expense) Benefit	4 & 6(25)	(134,182)	(1)	(225,197)	(2)
8200	Net income		1,370,505	14	3,609,611	28
8300	Other Comprehensive Income	6(24),(25)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		(6,710)	-	5,630	-
8316	Valuation gain (losses) on equity instruments at fair value through other comprehensive income		368,350	4	(493,136)	(3)
8330	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – not to be reclassified to profit or loss in subsequent periods		675	-	(486)	-
8349	Income taxes relating to not to be reclassified to profit or loss in subsequent periods		1,342	-	(1,525)	-
8360	To be reclassified to profit or loss in subsequent periods					
8380	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods		(1,573)	-	153,763	1
	Other comprehensive (losses) income, net of tax		362,084	4	(335,754)	(2)
8500	Total comprehensive (losses) income		$1,732,589	18	$3,273,857	26
	Basic Earnings Per Share (In dollars)	6(26)	After Taxes		After Taxes	
9750	Basic Earnings Per Share		$1.18		$3.11	

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

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

(Expressed in thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity				
	Items	Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (losses) gains from financial assets at fair value through other comprehensive income	Unrealized valuation (losses) gains from available-for-sale financial assets	Remeasurements of defined benefit plans	Total
Code		3100	3200	3310	3320	3350	3410	3420	3425	3445	3XXX
A1	Balance on 1 January 2018	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$(64,025)	$-	$428,369	$20,321	$22,768,502
A3	Effects on retrospective application and restatement	-	-	-	-	384,970	-	459,529	(428,369)	-	416,130
A5	Balance on 1 January 2018 (Adjusted)	11,595,611	18,063	3,847,032	504,189	6,803,912	(64,025)	459,529	-	20,321	23,184,632
	Appropriation and distribution of earnings for the year 2017										
B1	Legal Capital Reserve	-	-	144,464	-	(144,464)	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,391,473)	-	-	-	-	(1,391,473)
C17	Changes in other capital surplus	-	7,720	-	-	-	-	-	-	-	7,720
D1	Net income for the year ended 31 December 2018	-	-	-	-	3,609,611	-	-	-	-	3,609,611
D3	Other comprehensive income (loss), net of tax for the year ended 31 December 2018	-	-	-	-	-	153,763	(493,136)	-	3,619	(335,754)
D5	Total comprehensive income (loss)	-	-	-	-	3,609,611	153,763	(493,136)	-	3,619	3,273,857
Z1	Balance on 31 December 2018	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736
A1	Balance on 1 January 2019	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736
	Appropriation and distribution of earnings for the year 2018										
B1	Legal Capital Reserve	-	-	360,961	-	(360,961)	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(2,435,078)	-	-	-	-	(2,435,078)
C17	Changes in other capital surplus	-	5,845	-	-	-	-	-	-	-	5,845
D1	Net income for the year ended 31 December 2019	-	-	-	-	1,370,505	-	-	-	-	1,370,505
D3	Other comprehensive income (loss), net of tax for the year ended 31 December 2019	-	-	-	-	-	(1,573)	368,350	-	(4,693)	362,084
D5	Total comprehensive income (loss)	-	-	-	-	1,370,505	(1,573)	368,350	-	(4,693)	1,732,589
Q1	Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	3,248	-	(3,248)	-	-	-
Z1	Balance on 31 December 2019	$11,595,611	$31,628	$4,352,457	$504,189	$7,455,300	$88,165	$331,495	$-	$19,247	$24,378,092

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

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

(Expressed in thousands of New Taiwan Dollars)

Code	Items	2019 Amount	2018 Amount
AAAA	Cash flows from operating activities		
A10000	Net income before tax	$1,504,687	$3,834,808
A20000	Adjustments:		
A20100	Depreciation	212,170	190,843
A20200	Amortization	734	486
A20300	Provision for bad debt expenses	32	12
A20900	Interest Expenses	9,911	1,906
A21200	Interest Income	(2,613)	(734)
A21300	Dividend Income	(97,167)	(152,719)
A22400	Share of other comprehensive income of subsidiaries, associates and joint ventures	50,775	(1,218,883)
A22500	Loss (gain) on disposal of property, plant and equipment	(2,338)	(4,363)
A29900	Gain on disposal of investment property	242,278	173,324
	Changes in operating assets and liabilities:		
A31130	Decrease (increase) in notes receivable	(15,884)	957
A31150	Decrease (increase) in account receivable	272,916	(173,743)
A31180	Decrease (increase) in other receivable	(7,374)	350
A31200	Decrease (increase) in inventories	(540,272)	635,488
A31230	Decrease (increase) in prepayments	117,845	66,563
A31240	Decrease (increase) in other current assets	304,431	(280,679)
A31270	Decrease (increase) in revenue from contracts with customers	(190,163)	(27,087)
A32125	Increase (decrease) in contract liability	(99,914)	(847,328)
A32130	Increase (decrease) in notes payable	53,828	61,831
A32150	Increase (decrease) in accounts payable	48,539	54,330
A32160	Increase (decrease) in accounts payable to related parties	(379,268)	326,681
A32180	Increase (decrease) in other payables	(6,922)	19,971
A32230	Increase (decrease) in other current liabilities	66,051	69,256
A33000	Cash inflow (outflow) generated from operations	1,542,282	2,731,270
A33100	Interested received	1,307	734
A33500	Income taxes paid	(92,101)	(217,167)
AAAA	Net cash flows from (used in) operating activities	1,451,488	2,514,837
BBBB	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(67,123)	-
B00030	Returns the shares from financial assets at fair value through other comprehensive income	4,975	-
B01800	Acquired an investment using the equity method	(400,000)	(650,000)
B02400	Returns the shares from investments using the equity method	354,661	1,785,698
B02700	Acquisition of property, plant and equipment	(26,153)	(22,269)
B02800	Disposal of property, plant and equipment	4,141	7,456
B04500	Acquisition of intangible assets	(1,489)	(140)
B05350	Acquisition of right-of-use asset	(7,606)	-
B06700	Increase in other non-current assets	-	(107,871)
B06800	Decrease in other non-current assets	107,231	-
B07600	Dividends received	103,453	242,220
BBBB	Net cash flows from (used in) investing activities	72,090	1,255,094
CCCC	Cash flow from financing activities		
C00100	Increase in short-term loans	-	2,681,000
C00200	Decrease in short-term loans	(1,250,000)	-
C00500	Increase in short-term notes payable	499,540	-
C00600	Decrease in short-term notes payable	-	(579,744)
C01600	Proceeds long term debt	4,799,510	-
C01700	Decrease in long-term loans	(2,198,050)	(3,965,451)
C04020	Repayment of lease principal	(9,677)	-
C04400	Decrease in other non-current liabilities	(2,722)	(17,269)
C04500	Payment of cash dividends	(2,435,078)	(1,391,473)
C05600	Interest paid	(214,335)	(234,261)
CCCC	Net cash flows from (used in) financing activities	(810,812)	(3,507,198)
EEEE	Net increase (decrease) in cash and cash equivalents	712,766	262,733
E00100	Cash and cash equivalents, beginning of period	925,462	662,729
E00200	Cash and cash equivalents, end of period	$1,638,228	$925,462

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

Cathay Real Estate Development Co., Ltd.
Notes To Parent Company Only Financial Statements
For the Year Ended December 31, 2019 and 2018
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. HISTORY AND ORGANIZATION

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

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

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

The financial statements of the Company for the years ended December 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2020.

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

(A) *IFRS 16“Leases”*

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

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

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

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

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

(a) Leases previously classified as operating leases

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

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

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

On 1 January 2019, the Company did not have right-of-use asset and lease liability.

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

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

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

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

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 1.62%~1.64%.
ii. The explanation for the difference between: 1) operating lease commitments disclosed applying IAS 17 as of 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as of 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of 31 December 2018	$8,447
Discounted using the incremental borrowing rate on 1 January 2019	$8,447
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(8,447)
Less: adjustment to leases that meet and elect the underlying asset of low value	-
The carrying value of lease liabilities recognized as of 1 January 2019	$-

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

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

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

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

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

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

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

(C) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(1) highly probable requirement

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

(2) prospective assessments

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

(3) IAS 39 retrospective assessment

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

(4) separately identifiable risk components

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

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

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

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

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

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

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

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

(B) IFRS 17 "*Insurance Contracts*"

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

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

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

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

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT$, which is also the Company's functional currency.

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

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

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

B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

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

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

(4) Translation of financial statements in foreign currency

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income based on both:
(a) the Company's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

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

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue calculated by using the effective interest method (effective interest rate times the carrying amount of the financial asset) or the method stated below should be recognized in profit or loss.

    (i) For purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
    (ii) For financial assets that are not purchased or originated credit-impaired financial assets but subsequently become credit-impaired financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), The Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process of the effective interest rate method.
Amortized cost is calculated by considering any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value

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

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

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

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

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

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

(9) Inventories

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

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

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

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

(10) Investments accounted for using the equity method

The Company's investment in subsidiaries is based on the provisions of Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and is expressed in the equity method of investment and adjusted as necessary. The profit or loss during the period and other comprehensive income presented in the parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. These adjustments mainly consider the difference arised from the accounting of investment subsidiaries in accordance with IFRS No.10 <Consolidated Financial Statements> and the applicable IFRS at different levels of parent company only reporting. These adjustments are recognized in the following subjects: Investments accounted for using the equity method, share of profit of associates and joint ventures, Share of other comprehensive income of associates and joint ventures. The Company's investment in related companies using equity method excluding the assets held for sale. The company is an associates company if it has significant influence.

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

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

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

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

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

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

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

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

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

(11) Property, plant and equipment

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

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

Buildings: 5~50 years
Leased assets: 5 years
Leasehold improvements: The shorter of lease terms or economic useful lives
Other equipment:3~10 years
Right-of-use assets/leased assets (note): 2～3 years

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

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

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

(12) Investment property

The accounting policy from 1 January 2019 as follow:

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

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

Buildings	5～50 years

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

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before 1 January 2019 as follow:

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

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

Buildings	5～50 years

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

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

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

(13) Leases

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

(b) the right to direct the use of the identified asset.

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

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

Company as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Company as a lessor

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

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

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

The accounting policy before 1 January 2019 as follow:

Company as a lessee

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

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

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

Company as a lessor

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

(14) Intangible assets

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

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

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

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).

(15) Impairment of non-financial assets

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

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

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.

(16) Revenue recognition

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

Construction income

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

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

(17) Borrowing costs

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

(18) Retirement benefits plans

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

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

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

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

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

(19) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgment

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

Financing lease commitment－Company as the lessor

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

C. Retirement benefits plans

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

D. Income tax

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

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

E. Inventory evaluation

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

F. Accounts receivables–estimation of impairment loss

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand and petty cash	$299	$292
Checking accounts and demand deposit	1,572,969	925,170
Cash equivalent-short-term notes	64,960	-
Total	$1,638,228	$925,462

As of 31 December 2019, and 2018, cash and cash equivalents were not pledged as collateral or restricted for uses.

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

	As of December 31,	
	2019	2018
Equity instruments investments measured at fair value through other comprehensive income － current:		
Listed company's stocks	$2,454,341	$2,620,886
Equity instruments investments measured at fair value through other comprehensive income － non-current:		
Unlisted company's stocks	$2,234,695	$1,637,951
Current	$2,454,341	$2,620,886
Non-current	$2,234,695	$1,637,951

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

(3) Notes receivable

	As of December 31,	
	2019	2018
Notes receivable arising from operating activities	$39,048	$23,164
Less: Loss allowance	-	-
Notes receivable, net	$39,048	$23,164

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

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

(4) Accounts receivable and Accounts receivable － related parties

	As of December 31,	
	2019	2018
Accounts receivable	$46,170	$226,712
Less: Loss allowance	(44)	(12)
Subtotal	46,126	226,700
Accounts receivable － related parties	9,489	3,389
Less: Loss allowance	-	-
Subtotal	9,489	-
Total	$55,615	$230,089

As of 31 December 2019 and 2018, accounts receivables and accounts receivables – related parties were not pledged.

Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Company were NT$55,659 thousand and NT$230,101 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6.(20) for more details on impairment of accounts receivable. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	As of December 31,	
	2019	2018
Land held for construction site	$7,146,181	$8,154,901
Construction in progress	16,011,003	15,058,866
Buildings and land held for sale	2,847,829	2,052,299
Subtotal	26,005,013	25,266,066
Prepayment for land purchases	533,603	725,078
Total	$26,538,616	$25,991,144

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

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

C. Significant Construction projects were as follow:

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

D. The total interest capitalizes of the inventories mentioned above was found to be NT$ 199,612 thousand and NT$230,859 thousand for the years ended December 31, 2019 and 2018, respectively. The interest expense before capitalizing were NT$209,523 thousand and NT$232,765 thousand, respectively.

The interest rate of capitalized loan for inventories were 0.0976%~0.2019% and 0.0859%~0.1902% for the years ended December 31, 2019 and 2018, respectively.

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

Project (Amount)	Trustee	Period
Cathay O2 Fu Building (NT$4,880 thousand)	Cathay United Bank	From December 9, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay The Seeds of Happiness (NT$6,550 thousand)	Cathay United Bank	From July 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Shui Hsiu (NT$790 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Plus+ (NT$38,946 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Park Beautiful Mansion (NT$54,885 thousand)	Cathay United Bank	From June 6, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Tree Rivers, Cathay's Home I (NT$186,369 thousand)	Cathay United Bank	From June 13, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
HYGGE (NT$261,836 thousand)	Cathay United Bank	From July 30, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Tree Rivers, Cathay's Home II (NT$196,897 thousand)	Cathay United Bank	From December 26, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
City Landmark (NT$9,550 thousand)	Cathay United Bank	From April 17, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Uptown (NT$113,788 thousand)	Cathay United Bank	From May 20, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed
Have a Rich Year (NT$109,020 thousand)	Cathay United Bank	From May 31, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed
Lagom (NT$143,137 thousand)	Cathay United Bank	From July 3, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed
Cathay Mega+ (NT$196,420 thousand)	Cathay United Bank	From August 1, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

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

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

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

H. Incremental cost of the contract

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

(6) Investments accounted for using the equity method

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

	As of December 31,			
	2019		2018	
Investee	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
Investment of subsidiaries:				
Cathay Real Estate Management Co., Ltd.	$117,650	100%	$119,792	100%
Cathay Healthcare Management Co., Ltd.	579,491	85%	553,758	85%
Cathay Hospitality Management Co., Ltd.	160,854	100%	239,895	100%
Cathay Hospitality Consulting Co., Ltd.	576,223	100%	403,074	100%
Cathay Real Estate Holding Corporation	9,449	100%	335,914	100%
Cymbal Medical Network Co., Ltd.	98,979	100%	-	-
Total	$1,542,646		$1,652,433	

(1) Cymbal Medical Network Co., Ltd. conducted registration of establishment in June, 2019.

(2) The investment of subsidiaries is expressed by "Investment using the equity method" in the parent company only financial statements and adjusted their evaluation if necessary.

(7) Property, plant and equipment

	As of December 31,	
	2019(Note)	2018
Owner occupied property, plant and equipment	$4,686	$-
Property, plant and equipment leased out under operating leases	67,708	-
Total	$72,394	$-

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

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

	Land	Buildings	Leasehold Improvement	Other equipment	Total
Cost:					
As of 1 January 2019	$1,346	$1,829	$19,449	$15,713	$38,337
Additions	-	-	-	302	302
Disposals	-	-	-	(358)	(358)
As of 31 December 2019	$1,346	$1,829	$19,449	$15,657	$38,281
Depreciation and impairment:					
As of 1 January 2019	$-	$341	$19,449	$12,647	$32,437
Depreciation	-	35	-	1,481	1,516
Disposals	-	-	-	(358)	(358)
As of 31 December 2019	$-	$376	$19,449	$13,770	$33,595
Net carrying amount:					
As of 31 December 2019	$1,346	$1,453	$-	$1,887	$4,686

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

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

	Transportation equipment
Cost:	
As of 1 January 2019	$107,676
Additions	25,851
Disposals	(16,702)
Transfers	-
As of 31 December 2019	$116,825
Depreciation and impairment:	
As of 1 January 2019	$46,965
Depreciation	17,051
Disposals	(14,899)
Transfers	-
As of 31 December 2019	$49,117
Net carrying amount:	
As of 31 December 2019	$67,708

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

	Land	Buildings	Leased assets	Leasehold Improvement	Other equipment	Total
Cost:						
As of 1 January 2018	$1,346	$1,829	$106,260	$19,449	$15,713	$144,597
Additions	-	-	22,269	-	-	22,269
Disposals	-	-	(20,853)	-	-	(20,853)
As of 31 December 2018	$1,346	$1,829	$107,676	$19,449	$15,713	$146,013
Depreciation and impairment:						
As of 1 January 2018	$-	$305	$48,523	$19,355	$10,943	$79,126
Depreciation	-	36	16,202	94	1,704	18,036
Disposals	-	-	(17,760)	-	-	(17,760)
As of 31 December 2018	$-	$341	$46,965	$19,449	$12,647	$79,402
Net carrying amount:						
As of 31 December 2018	$1,346	$1,488	$60,711	$-	$3,066	$66,611

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

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

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

(8) Investment property

	Land	Buildings	Total
Cost:			
As of 1 January 2019	$7,176,478	$6,267,572	$13,444,050
Additions from subsequent expenditure	-	-	-
Transfers	77,133	115,279	192,412
Disposals	(100,068)	(188,489)	(288,557)
As of 31 December 2019	$7,153,543	$6,194,362	$13,347,905
As of 1 January 2018	$5,582,028	$5,673,743	$11,255,771
Additions from subsequent expenditure	-	-	-
Transfers	1,656,326	786,179	2,442,505
Disposals	(61,876)	(192,350)	(254,226)
As of 31 December 2018	$7,176,478	$6,267,572	$13,444,050
Depreciation and impairment:			
As of 1 January 2019	$-	$2,321,366	$2,321,366
Depreciation	-	181,618	181,618
Disposals	-	(46,278)	(46,278)
As of 31 December 2019	$-	$2,456,706	$2,456,706
As of 1 January 2018	$-	$2,229,461	$2,229,461
Depreciation	-	172,807	172,807
Disposals	-	(80,902)	(80,902)
As of 31 December 2018	$-	$2,321,366	$2,321,366
Net carrying amount:			
As of 31 December 2019	$7,153,543	$3,737,656	$10,891,199
As of 31 December 2018	$7,176,478	$3,946,206	$11,122,684

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$309,121	$321,127
Less:		
Direct operating expenses from investment property generating rental income	(105,881)	(116,678)
Direct operating expenses from investment property not generating rental income	(13,024)	(10,006)
Total	$190,216	$194,443

The investment properties held by the Company were not valued at fair value. The amounts of the fair value were only for disclosure. The fair value of the investment properties held by the Company were NT$16,094,191 thousand and NT$19,147,650 thousand as of December 31, 2019 and 2018, respectively, which were vauled by an independent external appraisal expert and internal valuation. The evaluation method was comparison method and based on the actual deal price or the market transaction price of the real estate nearby.

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

(9) Intangible assets

	Computer software
Cost:	
As of 1 January 2019	$34,776
Addition-acquired separately	1,489
Disposals	(812)
As of 31 December 2019	$35,453
As of 1 January 2018	$34,636
Addition-acquired separately	140
Disposals	-
As of 31 December 2018	$34,776
Amortization and impairment:	
As of 1 January 2019	$33,998
Amortization	734
Disposals	(812)
As of 31 December 2019	$33,920
As of 1 January 2018	$33,512
Amortization	486
Disposals	-
As of 31 December 2018	$33,998
Net carrying amount:	
As of 31 December 2019	$1,533
As of 31 December 2018	$778

Amortization expense of intangible assets were as follow:

	For the years ended December 31,	
	2019	2018
Operating expenses	$734	$486

(10) Other non-current assets

	As of December 31,	
	2019	2018
Land Held for Construction Site	$18,425	$18,425
Prepaid expense-equipment	1,431	9,813
Prepaid expense- investment	-	9,982
Refundable deposits	911,143	1,000,009
Other non-current assets- other	16,264	16,264
Total	$947,263	$1,054,493

As of December 31, 2019, and 2018, the above land was temporarily registered under a third party's name, both at cost amounting to NT$18,425 thousand:

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

(11) Short-term loans

	As of December 31,	
	2019	2018
Unsecured bank loans	$6,650,000	$8,150,000
Secured bank loans	250,000	-
Total	$6,900,000	$8,150,000
Interest Rate	0.85%~1.00%	0.78%~1.20%

The Company's unused short-term lines of credits amounted to NT$16,154,290 thousand, and NT$14,470,580 thousand as of December 31, 2019 and 2018, respectively.

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

(12) Short-term notes payable

	As of December 31, 2019	As of December 31, 2018
Short-term notes and bills payable	$500,000	$-
Less: unamortized discount	(460)	-
Short-term notes and bills payable	$499,540	$-
Interest rate	0.43%	-

(13) Bonds payable

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

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

(14) Long-term loans

As of December 31, 2019 and 2018 details of long-term loans are as follows:

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

	As of December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$4,700,000	1.15%~1.2%	From October 2016 to April 2020, repayments due day.
Long-term notes payable	498,050	0.62%	From August 2018 to April 2020, repayments due day.
Subtotal	5,198,050		
Less: current portion	4,200,000		
Total	$998,050		

(15) Retirement employment benefits

A. Defined contribution plan

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

For the years ended December 31, 2019 and 2018, the expenses related to defined contribution plan amounted to NT$3,776 thousand and NT$3,572 thousand respectively.

B. Defined benefits plan

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

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2019, the amount of contribution expected to be made in the following accounting year is NT$4,234 thousand.

As of December 31, 2019 and 2018, the average duration of defined benefit obligation of the Company were expected to be 9.5 years and 9.7 years.

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

	For the year ended December 31,	
	2019	2018
Current period service cost	$5,750	$7,389
Net interest on the net defined benefit liability (asset)	741	1,209
Subtotal	$6,491	$8,598

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

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Present value of defined benefit obligation	$168,903	$167,520	$196,400
Fair value of plan assets	(78,539)	(82,081)	(79,733)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$90,364	$85,439	$116,667

Reconciliation of net defined benefit liabilities(assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2018	$196,400	$(79,733)	$116,667
Current service cost	7,389	-	7,389
Interest expense (income)	1,963	(754)	1,209
Subtotal	9,352	(754)	8,598
Premeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	2,030	-	2,030
Experience adjustment	279	-	279
Return on plan assets	-	(7,939)	(7,939)
Subtotal	2,309	(7,939)	(5,630)
Payments from the plan	(40,541)	16,087	(24,454)
Contributions by employer	-	(9,742)	(9,742)
As of December 31, 2018	167,520	(82,081)	85,439
Current service cost	5,750	-	5,750
Interest expense (income)	1,522	(781)	741
Subtotal	7,272	(781)	6,491
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	3,604	-	3,604
Experience adjustment	9,189	-	9,189
Return on plan assets	-	(6,083)	(6,083)
Subtotal	12,793	(6,083)	6,710
Payments from the plan	(18,682)	14,650	(4,032)
Contributions by employer	-	(4,244)	(4,244)
As of December 31, 2019	$168,903	$(78,539)	$90,364

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

	As of December 31,	
	2019	2018
Discount rate	0.70%	0.92%
Expected rate of salary increases	2.00%	2.00%

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

	For the years ended December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$7,938	$-	$8,208
Discount rate decrease by 0.5%	8,445	-	8,711	-
Future salary increase by 0.5%	8,107	-	8,376	-
Future salary decrease by 0.5%	-	7,601	-	7,873

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(16) Common stock

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

(17) Capital surplus

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

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(18) Retained earnings

A. Legal reserve

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

B. Special reserve

After the adoption of International Financial Reporting Standards, in accordance with Letter FSC No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment.

At the first-time adoption of IFRSs, special reverse set aside by the company was 504,189 thousand. As of 31 December 2019, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

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

(a) Payments of all taxes, if any
(b) To offset prior year's deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a)
(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 2018 and 2017, the details of earnings distribution and dividends per share were resolved by the shareholder's meeting on June 14, 2019 and June 8, 2018, were as follows:

	Appropriation of earnings		Dividend per share	
	For the years ended December 31,			
	2018	2017	2018	2017
Legal reserve	$360,961	$144,464		
Common stock － cash dividend	2,435,078	1,391,473	$2.1	$1.2

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

(19) Operating revenues

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Rental income	$440,110	$411,667
Sales of buildings and land	9,296,499	12,400,858
Total	$9,736,609	$12,812,525

Analysis of revenue from contracts with customers during the years ended 2019 and 2018 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	Property and real estate Investment development department
Rental income	$440,110
Sales of buildings and land	9,296,499
Total	$9,736,609
Revenue recognition point:	
At a point in time	$9,296,499
Over time	440,110
	$9,736,609

For the year ended December 31, 2018

	Property and real estate Investment development department
Rental income	$411,667
Sales of buildings and land	12,400,858
Total	$12,812,525
Revenue recognition point:	
At a point in time	$12,400,858
Over time	411,667
	$12,812,525

B. Contract balances

Contract liabilities － current

	As of December 31,	
	2019	2018
Sales of goods	$3,526,415	$3,626,329

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

	For the years ended December 31,	
	2019	2018
Revenue recognized during the year that was included in the balance at the beginning of the year	$(3,626,329)	$(4,473,657)
Increase in receipt in advance during the period	7,152,744	8,099,986

C. Assets recognized from the revenue from contracts with customers

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

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

(20) Expected credit losses/ (gains)

	For the years ended December 31,	
	2019	2018
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$32	$12

Please refer to Note 12 for information of credit risks.

The Company measures the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the the years ended December 31, 2019 and December 31, 2018 is as follows:

The Company considers The Companying of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

For the year ended December 31, 2019

Group 1	Neither past due (Note)	Past due: Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$48,677	$1,735	$2,518	$41,777	$-	$-	$94,707
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	42	-	-	44
Total	$48,677	$1,735	$2,516	$41,735	$-	$-	$94,663

For the year ended December 31, 2018

Group 1	Neither past due (Note)	Past due: Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$235,883	$4,377	$3,474	$9,531	$-	$-	$253,265
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	10	-	-	12
Total	$235,883	$4,377	$3,472	$9,521	$-	$-	$253,253

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

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

	Accounts Receivable
As of January 1, 2019	$12
Addition/(reversal) for the current period	32
Amounts write off during the period as uncollectible	-
As of December 31, 2019	$44

	Accounts Receivable
As of January 1, 2018 (in accordance with IAS 39)	$-
Adjusted retained earnings as of January 1, 2018	-
As of January 1, 2018 (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	12
Amounts write off during the period as uncollectible	-
As of December 31, 2018	$12

(21) Operating lease

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

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

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

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of December 31,	
	2019	2018(Note)
Land	$15,513	
Buildings	22,860	
Total	$38,373	

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

(b) Lease liability

	As of December 31,	
	2019	2018(Note)
Lease liability	$33,252	
Current	$19,300	
Non-current	13,952	

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

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

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018(Note)
Land	$4,542	
Buildings	7,443	
Total	$11,985	

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

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018(Note)
The expense relating to short-term leases	$8,602	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	-	
The expense relating to variable lease payments not included in the measurement of lease liabilities	-	

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

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

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company’s total cash outflow for leases amounting to NT$9,677 thousand dollars.

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

The Company leased the office by operating lease.

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

	As of December 31,	
	2019(Note)	2018
Not later than 1 year		$8,447
Later than 1 year and not later than 5 years		-
Total		$8,447

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$16,496

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

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

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

	For the years ended December 31,	
	2019	2018(Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$440,110	
Income relating to variable lease payments that do not depend on an index or a rate	-	
	$440,110	

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

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

	As of December 31,	
	2019	2018(Note)
Not later than 1 year	$212,461	
Later than 1 year and not later than 2 years	210,897	
Later than 2 year and not later than 3 years	210,037	
Later than 3 year and not later than 4 years	210,037	
Later than 4 year and not later than 5 years	210,037	
Later than five years	297,744	
Total	$1,351,213	

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

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

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

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

	As of December 31,	
	2019(Note)	2018
Not later than 1 year		$220,161
Later than 1 year and not later than 5 years		843,432
Later than five years		507,812
Total		$1,571,405

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

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

Function / Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	$33,914	$135,040	$168,954	$37,932	$149,798	$187,730
Labor and health insurance	-	12,489	12,489	-	11,963	11,963
Pension	-	10,267	10,267	-	12,170	12,170
Director’s remuneration	-	7,755	7,755	-	7,710	7,710
Depreciation and depletion	198,669	13,501	212,170	189,010	1,833	190,843
Amortization	-	734	734	-	486	486

Note:

a. The employees of the Company were 145 and 148 for the years ended 2019 and 2018, respectively, both number of directors who have not served as employees is 4.

b. The average employee benefits expense for the year was NT$1,360 thousand. "(Total employee benefits expense for the year - Total director's remuneration for the year) / (Number of employees for the year - Number of directors who have not served as employees for the year)

   The average employee benefits expense for the previous year was NT$1,471 thousand. "(Total employee benefits expense for the previous year - Total director's remuneration for the previous year) / (Number of employees for the previous year - Number of directors who have not served as employees for the previous year)"

c. The average Salaries and wages for the year was NT$1,198 thousand. "Total salaries and wages for the year / (Number of employees for the year - Number of directors who have not served as employees for the year)"

   The average Salaries and wages for the previous year was NT$1,304 thousand. "Total salaries and wages for the previous year / (Number of employees for the year - Number of directors who have not served as employees for the year)"

d. The variation of the average Salaries and wages was -8.13%. "(The average salaries and wages for the year - The average salaries and wages for the previous year) / The average salaries and wages for the previous year"

According to the Company's Articles of Incorporation, 0.1% to 1% and lower than 1% of the profit of the period should be distributed as compensation for employees and directors' remuneration. However, if there is accumulated deficit, the deficit should be covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, there to a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employee compensation can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company's employees' compensation and directors' remuneration was NT$1,509 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, 2019. The amount of employees' compensation and directors ' remuneration recognized in the year ended December 31, 2018 was NT$3,841 thousand and NT$2,400 thousand, respectively. The estimated basis is based on the profit status of the current year. The aforementioned amounts were listed under salary expenses.

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

(23) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income	$2,613	$734
Dividend income	97,168	152,719
Others	78,686	120,885
Total	$178,467	$274,338

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains (losses) on disposal and abandon of property, plant and equipment	$2,338	$4,363
Other	(15,592)	(1,849)
Total	$(13,254)	$2,514

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$9,734	$1,906
Interest on lease liabilities	177	(Note)
Total	$9,911	$1,906

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

(24) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$(6,710)	$-	$(6,710)	$1,342	$(5,368)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	368,350	-	368,350	-	368,350
Share of other comprehensive income of associates and joint ventures accounted for using equity method	675	-	675	-	675
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,573)	-	(1,573)	-	(1,573)
Total of other comprehensive income	$360,742	$-	$360,742	$1,342	$362,084

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit plans	$5,630	$-	$5,630	$(1,525)	$4,105
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(493,136)	-	(493,136)	-	(493,136)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(486)	-	(486)	-	(486)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates and joint ventures accounted for using equity method	153,763	-	153,763	-	153,763
Total of other comprehensive income	$(334,229)	$-	$(334,229)	$(1,525)	$(335,754)

(25) Income taxes

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

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	$59,927	$-
Current land value increment tax charge	91,994	125,252
Adjustments in respect of current income tax of prior periods	-	41
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(17,739)	188,595
Deferred tax expense (income) relating to changes in tax rate	-	(88,691)
Total income tax expense (income)	$134,182	$225,197

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(1,342)	$1,126
Deferred tax expense (income) relating to changes in tax rate	-	399
Total	$(1,342)	$1,525

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

	For the years ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	$1,504,687	$3,834,808
The parent company statutory income tax rate	$300,937	$766,962
Tax effect of revenues exempt from taxation	(266,524)	(798,111)
Tax effect of non-deductible expense	23,208	20,022
Tax effect of deferred tax assets/liabilities	(75,360)	199,722
Surtax on undistributed retain earnings	59,927	-
Adjustments in respect of current income tax of prior periods	-	41
Deferred tax expense relating to changes in tax rate	-	(88,691)
Current land value increment tax	91,994	125,252
Total income tax expense (income) recognized in profit or loss	$134,182	$225,197

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(10,049)	$-	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	-	-	96,746
Depreciation difference for tax purpose － investment property	101,539	-	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	2,430	(98)	-	2,332
Investments Accounted for Using Equity Method	70,016	(5,858)	-	64,158
Unrealized intragroup profits and losses	120	(8)	-	112
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	28,665	-	-	28,665
Non-current liability – Defined benefit Liability	12,766	(357)	1,342	13,751
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	95,252	24,060	-	119,312
Deferred tax expense/ (income)		$17,739	$1,342	
Net deferred tax assets/(liabilities)	$398,892			$417,973
Reflected in balance sheet as follows:				
Deferred tax assets	$408,941			$428,022
Deferred tax liabilities	$(10,049)			$(10,049)

For the year ended December 31, 2018

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$(1,507)	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	74,011	22,735	-	96,746
Depreciation difference for tax purpose － investment property	77,677	23,862	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,933	497	-	2,430
Investments Accounted for Using Equity Method	241,286	(171,270)	-	70,016
Unrealized intragroup profits and losses	98	22	-	120
Allowance for loss	1,071	329	-	1,400
Allowance for loss of inventories price falling	1,630	27,035	-	28,665
Non-current liability – Defined benefit Liability	14,318	(27)	(1,525)	12,766
Accrued expenses over two years transfer to revenue	5	2	-	7

Unrealized advertising fee	84,658	10,594	-	95,252
Unrealized commission fee (Note)	12,176	(12,176)	-	-
Deferred tax expense/ (income)		$(99,904)	$(1,525)	
Net deferred tax assets/(liabilities)	$500,321			$398,892
Reflected in balance sheet as follows:				
Deferred tax assets	$508,863			$408,941
Deferred tax liabilities	$(8,542)			$(10,049)

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

		Unused tax losses as of December 31,		
Year	Tax losses for the period	2019	2018	Expiration year
2017	259,296	$-	$268,489	2018~2027
2018	1,086,163	968,658	1,090,463	2019~2028
		$968,658	$1,358,952	

Unrecognized deferred tax assets

As of December 31, 2019, and 2018, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$193,732 thousand and NT$271,790 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

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

The assessment of income tax returns

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2017

(26) Earnings per share

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

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

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

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

7. RELATED PARTY TRANSACTIONS

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Cathay Hospitality Management Co., Ltd. (Cathay Hospitality)	Subsidiary
Cathay Real Estate Management Co., Ltd. (Cathay Real Estate Management)	Subsidiary
Cathay Hospitality Consulting Co., Ltd. (Cathay Hospitality Consulting)	Subsidiary
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others
Individual	Others

Significant transactions with the related parties

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

(1) Cash in banks and short-term loan

		For the year ended December 31, 2019			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	$5,183,804	$785,344	0.05%	$352
	Checking accounts	2,225,101	54,477	-	-
	Securities accounts	866,483	169,914	0.01%	11
	Short-term loan	2,040,000	250,000	1.00%	(1,160)

		For the year ended December 31, 2018			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	$2,954,915	$555,128	0.05%	$147
	Checking accounts	1,423,306	97,966	-	-
	Securities accounts	1,170,662	52,269	0.01%	7
	Short-term loan	400,000	210,000	1.00%	-

(2) Purchase

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

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

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

(3) Sales

A. Sales revenue

For the years ended December 31,

Name of the related parties	Type	2019	2018
Others:			
Individual	Sales of buildings and land	$-	$36,851

The transaction price and collection conditions above did not have significantly different from those of the general customers.

B. Rental Income

		For the years ended December 31,	
Name of the related parties	Type	2019	2018
Subsidiary:			
Cathay Hospitality	Office and vehicles rental	$31,555	$25,041
Cathay Hospitality Consulting	Office and vehicles rental	30,295	57
Others:			
Cathay Life Insurance	Office and vehicles rental	8,057	8,057
Cathay United Bank	Office and vehicles rental	18,438	18,813
San Ching Engineering	vehicles rental	3,388	2,540
Total		$91,733	$54,508

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

(4) Accounts Receivable – related parties

The debt between the Company and the related parties (Both uninterested) are as follows:

	As of December 31,	
Name of the related parties	2019	2018
Others:		
Nangang One	$3,696	$-
Nangang Two	4,704	-
Total	$8,400	$-

(5) Accounts payable – related parties

The debt between the Company and the related parties (Both uninterested) are as follows:

	As of December 31,	
Name of the related parties	2019	2018
Others:		
San Ching Engineering	$210,853	$590,101

(6) Lease - related parties

A. Right-of-use assets

	As of December 31,	
	2019	2018(Note)
Others:		
Cathay Life Insurance	$22,861	

The Company acquired right-of-use assets from Cathay Life Insurance was NT$30,304 thousand for the year ended December 31, 2019.

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

B. Lease liabilities

	As of December 31,	
	2019	2018(Note)
Others:		
Cathay Life Insurance	$22,920	

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

C. Interest expenses

	For the years ended December 31,	
	2019	2018(Note)
Others:		
Cathay Life Insurance	$177	

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

(7) Others

A. Refundable deposits

		As of December 31,	
Name of the related parties	Items	2019	2018
Others:			
Cathay Life Insurance	Rent deposit	$3,959	$3,803

B. Guarantee deposit received

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

(8) Other income

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

(9) Operating Costs

Name of the related parties	Items	For the years ended December 31, 2019	For the years ended December 31, 2018
Subsidiary:			
Cathay Real Estate Management	Management fee	$1,800	$4,200
Others:			
Cathay Century Insurance	Insurance fee	6,182	6,383
Lin Yuan Property	Management and repairing fee	38,656	45,976
Total		$46,638	$56,559

(10) Operating expenses

Name of the related parties	Items	For the years ended December 31, 2019	For the years ended December 31, 2018
Others:			
Cathay Life Insurance	Office renting	$16,162	$15,814
San Ching Engineering	Service fee	10,901	6,172
Total		$27,063	$21,986

(11)Property transaction

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

For the year ended December 31, 2019			
Name of the related parties	Date	Subject matter	Purchase price
Others:			
Lin Yuan Property	November, 2019	Building facilities	$7,759

For the year ended December 31, 2018			
Name of the related parties	Date	Subject matter	Purchase price
		None	

(12)Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$24,945	$24,163
Post-employment benefits	108	108
Total	$25,053	$24,271

8. PLEDGED ASSETS

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

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

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

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

Except for Note 7.(2).B as of December 31, 2019, the total contract price of the construction contracts signed by the Company and non-related parties was NT$9,077,355 thousand, and the total amount of NT$6,787,583 thousand was not paid.

(2) Others

Guarantee notes issued for borrowings (financing) were NT$39,505,300 thousand as of December 31,2019.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of December 31,	
Financial Assets	2019	2018
Financial assets at fair value through other comprehensive income	$4,689,036	$4,258,537
Financial assets at amortised cost	1,742,160	1,180,618
Total	$6,431,196	$5,439,155

	As of December 31,	
Financial Liabilities	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	$6,900,000	$8,150,000
Short-term notes and bills payable	499,540	-
Accounts payables	986,426	1,281,084
Bonds payable (including current portion)	3,000,000	3,000,000
Long-term borrowings (including current portion)	7,799,510	5,198,050
Lease Liability	33,252	(Note)
Guarantee deposit received	137,444	138,340
Total	$19,356,172	$17,767,474

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

(2) Financial risk management objectives and policies

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

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

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

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$7,400 thousand and NT$8,150 thousand for the years ended December 31, 2019 and 2018, respectively.

Equity price risk

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

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT$105,190 thousand and

NT$101,834 thousand on the profit/loss or equity attributable to the Company for the years ended December 31, 2019 and 2018, respectively.

Please refer to Note 12.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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

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

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

(5) Liquidity risk management

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

Non-derivative financial instruments

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

	As of December 31, 2018				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	$12,399,350	$1,003,925	$-	$-	$13,403,275
Accounts payable	1,281,084	-	-	-	1,281,084
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	31,057	29,716	16,980	60,587	138,340

(6) Reconciliations of the liabilities from financing activities

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

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Lease liabilities	Total
As of January 1, 2019	$8,150,000	$-	$5,198,050	$-	$13,348,050
Cash flows	(1,250,000)	499,540	2,601,460	(9,677)	1,841,323
Non-cash changes					
Interest on lease liability	-	-	-	177	177
Other (Note)	-	-	-	42,752	42,752
As of December 31, 2019	$6,900,000	$499,540	$7,799,510	$33,252	$15,232,302

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

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

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings including current portion)	Total
As of January 1, 2018	$5,469,000	$579,744	$9,163,501	$15,212,245
Cash flows	2,681,000	(579,744)	(3,965,451)	(1,864,195)
As of December 31, 2018	$8,150,000	$-	$5,198,050	$13,348,050

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) Equity instruments that are not actively traded in the market (for example, private placement of stocks in the market, shares of publicly issued companies in an inactive market, and shares of undisclosed companies) are estimated by market method and are derived from market transactions of the same or comparable company equity instruments. The fair value is derived from the price and other relevant information (such as lack of liquidity discount factor, similar company stock price-to-earnings ratio, like the company's stock price-to-equity ratio).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liabilities.

As of December 31, 2019

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

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,620,886	$1,318,200	$319,451	$4,258,537

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

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

	Asset measured at fair value through other comprehensive income
	Stocks
As of January 1, 2019	$319,451
Amount recognized in OCI	1,642
Disposals	(3,248)
As of December 31, 2019	$317,845

	Asset measured at fair value through other comprehensive income
	Stocks
As of January 1, 2018	$342,874
Amount recognized in OCI	(23,423)
As of December 31, 2018	$319,451

Total gains and losses recognized in profit or loss is NT$1,642 thousand and NT$(23,423) thousand for the years ended 31 December, 2019 and 2018, respectively.

Information on significant unobservable inputs to valuation

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

As of December 31, 2019

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$18,863 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Company's equity by NT$18,579 thousand

As of December 31, 2018

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$22,309 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Company's equity by NT$16,371 thousand

(8) Significant assets and liabilities denominated in foreign currencies

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

	As of December 31,					
	2019			2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
Investment Accounted for Using EquityMethod						
USD	$313	30.201	$9,449	$10,877	30.838	$335,914

(9) Capital management

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

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: None

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

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the the capital stock: Please refer to Table 3.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the paid-in capital: Please refer to Table 4.

F. Disposal of property with amount exceeding NT$300 million or 20% of the paid-in capital: None.

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

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Significant intercompany transactions between consolidated entities: Please refer to Table 6.

(2) Investee information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to Table 1.

C. Securities held as of December 31, 2019 (not including subsidiaries, associates and joint ventures): Please refer to Table 7.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock: None.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the paid-in capital: None.

F. Disposal of property with amount exceeding NT$300 million or 20% of the paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the paid-in capital or more: None.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Names, locations and related information of investee companies: Please refer to Table 8.

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

Please refer to Table 9.

14. Operating Segment Information

According to IFRS 8 *Operating Segments*, if the consolidated financial statement has disclosed the operating segment information, the Company is not required to prepare operating segment information for the parent company only financial statement. The Company has disclosed operating segment information in the consolidated financial statement.

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

Table 1: Endorsement/guarantee provided to others

Unit：NT$1,000

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

Note1： The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note2： Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 50% voting shares by the company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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

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

Unit: NT$1,000； Share

Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2019				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock － Cathay Financial Holdings Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–current	57,681,332	$2,454,341	0.44%	$2,454,341	
〃	Stock － Lin Yuan Property Management Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	300,000	9,882	10.00%	9,882	
〃	Stock － Symphox Information Co., Ltd.	Others	〃	5,489,000	54,671	11.00%	54,671	
〃	Stock － Taiwan Star Telecom Co., Ltd.	None	〃	195,000,000	1,916,850	4.23%	1,916,850	
〃	Stock － Gong Cheng Industrial Co.	None	〃	1,580,083	-	3.23%	-	
〃	Stock － Gian Feng Investment Co., Ltd.	None	〃	2,000,000	26,160	10.00%	26,160	
〃	Stock － MetroWalk international Co., Ltd.	None	〃	3,448,276	77,379	1.72%	77,379	
〃	Stock － Budworth Investments Limited	None	〃	30,314	45	3.33%	45	
〃	Stock － Nangang International One Co., Ltd.	Others	〃	7,485,000	74,957	4.99%	74,957	
〃	Stock － Nangang International Two Co., Ltd.	Others	〃	7,485,000	74,751	4.99%	74,751	

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

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

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

Unit：NT$1,000

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

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

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

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

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

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

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

Unit：NT$1,000

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

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

Unit：NT$1,000

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts payable	
The Company	San Ching Engineering Co.,	Affiliated Company	Construnction-in-progress	$1,467,349	19.22%	N/A	$-	-	$210,853	26.47% (Note)	Residential building

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

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Cathay Real Estate Development Corporation
Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2019 and 2018
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Table 6: Significant intercompany transactions between consolidated entities

Unit：NT$1,000

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

Note1：The Company and its subsidiaries are coded as follows：

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:

(1) The Company to subsidiaries is coded "1".

(2) Subsidiaries to The Company is coded "2".

(3) Subsidiaries to Subsidiaries is coded "3".

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

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

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

Unit: NT$1,000 ; Share

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

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

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

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

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

Investor	Investee	Region	Main Business	Original cost		At the end of period			Investees company net income	Share of Profits/Losses	Note
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$242,747 (USD 9,592)	$597,409 (USD 21,052)	9,591,891	100.00%	$9,449	$29,290	$29,290	Subsidiary
The Company	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	117,650	33,460	33,460	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	579,491	109,864	93,388	Subsidiary
The Company	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	400,000	400,000	40,000,000	100.00%	160,854	(87,024)	(79,041)	Subsidiary
The Company	Cathay Hospitality Consulting Co., Ltd	ROC	Service industry	750,000	450,000	75,000,000	100.00%	576,223	(143,120)	(126,851)	Subsidiary
The Company	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	100,000	-	10,000,000	100.00%	98,979	(1,021)	(1,021)	Subsidiary
Cathay Healthcare Management Co., Ltd	Cathay Healthcare Management Limited(BVI)	British Virgin Islands	General trade and investing	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,004 (USD 464)	(24,134) (USD 780)	-	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	80,000	-	8,000,000	100.00%	79,837	(163)	-	Second-tier subsidiary
Cathay Real Estate Holding Corporation	CCH REIM Company Limited	Cayman Islands	Investing	- (USD -)	$20,120 (USD 687)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	2,641 (USD 90)	574,206 (USD 19,580)	7,758	66.67%	3,390 (USD 112)	40,124 (USD 1,297)	-	Second-tier subsidiary
CCH REIM Company Limited	CCH REIM (HK) Company Limited	Hong Kong	Investing	- (USD -)	$474,138 (USD 15,187)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Healthcare Management Limited(BVI)	Cathay Healthcare Management Limited(Cayman)	Cayman Islands	Business management	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,002 (USD 464)	(24,134) (USD 780)	-	Third-tier subsidiary

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company’s relevant information.

Note 2: If not belong to Note 1, filled in by the following rules:

(1) In “Investee”, “Region”, “Main Business”, “Original cost” and “At the end of period” columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in “Note” column.

(2) In“Investees company net income” column should filled in each investee net income.

(3) In“Share of Profits/Losses”column only need to filled in the company recognized each subsidiaries and the company under equity method’s profits or loss.
Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

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

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

Unit：NT$1,000 ; USD$1,000

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

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

Note1: The methods for engaging in investment in Mainland China include the following:

(1) Directly invested in China

(2) Investment in Mainland China companies through a company invested and established in a third region

(3) Other method

Note2: Investees company net income:

(a) If the investees is uder preparation, should take note.

(b) If the investees' net income is base on these three condition, should take note.

(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.

(2) The investes' finance statement has certification by the parenent company in Taiwan.

(3) Others.

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

1.Detail List of Cash and Cash Equivalents

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Cash on Hand and Petty Cash		$299	
Bank Deposits		1,572,969	
Cash equivalent	Short-term notes	64,960	
Total		$1,638,228	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

2. Detail List of Financial Asset Measured at Fair Value Through Other Comprehensive Income

As of December 31, 2019

(Expressed in thousands of NT and USD)

Type and Name of the Securities	Summary	Share	Par Value (NTD)	Amount	Interest Rate	Acquisition Cost	Accumulated impairment	Fair Value Price	Fair Value Amount	Note
Financial assets at fair value through other comprehensive income–current										
Cathay Financial holdings Co., Ltd	Listed stock	57,681,332	$10	$576,813	-	$2,103,800	Not applicable	$42.55	$2,454,341	
Add：Financial assets at fair value through other comprehensive income–current						350,541				
Net						$2,454,341				
Financial assets at fair value through other comprehensive income–non-current										
Gong Cheng Industrial Co.	Unlisted stock	1,580,083	10	15,801	-	$9,852	Not applicable	0.00	$-	
MetroWalk internatinal Co., Ltd	Unlisted stock	3,448,276	10	34,483	-	24,850	Not applicable	22.44	77,379	
Gian Feng Investment Co., Ltd.	Unlisted stock	2,000,000	10	20,000	-	18,551	Not applicable	13.08	26,160	
Budworth Investment Limited	Unlisted stock	30,314	USD 1	USD 30	-	45	Not applicable	1.48	45	
Nangang International One Co., Ltd.	Unlisted stock	7,485,000	10	74,850	-	78,462	Not applicable	10.01	74,957	
Nangang International Two Co., Ltd.	Unlisted stock	7,485,000	10	74,850	-	78,399	Not applicable	9.99	74,751	
Lin Yuan Property Management Co., Ltd.	Unlisted stock	300,000	10	3,000	-	3,000	Not applicable	32.94	9,882	
Symphox Information Co., Ltd	Unlisted stock	5,489,000	10	54,890	-	90,569	Not applicable	9.96	54,671	
Taiwan Star Telecom Co., Ltd	Unlisted stock	195,000,000	10	1,950,000	-	1,950,000	Not applicable	9.83	1,916,850	
Subtotal						2,253,728			$2,234,695	
Add：Financial assets at fair value through other comprehensive income–non-current						(19,033)				
Net Amount						$2,234,695				

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

3. Detail List of Notes Receivable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Chief Executive Officer	Premises ticket of buildings and land	$7,684	
HYGGE	Premises ticket of buildings and land	2,240	
Cathay Plus+	Premises ticket of buildings and land	630	
City Landmark	Premises ticket of buildings and land	3,890	
Others	Premises ticket of buildings , land and rent	24,604	The individual balance does not reach 5% of the balance of the subject
Subtotal		39,048	
Less: Allowance Loss		-	
Net Amount		$39,048	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

4. Detail List of Accounts Receivable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
House sales		$41,777	
Others		13,882	The individual balance does not reach 5% of the balance of the subject
Subtotal		55,659	
Less：Allowance loss		(44)	
Net Amount		$55,615	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5. Detail List of Inventories

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount: Cost	Amount: Net Realizable Value	Notes
Construction Land	Buildings and land	$7,146,181	$14,209,394	Lower cost and net realizable value
Construction In Progress		16,011,003	21,831,360	Lower cost and net realizable value
				Please refer schedule 5-1
Land Held for Construction Site		2,847,829	3,654,818	Lower cost and net realizable value
Subtotal		26,005,013		
Prepayment for Land Purchases		533,603		
Net Amount		$26,538,616		

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

5-1. Detail List of Inventories －Construction In Progress－Buildings and Land

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Project name	Beginning Balance as of 1 January 2019	Addition Cost of Construction	Reduction (Transfer to Building and land held for sale)	Ending balance as of 31 December 2019	Note
Tree Rivers, Cathay's Home II	$26,924	$1,408,701	$-	$1,435,625	
Tree Rivers, Cathay's Home I	979,852	86,982	-	1,066,834	
Cathay Fu Tu	1,991,169	445,957	2,437,126	-	
Taoyuan City Central Road Section 2	1,932,936	25,890	-	1,958,826	
Cathay The Seeds of Happiness	1,662,527	404,718	-	2,067,245	
Chief Executive Officer	2,767,373	491,272	3,258,645	-	
Cathay Plus+	1,187,072	211,010	-	1,398,082	
Cathay Mega+	-	1,064,863	-	1,064,863	
Cathay Sigma	1,092,865	152,818	1,245,683	-	
City Landmark	178,405	1,700,388	-	1,878,793	
Cathay O2 Fu Building	1,911,896	522,474	-	2,434,370	
Others	1,327,847	2,207,002	828,484	2,706,365	
Total	$15,058,866	$8,722,075	$7,769,938	$16,011,003	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

6. Detail List of Investments Accounted For Using The Equity Method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning Balance at 1 Jan, 2019			Addition			Disposal			Ending Balance at 31 Dec, 2019			Market Value		Guarantee or pledged	Notes
	Shares	Percentage of Ownership (%)	Amount	Shares	Amount		Shares	Amount		Shares	Percentage of Ownership (%)	Amount	Unit Price	Amount		
Cathay Real Estate Management Co., Ltd.	5,000,000	100.00%	$119,792	-	$34,458	(Note1&5)	-	$36,600	(Note2)	5,000,000	100.00%	$117,650	$23.53	$117,650	N/A	
Cathay Healthcare Management Co., Ltd.	46,750,000	85.00%	553,758	-	93,388	(Note1&6)	-	67,655	(Note2&3&5)	46,750,000	85.00%	579,491	12.40	681,750	N/A	
Cathay Hospitality Management Co., Ltd.	40,000,000	100.00%	239,895	-	-	-	-	79,041	(Note1&6&8)	40,000,000	100.00%	160,854	3.82	152,871	N/A	
Cathay Hospitality Consulting Co., Ltd.	45,000,000	100.00%	403,074	30,000,000	300,000	(Note4)	-	126,851	(Note1&6)	75,000,000	100.00%	576,223	7.47	559,954	N/A	
Cathay Real Estate Holding Corporation	21,051,891	100.00%	335,914	-	29,290	(Note1)	11,460,000	355,755	(Note3&7)	9,591,891	100.00%	9,449	0.99	9,449	N/A	
Cymbal Medical Network Co., Ltd.	-	-	-	10,000,000	100,000	(Note4)	-	1,021	(Note1)	10,000,000	100.00%	98,979	9.90	98,979	N/A	
(incorporated on 2019/6/24)																
Total			$1,652,433		$557,136			$666,923				$1,542,646				

NOTE 1：Profit or loss of the investment accounted for using equity method.

NOTE 2：Cash dividend from Investee.

NOTE 3：Recognition of cumulative translation adjustment of Investee.

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

NOTE 5：Remeasurements of defined benefit plans.

NOTE 6：IFRS16 adjustments in the current period.

NOTE 7：Capital reduction in the current period.

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

7. Detail List of Property, Pland and Equipment Changing

As of December 31, 2019

Related information of property, pland and equipment, please refer Notes 6.(7.)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

8. Detail List of Investment Property Changing

As of December 31, 2019

Related information of investment property, please refer Notes 6.(8.)

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

9. Detail List of Intangible Assets Changing

As of December 31, 2019

Related information of intangible assets, pleas refer Notes 6.(9.)

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

10. Detail List of Other Non-Current Assets

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Guarantee Deposits Paid			
Xindian(I)	Deposit	$100,981	
Xindian(II)	Deposit	131,900	
Nangang	Deposit	194,601	
Beitou	Deposit	330,337	
Others		149,365	The individual balance does not reach 5% of the balance of the subject
Subtotal		907,184	
Guarantee Deposits Paid — related parties			
Cathay Life Insurance	Deposit for rent	3,959	Please refer Notes 7
Total		911,143	
Land held for construction site	Farm acquired in the name of a third party	18,425	
Prepayments for equipment		1,431	
Other non-current assets —Others		16,264	
Total		$947,263	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

11. Detail List of Short-Term Loans

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Type	Bank	Ending Balance	Priod	Interest rate	Limited	Guarantee or pledged	Notes
Credit loan	Mizuho Bank	$1,450,000	2019/07~2020/01	0.85%~1.00%	$1,450,000	N/A	Association guarantor is the Chairman of the Company
	Cathay United Bank	250,000	2019/09~2020/01	0.85%~1.00%	250,000	N/A	Association guarantor is the Chairman of the Company
	China Construction Bank	2,000,000	2019/11~2020/02	0.85%~1.00%	2,000,000	N/A	Association guarantor is the Chairman of the Company
	Mega International Commercial Bank	100,000	2019/12~2020/02	0.85%~1.00%	100,000	N/A	Association guarantor is the Chairman of the Company
	Hwa Tai Bank	200,000	2019/12~2020/02	0.85%~1.00%	200,000	N/A	Association guarantor is the Chairman of the Company
	Hua Nan Bank	2,900,000	2019/07~2020/07	0.85%~1.00%	2,900,000	N/A	Association guarantor is the Chairman of the Company
	Total	$6,900,000					

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

12. Detail List of Short-Term Notes Payable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Bank	Priod	Interest rate	Amount			Notes
				Issued amount	unamortized discount	Book value	
Short-term notes	ShangHai Commercial & Savining Bank	2019/12~2020/03	0.43%	$500,000	$460	$499,540	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

13. Detail List of Contract Liability-Current

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Advance Real Estate Receipts			
Tree Rivers, Cathay's Home II		$271,783	
Cathay The Seeds of Happiness		590,462	
Tree Rivers, Cathay's Home I		242,719	
Park Beautiful Mansion		216,308	
Cathay Plus+		270,599	
HYGGE		190,301	
Cathay O2 Fu Building		438,634	
Cathay Mega+		205,771	
City Landmark		281,554	
Others	Advance real estate receipts and rent	818,284	The individual balance does not reach 5% of the balance of the subject
Total		$3,526,415	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

14. Detail List of Notes Payable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Liberty Stationery Corp.		$66,600	
Individual		30,721	
Others		46,892	The individual balance does not reach 5% of the balance of the subject.
Total		$144,213	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

15. Detail List of Accounts Payable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
(1)General transaction			
Cathay Fu Tu	Final cost payable	$80,371	
Cathay New Village	Final cost payable	41,690	
Chief Executive Officer	Final cost payable	80,955	
Cathay Sigma	Final cost payable	67,020	
YOO Fu Building	Final cost payable	29,112	
Others		141,841	The individual balance does not reach 5% of the balance of the
Total		$440,989	
(2)Trancsaction with related parties			
San Ching Engineering	Final cost payable and warranty payable	$210,853	
Others		413	The individual balance does not reach 5% of the balance of the
Total		$211,266	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

16. Detail List of Other Payable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Payroll and bonus payable		$55,816	
Interest payable		22,439	
Cost of rental sales		20,634	
Dividend payable		49,176	
Divedend refundable		31,437	
Others		10,456	The individual balance does not reach 5% of the balance of the subject
Total		$189,958	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

17. Detail List of Bonds Payable

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name	Trustee	Issued date	Date of interest payment	Interest rate	Amount					Repayment method	Guarantee
					Issued amount	Repaid	Ending Balance	Unamortized premium(discount)	Book Value		
104-1	Far Eastern International Bank	2015.7.24~2020.7.24	Yearly	1.40%	$2,000,000	$-	$2,000,000	$-	$2,000,000	Repayment at maturity	Y
104-1	Far Eastern International Bank	2015.7.24~2020.7.24	Yearly	1.40%	1,000,000	-	1,000,000	-	1,000,000	Repayment at maturity	Y
Subtotal					3,000,000	-	3,000,000	-	3,000,000		
Less : Current portion					3,000,000	-	3,000,000	-	3,000,000		
Total					$-	$-	$-	$-	$-		

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

18. Detail List of Long-Term Loans

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Summary	Amount	Period	Interest Rate	Guarantee or pledged	Note
Bank of Taiwan		$500,000	2019/01~2020/12	0.9%~1.18%	N	Association guarantor is the Chairman of the Company.
Hua Nan Bank		3,000,000	2019/10~2020/10	0.9%~1.18%	N	Association guarantor is the Chairman of the Company.
Far Eastern International Bank		1,500,000	2019/07~2022/07	0.9%~1.18%	N	Association guarantor is the Chairman of the Company.
Chang Hwa Bank		2,400,000	2019/07~2021/07	0.9%~1.18%	N	Association guarantor is the Chairman of the Company.
ShangHai Commercial & Savining Bank		399,510	2019/10~2020/3	0.43%	N	Association guarantor is the Chairman of the Company.
Subtotal		7,799,510				
Less : Current portion		3,000,000				
Total		$4,799,510				

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

19. Detail List of Other Non-Current Liabilities

As of December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Note
Net Defined Benefit Liability		$90,364	
Guarantee Deposits Received			
The Landis	Housing deposit	52,957	
Home Media Group Ltd.	Housing deposit	12,237	
Others	Housing deposit	72,250	The individual balance does not reach 5% of the balance of the subject
Subtotal		137,444	
Other liabilities	Deferred Credits-Unrealized Gains on Inter-Afffiliate Accounts	13,374	
Total		$241,182	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

20. Detail List of Operating Income

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Rental Income		$440,110	
Land Income		5,588,595	
Building Income		3,707,904	
Total		$9,736,609	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

21. Detail List of Operating Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Lease Costs		$320,916	
Land Costs		3,478,769	
Building Costs		3,609,285	
Total		$7,408,970	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

22. Detail List of Operating Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Selling Expenses		$595,070	
Salary and Wages		154,443	
Taxes		72,497	
Provision for Bad Debt Expenses		32	
Other Expenses		105,478	The expenses are less than 5% of the balance of the subject.
Total		$927,520	

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

23.Non-Operating Income and Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Summary	Amount	Notes
Other Income			
Interest Revenue	Deposit interest, short-term notes receivable, etc.	$2,613	
Dividends Received		97,168	
Other Income	Building management fees, planning and default income, etc.	78,686	
Total		$178,467	
Other Gain or Loss			
Loss (gain) on disposal of property, plant and equipment		$2,338	
Others		(15,592)	
Total		$(13,254)	

CATHAY REAL ESTATE DEVELOPMENT CO., LTD
AND SUBSIDIARIES
Consolidated Financial Statements
For The Years Ended
December 31, 2019 And 2018
Report of Independent Auditors

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

Independent Auditors' Report Translated from Chinese

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

Opinion

We have audited the accompanying consolidated balance sheets of Cathay Real Estate Development Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Valuation of inventories

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

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

We also assess whether the the company properly disclose information relating the construction land valuation of financial statement. Please refer note 4(10), note 5.2(E) and note 6(5).

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

<u>Notice to Readers</u>

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

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Balance Sheet

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

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

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Balance Sheet(Continue)

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

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

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.
Consolidated Income Statement
For the year-ended 31 December 2019 and 2018
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

(Expressed in thousands of New Taiwan Dollars)

Code	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating Revenue	4 & 6(8),(19) &7	$11,623,928	100	$14,294,770	100
5000	Operating Cost	4 & 6(5),(7),(8),(21),(22) &7	(8,461,339)	(73)	(10,576,571)	(74)
5900	Gross Margin		3,162,589	27	3,718,199	26
6000	Operating Expense	4 & 6(7),(8),(21),(22) &7				
6200	Administrative Expense		(1,663,270)	(14)	(1,485,484)	(10)
6450	Expected credit loss	4 & 6(20)	(32)	-	(4,482)	-
	Total Operating Expense		(1,663,302)	(14)	(1,489,966)	(10)
6900	Operating Income		1,499,287	13	2,228,233	16
7000	Non-Operating Income and Expenses	4 & 6(23) & 7				
7010	Other Revenues		185,059	2	281,597	2
7020	Other Gain or Loss		27,322	-	2,146,096	15
7050	Finance Costs		(141,330)	(1)	(133,801)	(1)
7060	Investment Income on Equity-Method Investees	4 & 6(6)	-	-	(13,145)	-
	Total Non-Operating Income and Expenses		71,051	1	2,280,747	16
7900	Income before Income Tax		1,570,338	14	4,508,980	32
7950	Income Tax (Expense) Benefit	4 & 6(25)	(169,980)	(2)	(267,183)	(2)
8200	Net income		1,400,358	12	4,241,797	30
8300	Other Comprehensive Income	6(24),(25)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		(5,937)	-	5,369	-
8316	Unrealized valuation gain (losses) on equity instruments at fair value through other comprehensive income		368,350	3	(493,136)	(4)
8349	Income taxes relating to not to be reclassified to profit or loss in subsequent periods		1,187	-	(1,766)	-
8360	To be reclassified to profit or loss in subsequent periods					
8361	Exchange differences resulting from translating the financial statements of foreign operations		(30,917)	-	228,874	2
8370	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method – to be reclassified to profit or loss in subsequent periods		(790)	-	(287)	-
	Other comprehensive (losses) income, net of tax		331,893	3	(260,946)	(2)
8500	Total comprehensive (losses) income		$1,732,251	15	$3,980,851	28
8600	Net income (losses) attributable to:					
8610	Equity holders of the parent		$1,370,505	12	$3,609,611	25
8620	Non-controlling interests		29,853	-	632,186	5
			$1,400,358	12	$4,241,797	30
8700	Total comprehensive income (losses) attributable to:					
8710	Equity holders of the parent		$1,732,589	15	$3,273,857	23
8720	Non-controlling interests		(338)	-	706,994	5
			$1,732,251	15	$3,980,851	28
	Basic Earnings Per Share (In dollars)	6(26)	After Taxes		After Taxes	
9750	Basic Earnings Per Share		$1.18		$3.11	

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Statements of Changes In Equity

As at 31 December 2019 and 31 December 2018

(Expressed in thousands of New Taiwan Dollars)

	Items	Controlling Interests										Non-Controlling Interests	Total
				Retained Earnings			Other Equity						
		Capital Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Retained Earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized (losses) gains from financial assets at fair value through other comprehensive income	Unrealized valuation (losses) gains from available-for-sale financial assets	Remeasurements of defined benefit plans	Total		
Code		3100	3200	3310	3320	3350	3410	3420	3425	3445	31XX	36XX	3XXX
A1	Balance on 1 January 2018	$11,595,611	$18,063	$3,847,032	$504,189	$6,418,942	$(64,025)	$-	$428,369	$20,321	$22,768,502	$455,660	$23,224,162
A3	Effects on retrospective application and restatement	-	-	-	-	384,970	-	459,529	(428,369)	-	416,130	-	416,130
A5	Balance on 1 January 2018 (Adjusted)	11,595,611	18,063	3,847,032	504,189	6,803,912	(64,025)	459,529	-	20,321	23,184,632	455,660	23,640,292
	Appropriation and distribution of earnings for the year 2017												
B1	Legal Capital Reserve	-	-	144,464	-	(144,464)	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(1,391,473)	-	-	-	-	(1,391,473)	-	(1,391,473)
C17	Changes in other capital surplus	-	7,720	-	-	-	-	-	-	-	7,720	-	7,720
D1	Net income for the year ended 31 December 2018	-	-	-	-	3,609,611	-	-	-	-	3,609,611	632,186	4,241,797
D3	Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	153,763	(493,136)	-	3,619	(335,754)	74,808	(260,946)
D5	Total comprehensive income for the year ended 31 December 2018	-	-	-	-	3,609,611	153,763	(493,136)	-	3,619	3,273,857	706,994	3,980,851
O1	Changes In Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	(895,841)	(895,841)
Z1	Balance on 31 December 2018	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736	$266,813	$25,341,549
A1	Balance on 1 January 2019	$11,595,611	$25,783	$3,991,496	$504,189	$8,877,586	$89,738	$(33,607)	$-	$23,940	$25,074,736	$266,813	$25,341,549
	Appropriation and distribution of earnings for the year 2018												
B1	Legal Capital Reserve	-	-	360,961	-	(360,961)	-	-	-	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(2,435,078)	-	-	-	-	(2,435,078)	-	(2,435,078)
											-		
C17	Changes in other capital surplus	-	5,845	-	-	-	-	-	-	-	5,845	-	5,845
D1	Net income for the year ended 31 December 2019	-	-	-	-	1,370,505	-	-	-	-	1,370,505	29,853	1,400,358
D3	Other comprehensive income for the year ended 31 December 2019	-	-	-	-	-	(1,573)	368,350	-	(4,693)	362,084	(30,191)	331,893
D5	Total comprehensive income for the year ended 31 December 2019	-	-	-	-	1,370,505	(1,573)	368,350	-	(4,693)	1,732,589	(338)	1,732,251
O1	Changes In Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	(162,517)	(162,517)
Q1	Disposal of financial instruments at fair value through other comprehensive income	-	-	-	-	3,248	-	(3,248)	-	-	-	-	-
Z1	Balance on 31 December 2019	$11,595,611	$31,628	$4,352,457	$504,189	$7,455,300	$88,165	$331,495	$-	$19,247	$24,378,092	$103,958	$24,482,050

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

Consolidated Statements of Cash Flows

For the year-ended 31 December 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

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

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.
Notes To Consolidated Financial Statements
For the Year Ended December 31, 2019 and 2018
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. HISTORY AND ORGANIZATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2020

3. APPLICATION OF NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

(A) *IFRS 16"Leases"*

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

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

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

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

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

(a) Leases previously classified as operating leases

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

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) IFRS 17 "*Insurance Contracts*"

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

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

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

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

(C) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

B. The consolidated entities are listed as follows:

Investor	Subsidiaries	Main business	Percentage of ownership (%) December 31, 2019	Percentage of ownership (%) December 31, 2018
The Company	Cathay Real Estate Management CO., LTD	Construction management	100.00%	100.00%
The Company	Cathay Healthcare Management CO., LTD	Consultancy	85%	85%
The Company	Cathay Hospitality Management CO., LTD	Service industry	100.00%	100.00%
The Company	Cathay Hospitality Consulting CO., LTD	Service industry	100.00%	100.00%
The Company	Cymbal Medical Network Co., Ltd.	Wholesale of Drugs, Medical Goods	100.00%	-
The Company	Cathay Real Estate Holding Corporation	General trade & investing	100.00%	100.00%
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	Wholesale of Drugs, Medical Goods	100.00%	-
Cathay Healthcare Management CO., LTD	Cathay Healthcare Management Limited(BVI)	General trade & investing	100.00%	100.00%
Cathay Healthcare Management CO., LTD	Hangzhou Kunning Health Consulting Limited Ltd.	Consultancy	100.00%	(NOTE)
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Investing	66.67%	66.67%
Cathay Healthcare Management Limited (BVI)	Cathay Healthcare Management Limited (Cayman)	Business management	100.00%	100.00%

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

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

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

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

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

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost.

<u>Financial liabilities at amortized cost</u>

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value

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

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

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

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

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

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

(10) Inventories

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

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

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

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

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

Buildings: 5~50 years
Leased assets: 5 years
Leasehold improvements: The shorter of lease terms or economic useful lives
Right-of-use assets/leased assets(Note): 1～20 years
Other equipment: 2~26 years

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

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

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

(13) Investment property

The accounting policy from 1 January 2019 as follow:

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

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

Buildings	5～50 years

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

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before 1 January 2019 as follow:

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

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

Buildings	5～50 years

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

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

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

(14) Leases

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

(b) the right to direct the use of the identified asset.

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

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

Group as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Group as a lessor

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

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

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

The accounting policy before 1 January 2019 as follow:

Group as a lessee

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

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

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

Group as a lessor

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

(15) Intangible assets

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

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

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

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

<u>Computer software</u>

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

<u>Trademark</u>

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

(16) Impairment of non-financial assets

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

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

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

(17) Revenue recognition

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

Construction income

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

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

Sales of goods

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

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

Rendering of services

The Group's service revenue mainly generated from offering healthy examination. The revenue recognized when the service completed. The cost of the service recognized when the transaction occurred；the expenses recognized in the current period in accordance with accrual basis.

(18) Borrowing costs

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

(19) Retirement benefits plans

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

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

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

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs or termination benefits costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period because of contribution and benefit payment.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Financing lease commitment－Group as the lessor

The Group has signed real estate leases for investment real property portfolios. Based on the assessment of its agreed terms, the Group still retains the significant risks and rewards of ownership of these properties and treats them as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

C. Retirement benefits plans

The cost of retirement employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group’s domicile.
Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2019, the deferred income tax assets that the Group has not recognize, please refer to Note 6 for more details.

E. Evaluation of Inventory

The Group must use the judgment and estimates to determine the net realizable value of the inventory at the balance sheet date, as the inventories are measured at the lower of the cost and the net realizable value. The Group assesses the amount of inventory at the balance sheet date due to market changes or no market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in the specific period in the future, so it may cause significant changes. Please refer to Note 6 for more details.

F. Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand and petty cash	$5,152	$4,385
Checking accounts and demand deposit	1,922,906	1,480,247
Time deposits	88,500	85,550
Cash equivalents －short-term bills	106,885	49,975
Total	$2,123,443	$1,620,157

As of 31 December 2019 and 2018, cash and cash equivalents were not pledged as collateral or restricted for uses.

(2) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2019	2018
Equity instruments investments measured at fair value through other comprehensive income － current:		
Listed companies' stocks	$2,454,341	$2,620,886
Equity instruments investments measured at fair value through other comprehensive income － non-current:		
Unlisted companies' stocks	$2,234,994	$1,637,951
Current	$2,454,341	$2,620,886
Non-current	$2,234,994	$1,637,951

As of 31 December 2019 and 2018, financial assets at fair value through over comprehensive income were not pledged.

(3) Notes receivable

	As of December 31,	
	2019	2018
Notes receivable arising from operating activities	$40,032	$24,209
Less: Loss allowance	-	-
Notes receivable, net	$40,032	$24,209

As of 31 December 2019 and 2018, notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6.(20) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivable and Accounts receivable -related parties

	As of December 31,	
	2019	2018
Accounts receivable	$253,454	$455,961
Less: Loss allowance	(44)	(12)
Subtotal	253,410	455,949
Accounts receivable － related parties	13,000	5,984
Less: Loss allowance	-	-
Total	$266,410	$461,933

As of 31 December 2019 and 2018, accounts receivables and accounts receivables – related parties were not pledged.

Accounts receivable are generally on 30-365-day terms. The book value of the accounts receivables held by the Group were NT$266,454 thousand and NT$461,945 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6.(20) for more details on impairment of accounts receivable. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	As of December 31,	
	2019	2018
Land held for construction site	$7,146,181	$8,154,901
Construction in progress	16,011,003	15,058,866
Buildings and land held for sale	2,847,829	2,052,299
Others	12,512	12,293
Subtotal	26,017,525	25,278,359
Prepayment for land purchases	533,603	725,078
Total	$26,551,128	$26,003,437

A. Some of the construction in progress above was contracted by the related company San-Ching Engineering Co., Ltd., and the relevant transactions are detailed in Note 7.

B. The net realizable value of the construction land held by the Group is based on the land development analysis method. The the land profit is calculated by the legal use and intensity of the land, and the total sales amount after development or construction is estimated, deducting the direct costs, indirect costs, capital interest during the development period.

C. Significant Construction projects were as follow:

Construction Project	Amount	Percentage of Completion
Chief Executive Officer	1,535,800	98.00%
Cathay Fu Tu	1,989,160	97.00%
Cathay O2 Fu Building	1,149,124	84.00%
Cathay The Seeds of Happiness	1,441,749	44.00%
City Landmark	1,315,905	35.00%
Park Beautiful Mansion	1,029,794	17.00%
Cathay Mega+	1,013,390	0.00%
Have a Rich Year	1,395,238	0.00%
Liberty Stationery Corp.	2,444,000	0.00%

D. The total interest capitalizes of the inventories mentioned above was found to be NT$ 199,612 thousand and NT$230,859 thousand for the year ended December 31, 2019 and 2018, respectively. The interest expense before capitalizing were NT$340,942 thousand and NT$364,660 thousand, respectively.

The interest rate of capitalized loan for inventories were 0.0976%~0.2019% in 2019 and 0.0859 %~0.1902% in 2018.

E. To successfully construct and deliver the building and housing to the customers, The Group using trust accounts for the construction in progress are as follows:

Construction Project (Amount)	Trustee	Period
Cathay O2 Fu Building (NT$4,880 thousand)	Cathay United Bank	From December 9, 2015 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay The Seeds of Happiness (NT$6,550 thousand)	Cathay United Bank	From July 13, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Shuixiu (NT$790thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Plus+ (NT$38,946 thousand)	Cathay United Bank	From October 18, 2017 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

Park Beautiful Mansion (NT$54,885 thousand)	Cathay United Bank	From June 6, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Tree Rivers, Cathay's Home I (NT$186,369 thousand)	Cathay United Bank	From June 13, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
HYGGE (NT$261,836 thousand)	China Trust Commercial Bank	From July 30, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Tree Rivers, Cathay's Home II (NT$196,897thousand)	Cathay United Bank	From December 26, 2018 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
City Landmark (NT$9,550thousand)	Cathay United Bank	From April 17, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Uptown (NT$113,788thousand)	Cathay United Bank	From May 20, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Have a Rich Year (NT$109,020thousand)	Cathay United Bank	From May 31, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Lagom (NT$143,137thousand)	Cathay United Bank	From July 3, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.
Cathay Mega+ (NT$196,420thousand)	Cathay United Bank	From August 1, 2019 to the completion of the project, the license was obtained, and the first registration of the ownership was completed.

As of December 31, 2019, the Group has established a deed of trust with the bank for the construction of the case, and has handled the fund management of the presold customers. The trust period ended until the project is completed and the first time the ownership registration of the completed property is completed. The balance of the funds managed by the Group in accordance with the above trust deed is NT$1,323,068 thousand, which is equal to the price of the presold contract. There is no delay in the delivery of the trust account.

F. The cost of inventories recognized in expenses amounts to NT$7,088,054 thousand and NT$9,225,088 thousand for the years ended to December 31, 2019 and 2018, including the loss of inventory price falling NT$0 and NT$132,671 thousand for the years ended to December 31, 2019 and 2018, respectively.

G. Please refer to note 8 for more details on inventory under pledged.

H. Incremental cost of the contract

The cost occurred for the acquisition of the customer's contract is the incremental cost of the contract. The incremental cost of the contract fulfills its obligation when the house hand over the the customers, and the incremental cost of the contract is amortized.

(6) Investments accounted for using the equity method

The following table lists the investments accounted (Investments in joint venture entities of the Group.) for using the equity method of the Group:

CCH REIM Company Limited (registered in Cayman) is mainly engaged in investment in real estate management financial advisory services in the mainland. The Group invests in The Group by joint agreement based on cross-regional management considerations. In addition, The Group is a non-public offering company and has not been listed on any securities exchange, so there is no fair value of the open market price.

The consolidated financial information and adjustments to the investment amount of the investment are as follows:

	As of December 31,	
	2019	2018
Current assets	$-	$752
Non-current assets	-	(4,874)
Current liabilities	-	154
Non-current liabilities	-	-
Equities	-	(4,276)
Shareholding ratio of The Group	0%	50%
Carrying Amount of investment	$-	$(2,138)

	As of December 31,	
	2019	2018
Cash and cash equivalent	$-	$376

	As of December 31,	
	2019	2018
Operating revenue	$-	$7,705
Operating expenses	-	(525)
Interest income	-	-
Non-operating income and expenses	-	(20,238)
Profit or loss from continuing operations	-	(13,058)
Other comprehensive income	-	(168)
Total comprehensive income	-	(13,226)

The joint venture had no contingent liabilities or capital commitments as at 31 December 2019, and 2018. The Group cannot distribute its profits until it obtains the consent from the two venture partners.

The Group had sold the equity of CCH REIM Company Limited, and recognized a profit of NT$5,344 thousand as of December 31, 2019.

(7) Property, plant and equipment

	As of December 31,	
	2019(Note)	2018
Owner occupied property, plant and equipment	$4,050,958	$-
Property, plant and equipment leased out under operating leases	563,264	-
Total	$4,614,222	$-

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost						
As of 1 January 2019	$1,346	$1,829	$913,553	$377,973	$517,865	$1,812,566
Additions	-	-	53,389	30,104	348,540	432,033
Disposals	-	-	-	(5,024)	-	(5,024)
Transfer	1,615,343	1,176,636	541,182	101,609	(646,186)	2,788,584
Exchange differences	-	-	-	(38)	-	(38)
As of 31 December 2019	$1,616,689	$1,178,465	$1,508,124	$504,624	$220,219	$5,028,121
Depreciation and impairment:						
As of 1 January 2019	$-	$341	$241,119	$259,994	$-	$501,454
Depreciation	-	36	127,912	69,246	-	197,194
Disposals	-	-	-	(4,898)	-	(4,898)
Transfer	-	283,121	-	305	-	283,426
Exchange differences	-	-	-	(13)	-	(13)
As of 31 December 2019	$-	$283,498	$369,031	$324,634	$-	$977,163
Net carrying amount:						
As of 31 December 2019	$1,616,689	$894,967	$1,139,093	$179,990	$220,219	$4,050,958

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	Leasehold Improvemen	Other equipment	Transportation equipment	Total
Cost				
As of 1 January 2019	$355,155	$373,576	$107,675	$836,406
Additions	21,722	29,316	25,851	76,889
Disposals	-	(17,089)	(16,702)	(33,791)
Transfer	-	-	-	-
As of 31 December 2019	$376,877	$385,803	$116,824	$879,504
Depreciation and impairment:				
As of 1 January 2019	$96,371	$145,688	$46,965	$289,024
Depreciation	16,741	18,505	17,050	52,296
Disposals	-	(10,181)	(14,899)	(25,080)
Transfer	-	-	-	-
As of 31 December 2019	$113,112	$154,012	$49,116	$316,240

Net carrying amount:				
As of 31 December 2019	$263,765	$231,791	$67,708	$563,264

(3) Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Leased assets	Leasehold Improvement	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost							
As of 1 January 2018	$1,346	$1,829	$106,260	$813,370	$744,291	$141,035	$1,808,131
Additions	-	-	22,268	456,914	24,364	378,118	881,664
Disposals	-	-	(20,853)	(2,026)	(11,524)	-	(34,403)
Transfer	-	-	-	450	838	(1,288)	-
Loss of control (Note)	-	-	-	-	(6,524)	-	(6,524)
Exchange differences	-	-	-	-	104	-	104
As of 31 December 2018	$1,346	$1,829	$107,675	$1,268,708	$751,549	$517,865	$2,648,972
Depreciation and impairment:							
As of 1 January 2018	$-	$305	$48,523	$278,559	$344,325	$-	$671,712
Depreciation	-	26	16,203	60,949	69,926	-	147,114
Disposals	-	-	(17,761)	(2,018)	(6,187)	-	(25,966)
Loss of control (Note)	-	-	-	-	(2,422)	-	(2,422)
Exchange differences	-	-	-	-	40	-	40
As of 31 December 2018	$-	$331	$46,965	$337,490	$405,682	$-	$790,478
Net carrying amount:							
As of 31 December 2018	$1,346	$1,488	$60,710	$931,218	$345,867	$517,865	$1,858,494

(4) The major components of the Group's buildings are mainly buildings, air-conditioning equipment and elevators, and are depreciated according to their durability years of 50, 5 and 15 years respectively.

(5) The Group's Property, plant and equipment are not capitalized from financial costs.

(6) As of 31 December, 2019 and 2018, property, plant and equipment were not pledged.

(8) Investment property

	Lands	Buildings	Right-of-use assets (Note2)	Total
Cost:				
As of 1 January 2019	$7,183,789	$6,270,045	$-	$13,453,834
Additions from subsequent expenditure	-	-	-	-
Additions from adoption of IFRS 16	-	-	306,104	306,104
Disposals	(100,068)	(188,489)	-	(288,557)
Transfers	(1,538,209)	(1,061,357)	-	(2,599,566)
As of 31 December 2019	$5,545,512	$5,020,199	$306,104	$10,871,815

As of 1 January 2018	$5,591,358	$10,246,622	$-	$15,837,980
Additions from subsequent expenditure	-	-	-	-
Disposals	(62,446)	(192,351)	-	(254,797)
Transfers	1,654,877	787,629	-	2,442,506
Loss of control (Note1)	-	(4,654,871)	-	(4,654,871)
Exchange differences	-	83,016	-	83,016
As of 31 December 2018	$7,183,789	$6,270,045	$-	$13,453,834
Depreciation and impairment:				
As of 1 January 2019	$-	$2,321,669	$-	$2,321,669
Depreciation	-	181,691	52,977	234,668
Disposals	-	(46,279)	-	(46,279)
Transfers	-	(283,121)	-	(283,121)
As of 31 December 2019	$-	$2,173,960	$52,977	$2,226,937
As of 1 January 2018	$-	$2,854,599	$-	$2,854,599
Depreciation	-	270,432	-	270,432
Disposals	-	(80,903)	-	(80,903)
Loss of control (Note1)	-	(736,091)	-	(736,091)
Exchange differences	-	13,631	-	13,631
As of 31 December 2018	$-	$2,321,668	$-	$2,321,668
Net carrying amount:				
As of 31 December 2019	$5,545,512	$2,846,239	$253,127	$8,644,878
As of 31 December 2018	$7,183,789	$3,948,377	$-	$11,132,166

Note 1 : The Group disposed of the entire equity of Golden Gate Investment Company Limited, Lotus Investment Company Limited on July 6, 2018, and consequently lost its control of Golden Gate Pacific Company Limited, Lotus Pacific Company Limited, Shanghai Lujing Real Estate Limited and Jiaheng (Shanghai) Real Estate Limited.

Note 2 : The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$249,783	$422,151
Less:		
Direct operating expenses from investment property generating rental income	(94,251)	(222,169)
Direct operating expenses from investment property not generating rental income	(13,024)	(24,724)
Total	$142,508	$175,258

The investment properties held by the Group were not valued at fair value. The amounts of the fair value were only for disclosure. The fair value of the investment properties held by the Group were NT$13,215,287 thousand and NT$ NT$19,169,793 thousand as of December 31, 2019 and 2018, respectively, which were valued by an independent external appraisal expert and internal valuation. The evaluation method was comparison method and based on the actual deal price or the market transaction price of the real estate nearby.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Intangible assets

	Computer softwares	Trademark	Total
Cost:			
As of 1 January 2019	$126,003	$4,456	$130,459
Addition-acquired separately	11,344	279	11,623
Disposals	-	-	-
Retirement	(812)	-	(812)
Exchange differences	(1)	-	(1)
Transfers	4,355	126	4,481
As of 31 December 2019	$140,889	$4,861	$145,750
As of 1 January 2018	$122,883	$4,382	$127,265
Addition-acquired separately	3,120	74	3,194
Disposals	-	-	-
Transfers	-	-	-
As of 31 December 2018	$126,003	$4,456	$130,459

	Computer softwares	Trademark	Total
Amortization and impairment:			
As of 1 January 2019	$106,254	$3,789	$110,043
Amortization	11,989	321	12,310
Disposals	-	-	-
Retirement	(812)	-	(812)
Exchange differences	(1)	-	(1)
As of 31 December 2019	$117,430	$4,110	$121,540
As of 1 January 2018	$91,547	$2,710	$94,257
Amortization	14,707	1,079	15,786
Disposals	-	-	-
Exchange differences	-	-	-
As of 31 December 2018	$106,254	$3,789	$110,043
Net carrying amount:			
As of 31 December 2019	$23,459	$751	$24,210
As of 31 December 2018	$19,749	$667	$20,416

Amortization expense of intangible assets were as follow:

	For the years ended December 31,	
	2019	2018
Operating expenses	$8,329	$10,361
Operating costs	$3,981	$5,425

(10) Other non-current assets

	As of December 31,	
	2019	2018
Land Held for Construction Site	$18,425	$18,425
Prepaid expense - land and equipment	1,431	9,814
Refundable deposits	941,709	1,030,681
Other non-current assets - other	25,490	17,302
Total	$987,055	$1,076,222

As of December 31, 2019 and 2018, the above land was temporarily registered under a third party's name:

	As of December 31,				
Items	2019	2018	Type	Purpose	Securities
Land Serial NO.137-2 etc., Northern shi-zhi of Hou-tsuo section, San-zhi township, New Taipei City	$18,425	$18,425	Purchases / Sales	Development	Mortgage setting and Commitment

(11) Short-term loans

	As of December 31,	
	2019	2018
Unsecured bank loans	$7,013,000	$8,715,000
Secured bank loans	250,000	-
Total	$7,263,000	$8,715,000
Interest Rate	0.85%~1.26%	0.78%~1.40%

The Group's unused short-term lines of credits amounted to NT$17,540,290 thousand, and NT$15,663,405 thousand as of December 31, 2019 and 2018, respectively.

Please refer to Note 8 for investment property pledged as collateral for short-term loans.

(12) Short-term notes payable

	As of December 31, 2019	As of December 31, 2018
Short-term notes and bills payable	$1,035,000	$260,000
Less: unamortized discount	(460)	-
Short-term notes and bills payable	$1,034,540	$260,000
Interest Rate	0.43%~1.42%	1.34%

(13) Bonds payable

	As of December 31, 2019	As of December 31, 2018
Domestic secured bonds	$3,000,000	$3,000,000
Less: current portion	(3,000,000)	-
Long-term bonds payable	$-	$3,000,000

On July 24, 2015, the Group issued the first domestic guaranteed corporate bonds with a total denomination of NT$3,000,000 thousand. The issuance period is five-year. The interest on this corporate bond is a fixed annual interest rate of 1.4%, paying interest once a year, and repaying the loan due day.

(14) Long-term loans

Details of long-term loans are as follows:

	As of December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$7,564,000	0.9%~1.18%	From January 2019 to July 2022, repayments due day.
Long-term notes payable	538,682	0.43%~1.2%	From December 2018 to September 2021, repayments due day.
Subtotal	8,102,682		
Less: current portion	(3,000,000)		
Total	$5,102,682		

	As of December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Bank credit loans	$4,910,000	1.15%~1.28%	From October 2016 to December 2021, repayments due day.
Long-term notes payable	695,285	0.62%~1.42%	From August 2018 to September 2021, repayments due day.
Subtotal	5,605,285		
Less: current portion	4,200,000		
Total	$1,405,285		

(15) Retirement employment benefits

A. Defined contribution plan

The defined contribution plan of the Group's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, The Group makes 6% contributions of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

Subsidiaries in China are required to pay pension insurance premiums according to the local government's laws and regulations, paying a certain proportion of the total salary of the employees. A Certain proportion of the total salary of the employees is paid to the relevant government department, and saved in separate accounts of each employee.

Other foreign subsidiaries of the Group provide pensions to relevant pension management undertakings in accordance with local laws and regulations.

For the years ended December 31, 2019 and 2018, the expenses related to defined contribution plan amounted to NT$29,438 thousand and NT$20,478 thousand respectively.

B. Defined benefits plan

The defined benefit plan of the Group's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Group contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Group should make up the difference before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Group is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2019, the amount of contribution expected to be made in the following accounting year is NT$4,254 thousand.

As of December 31, 2019 and 2018, the average duration of defined benefit obligation of the Group were expected to be 14.2 years and 15.2 years.

Amounts to be recognized in profit or loss for the years ended 2019 and 2018 are summarized as follows:

	For the year ended December 31,	
	2019	2018
Current period service cost	$7,587	$9,330
Net interest on the net defined benefit liability (asset)	811	1,264
Subtotal	$8,398	$10,594

Reconciliation of the present value of the defined benefit obligation and fair value of plan assets of the defined benefit plan is as follows:

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Present value of defined benefit obligation	$184,927	$182,065	$208,431
Fair value of plan assets	(86,541)	(89,715)	(87,021)
Other non-current liabilities －Accrued pension liabilities recognized on the balance sheets	$98,386	$92,350	$121,410

Reconciliation of net defined benefit liabilities(assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2018	$208,431	$(87,021)	$121,410
Current service cost	9,330	-	9,330
Interest expense (income)	2,085	(821)	1,264
Subtotal	11,415	(821)	10,594
Remeasurement of defined benefit liabilities/assets			

Actual gains and losses arising from changes in financial assumptions	2,204	-	2,204
Experience adjustment	556	-	556
Return on plan assets	-	(8,129)	(8,129)
Subtotal	2,760	(8,129)	(5,369)
Payments from the plan	(40,541)	16,087	(24,454)
Contributions by employer	-	(9,831)	(9,831)
As of December 31, 2018	182,065	(89,715)	92,350
Current service cost	7,587	-	7,587
Interest expense (income)	1,656	(846)	810
Subtotal	9,243	(846)	8,397
Remeasurement of defined benefit liabilities/assets			
Actual gains and losses arising from changes in financial assumptions	4,222	-	4,222
Experience adjustment	8,079	-	8,079
Return on plan assets	-	(6,364)	(6,364)
Subtotal	12,301	(6,364)	5,937
Payments from the plan	(18,682)	14,650	(4,032)
Contributions by employer	-	(4,266)	(4,266)
As of December 31, 2019	$184,927	$(86,541)	$98,386

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2019	2018
Discount rate	0.66%~0.78%	0.84%~1.10%
Expected rate of salary increases	1.00%~2.50%	1.00%~2.50%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 was as follow:

	As of December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$8,807	$-	$8,196
Discount rate decrease by 0.5%	9,387	-	9,551	-
Future salary increase by 0.5%	9,021	-	9,192	-
Future salary decrease by 0.5%	-	8,447	-	7,855

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(16) Common stock

The Group had 2,000,000 thousand authorized shares of which 1,159,561 thousand shares were both issued as of December 31,2019 and 2018, respectively, at par value of NT$10. Each share has one vote and the right to receive dividends.

(17) Capital surplus

	As of December 31,	
	2019	2018
Treasury share transactions	$10,407	$10,407
Others － Overdue dividends	21,221	15,376
Total	$31,628	$25,783

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(18) Retained earnings and non-controlling interests

A. Legal reserve

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

B. Special reserve

After the adoption of International Financial Reporting Standards, in accordance with Letter FSC No. 1010012865 issued by FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate a corresponding amount to special reserve same as the IFRS adjustment, in which case an entity elects to use exemption application specified in IFRS 1 and resets unrealized revaluation increment and cumulative translation differences under shareholders' equity to zero, and its retained earnings is being increased accordingly. However, if the retained earnings' arising from IFRS adjustment at the first-time adoption is insufficient, special reserve shall be appropriated by the amount that retained earnings increase from the IFRS adjustment.

At the first-time adoption of IFRSs, special reverse set aside by The Group was NT$504,189 thousand. As of 31 December 2019, there were no use, disposition or reclassification of related assets and there is no need to revolving special reserve to retained earnings.

C. Retained earnings and dividend policies

Pursuant to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

(a) Payments of all taxes, if any
(b) To offset prior year's deficit, if any
(c) To set aside 10% of the remaining amount as legal reserve after deducting items (a) and
(d) To set aside special reserve, if required
(e) The remaining amount (the "appropriable after-dividend earnings"), if any, combination with prior year's accumulated unappropriated earnings is appropriated based on the appropriation of shareholders' bonuses plan drafted by the board of directors under the ordinary shareholders' meeting.

In response to the changes in the economy and the markets, The Group is developing towards diversified investment to increase profitability. Considering long-term financial planning and cash flows, the dividend policy adopts the residual dividend policy for stable growth and sustainable operation. According to The Group's operating plan, capital investment and the shareholders' demand for cash inflows, and avoiding excessive inflationary capital, the surplus distribution is given priority by cash dividends, and the stock dividends are also issued, but the cash dividend distribution ratio cannot less than 50% of the total dividend.

D. For the years ended 2018 and 2017, the details of earnings distribution and dividends per share resolved by the shareholder's meeting on June 14, 2019 and resolved by the shareholder's meeting on June 8, 2018, were as follows:

	Appropriation of earnings (in thousand NT dollars)		Cash Dividend per share (NT dollars)	
	2018	2017	2018	2017
Legal reserve	$360,961	$144,464		
Common stock － cash dividend	2,435,078	1,391,473	$2.1	$1.2

E. Please refer to Note 6.(24) for details of bonus to employees and directors.

F. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$266,813	$455,660
Net income (losses) attributed to the non-controlling interest	29,853	632,186
Other comprehensive income attributed to the non-controlling interest:		
Exchange differences resulting from translating the financial statements of a foreign operation	(30,525)	74,823
Remeasurements of defined benefit plans	(57)	(18)
Income tax (benefit) expense relating to items that will not be reclassified	-	3
Rights offering by subsidiary	-	4,982
Reduction of capital by subsidiary	(150,329)	(890,674)
Dividends distributing by subsidiary	(11,797)	(10,149)
Ending balance	$103,958	$266,813

(19) Operating revenues

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Rental income	$539,247	$642,772
Sales of buildings and land	9,296,499	12,400,858
Service income	1,717,128	1,147,342
Others	71,054	103,798
Total	$11,623,928	$14,294,770

Analysis of revenue from contracts with customers during December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	Property and real estate Investment development department	Others	Total
Rental income	$379,401	$159,846	$539,247
Sales of buildings and lands	9,296,499	-	9,296,499
Sales of goods	-	70,341	70,341
Service income	-	1,717,128	1,717,128
Others	-	713	713
Total	$9,675,900	$1,948,028	$11,623,928
Revenue recognition point:			
At a point in time	$9,296,499	$1,788,182	$11,084,681
Over time	379,401	159,846	539,247
	$9,675,900	$1,948,028	$11,623,928

For the year ended December 31, 2018

	Property and real estate Investment development department	Others	Total
Rental income	$386,193	$256,579	$642,772
Sales of buildings and lands	12,400,858	-	12,400,858
Sales of goods	-	69,813	69,813
Service income	-	1,147,342	1,147,342
Others	-	33,985	33,985
Total	$12,787,051	$1,507,719	$14,294,770

	Property and real estate Investment development department	Others	Total
Revenue recognition point:			
At a point in time	$12,400,858	$1,251,140	$13,651,998
Over time	386,193	256,579	642,772
	$12,787,051	$1,507,719	$14,294,770

B. Contract balances

Contract liabilities － current

	As of December 31,	
	2019	2018
Sales of goods	$3,526,415	$3,626,329
Service	49,508	25,283
Total	$3,575,923	$3,651,612

For the years ended 2019 and 2018, the movement in the contract liabilities are as follows:

	For the years ended December 31,	
	2019	2018
Revenue recognized during the year that was included in the balance at the beginning of the year	$(3,639,308)	$(4,504,886)
Increase in receipt in advance during the period	3,563,619	3,651,612

C. Assets recognized from the revenue from contracts with customers

	As of December 31,	
	2019	2018
Sales of goods	$671,760	$481,597

The amortized amount of the incremental cost of the Group's acquisition of the contract on December 31, 2019 and 2018 were NT$157,247 thousand and NT$213,332 thousand.

(20) Expected credit losses/(gains)

	For the years ended December 31,	
	2019	2018
Operating expenses－Expected credit losses/ (gains)		
Accounts receivable	$32	$4,482

Please refer to Note 12 for information of credit risks.

The Group measured the loss allowance of receivables (including notes and accounts receivable) at an amount equal to lifetime expected credit losses. The explanation of the loss allowance measured for the the year ended December 31,2019 and 2018 was as follows:
The Group considered the grouping of accounts receivable by counterparties’ credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details were as follow:

For the year ended December 31, 2019

Group 1	Neither past due (Note)	Past due Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$258,157	$1,735	$2,518	$41,777	$-	$-	$304,187
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	42	-	-	44
Subtotal	258,157	1,735	2,516	41,735	-	-	304,143

Group 2	Neither past due (Note)	Past due Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	2,299	-	-	-	-	-	2,299
Loss ratio	-	-	-	10%	30%	50%	
Lifetime expected credit losses	-	-	-	-	-	-	
Subtotal	2,299	-	-	-	-	-	2,299
Loss of control		-	-	-	-	-	
Total	$260,456	$1,735	$2,516	$41,735	$-	$-	$306,442

For the year ended December 31, 2018

Group 1	Neither past due (Note)	Past due Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	$468,017	$4,377	$3,474	$9,531	$-	$-	$485,399
Loss ratio	-	0.01%	0.05%	0.10%	0.15%	0.20%	
Lifetime expected credit losses	-	-	2	10	-	-	12
Subtotal	468,017	4,377	3,472	9,521	-	-	485,387

Group 2	Neither past due (Note)	Past due Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	Total
Gross carrying amount	18,591	-	-	4,218	5,537	4,625	32,971
Loss ratio	-	-	-	10%	30%	50%	
Lifetime expected credit losses	-	-	-	422	1,661	2,312	4,395
Subtotal	18,591	-	-	3,796	3,876	2,313	28,576
Loss of control	(17,836)	-	-	(3,796)	(3,876)	(2,313)	(27,821)
Total	$468,772	$4,377	$3,472	$9,521	$-	$-	$486,142

Note : The Group’s notes receivable was not overdue.

For the year ended December 31, 2019 and 2018, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Receivables
As of January 1, 2019	$12
Addition/(reversal) for the current period	32
Amounts write off during the period as uncollectible	-
As of December 31, 2019	$44
As of January 1, 2018 (in accordance with IAS 39)	$-
Adjusted retained earnings as of January 1, 2018	-
As of January 1, 2018 (in accordance with IFRS 9)	-
Addition/(reversal) for the current period	4,482
Amounts write off during the period as uncollectible	-
Loss of control	(4,395)
Exchange differences	(75)
As of December 31, 2018	$12

(21) Operating lease

A. Operating lease commitments - Group as lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various property (buildings) and transportation equipment. These leases have terms of between one and twenty years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follow:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of December 31,	
	2019	2018 (Note)
Land	$15,513	
Buildings	4,016,680	
Total	$4,032,193	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the additions to right-of-use assets of the Group amounting to NT$46,431 thousand.

(b) Lease liability

	As of December 31,	
	2019	2018 (Note)
Lease liability	$4,373,611	
Current	$290,712	
Non-current	4,082,899	

Please refer to Note 6.(23).C for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12.(5) for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Land	$4,542	
Buildings	320,897	
Total	$325,439	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expense relating to short-term leases	$98,327	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	1,550	
The expense relating to variable lease payments not included in the measurement of lease liabilities	4,971	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

As of December 31 2019, the short-term lease portfolio promised by the Group and the types of lease targets related to the aforementioned short-term lease expenses are similar.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflow for leases amounting to NT$347,035 thousand.

e. Other information relating to leasing activities

Variable lease payments

Some of the Group's property lease agreements contain variable payment terms that are linked to certain percentages of sales generated from the leased stores, which is very common in the industry of the Group. The variable rent was calculated by the higher amount of fixed payment and payment which calculated by certain percentages of sales under the lease agreements. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. The Group expects that, for every sales increase of NT$100 thousand, the rental payments will increase by NT$25 thousand.

B. Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group leased the office by operating lease.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note)	2018
Not later than 1 year		$444,043
Later than 1 year and not later than 5 years		1,602,781
Later than five years		4,862,147
Total		$6,908,971

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$341,314

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Group as lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6 (8) for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$539,247	
Income relating to variable lease payments that do not depend on an index or a rate	-	
	$539,247	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6 (7) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2019 are as follow:

	As of December 31,	
	2019	2018 (Note)
Not later than 1 year	$289,634	
Later than 1 year and not later than 2 years	287,267	
Later than 2 year and not later than 3 years	286,097	
Later than 3 year and not later than 4 years	284,910	
Later than 4 year and not later than 5 years	283,143	
Later than five years	511,739	
Total	$1,942,790	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments- Group as lessor (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial property leases with remaining terms of between five and twenty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 and 31 December 2018 are as follows:

	As of December 31,	
	2019(Note)	2018
Not later than 1 year		$374,340
Later than 1 year and not later than 5 years		1,451,539
Later than five years		602,216
Total		$2,428,095

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(22) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expense						
Salaries and wages	$340,947	$323,889	$664,836	$259,528	$294,720	$554,248
Labor and health insurance	29,896	28,833	58,729	21,294	24,243	45,537
Pension	18,369	19,467	37,836	11,482	19,590	31,072
Other employee benefits expense	24,919	20,036	44,955	14,371	16,533	30,904
Depreciation and depletion	512,178	244,442	756,620	324,005	93,541	417,546
Amortization	3,981	8,329	12,310	5,425	10,361	15,786

According to the Company's Articles of Incorporation, 0.1% to 1% and lower than 1% of the profit of the period should be distributed as compensation for employees and directors' remuneration. However, if there is accumulated deficit, the deficit should be covered first. The Group may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, there to a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employee compensation can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company's employees' compensation and directors' remuneration was NT$1,509 thousand and NT$2,400, estimated as 0.1% and lower than 1% of the Company's net profit and recognized as compensation for employees and directors' remuneration for the year ended December 31, 2019. The amount of employees' compensation and directors' remuneration recognized in the year ended December 31, 2018 was NT$3,841 thousand and

NT$2,400 thousand, respectively. The estimated basis is based on the profit status of the current year. The aforementioned amounts were listed under salary expenses.

The Company's the board of director's meeting on March 21, 2019 resolved to distribute NT$3,841 thousand and NT$2,400 thousand of employee's and director's compensation in cash. There are no material differences exist between the estimated amount and the actual distribution.

(23) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income	$4,665	$7,297
Dividend income	97,167	152,719
Others	83,227	121,581
Total	$185,059	$281,597

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains (losses) on disposal and abandon of property, plant and equipment	$(2,496)	$(898)
Gains (losses) on disposal of investment	45,221	2,128,213
Foreign exchange gains (losses), net	223	43,310
Others	(15,626)	(24,529)
Total	$27,322	$2,146,096

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$23,837	$133,801
Interest on lease liabilities	117,493	(Note)
Total	$141,330	$133,801

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(24) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or losses:					
Remeasurements of defined benefit plans	$(5,937)	$-	$(5,937)	$1,187	$(4,750)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	368,350	-	368,350	-	368,350
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of foreign operations	(29,477)	(1,440)	(30,917)	-	(30,917)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(790)	-	(790)	-	(790)
Total of other comprehensive income	$332,146	$(1,440)	$330,706	$1,187	$331,893

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or losses:					
Remeasurements of defined benefit plans	$5,369	$-	$5,369	$(1,766)	$3,603
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(493,136)	-	(493,136)	-	(493,136)
Items that may be reclassified subsequently to profit or losses:					
Exchange differences arising from translation of foreign operations	93,307	135,567	228,874	-	228,874
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(287)	-	(287)	-	(287)
Total of other comprehensive income	$(394,747)	$135,567	$(259,180)	$(1,766)	$(260,946)

(25) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, The Group's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) were as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	$104,832	$40,155
Current land value increment tax charge	91,995	125,253
Adjustments in respect of current income tax of prior periods	3	44
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(26,850)	191,589
Deferred tax expense (income) relating to changes in tax rate	-	(89,858)
Total income tax expense (income)	$169,980	$267,183

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$1,187	$(1,074)
Deferred tax expense (income) relating to changes in tax rate	-	(692)
Total	$1,187	$(1,766)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates was as follows:

	For the years ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	$1,570,338	$4,508,980
The parent company statutory income tax rate	$290,496	$798,553
Tax effect of revenues exempt from taxation	(266,525)	(798,111)
Tax effect of non-deductible expense	23,214	20,025
Tax effect of deferred tax assets/liabilities	(29,130)	211,277
5% surtax on undistributed retain earnings	59,927	-
Adjustments in respect of current income tax of prior periods	3	44
Current land value increment tax	91,995	125,253
Deferred tax expense (income) relating to changes in tax rate	-	(89,858)
Total income tax expense (income) recognized in profit or loss	$169,980	$267,183

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(10,049)	$-	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	96,746	-	-	96,746
Depreciation difference for tax purpose － investment property	101,539	-	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	2,429	(97)	-	2,332
Investments Accounted for Using Equity Method	83,066	(12,169)	-	70,897
Unrealized intragroup profits and losses	120	(8)	-	112
Allowance for loss	1,400	-	-	1,400
Allowance for loss of inventories price falling	28,665	-	-	28,665
Non-current liability – Defined benefit Liability	14,149	20	1,187	15,356
Accrued expenses over two years transfer to revenue	7	-	-	7
Unrealized advertising fee	95,252	24,060	-	119,312
Unrealized repairing fee	524	-	-	524
Unused tax credits	92,336	15,044	-	107,380
Deferred tax income/ (expense)		$26,850	$1,187	
Net deferred tax assets/(liabilities)	$506,184			$534,221
Reflected in balance sheet as follows:				
Deferred tax assets	$516,233			$544,270
Deferred tax liabilities	$(10,049)			$(10,049)

For the year ended December 31, 2018

	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS － land value increment tax	$(8,542)	$(1,507)	$-	$(10,049)
Revaluations of investment property to fair value as deem cost at the date of transition to IFRS	74,011	22,735	-	96,746
Depreciation difference for tax purpose － investment property	77,677	23,862	-	101,539
Depreciation difference for tax purpose of property, plants and Equipment － interest capitalization	1,933	496	-	2,429
Investments Accounted for Using Equity Method	245,427	(162,361)	-	83,066
Unrealized intragroup profits and losses	98	22	-	120
Allowance for loss	1,071	329	-	1,400
Allowance for loss of inventories price falling	1,630	27,035	-	28,665
Non-current liability – Defined benefit Liability	15,125	790	(1,766)	14,149
Accrued expenses over two years transfer to revenue	5	2	-	7
Unrealized advertising fee	84,658	10,594	-	95,252
Unrealized repairing fee	524	-	-	524
Unrealized commission fee	12,176	(12,176)	-	-
Unused tax credits	103,890	(11,554)	-	92,336
Deferred tax income/ (expense)		$(101,733)	$(1,766)	
Net deferred tax assets/(liabilities)	$609,683			$506,184
Reflected in balance sheet as follows:				
Deferred tax assets	$618,225			$516,233
Deferred tax liabilities	$(8,542)			$(10,049)

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	unused tax losses as of December 31, 2019	unused tax losses as of December 31, 2018	Expiration year
2012	$16,888	$16,888	$16,888	2013~2022
2013	65,058	65,058	65,058	2014~2023
2014	77,749	77,749	77,749	2015~2024
2015	183,168	183,168	183,168	2016~2025
2016	268,254	268,254	268,254	2017~2026
2017	448,004	188,708	448,849	2018~2027
2018	1,230,615	1,113,110	1,236,315	2019~2028
2019	273,928	273,728	-	2020~2029
		$2,186,663	$2,296,281	

Unrecognized deferred tax assets

As of 31 December 2019, and 2018, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$349,980 thousand and NT$374,969 thousand, respectively, as the future taxable profit may not be available.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019, and 2018, the Group didn't have the taxable temporary differences associated with unrecognized deferred tax liabilities relating to the investment in subsidiaries.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Group and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2017
Subsidiary- Cathay Real Estate Management Co., Ltd	Assessed and approved up to 2017
Subsidiary- Cathay Healthcare Management Co., Ltd	Assessed and approved up to 2017
Subsidiary- Cathay Hospitality Management Co., Ltd	Assessed and approved up to 2017

(26) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

In view of the companies did not issue a potential ordinary share with dilution, the Group doesn't have to dilute the amount of the basic earnings per share.

	For the years ended December 31,	
	2019	2018
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$1,370,505	$3,609,611
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,159,561	1,159,561
Basic earnings per share	$1.18	$3.11

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
CCH REIM Company Limited (CCH REIM)	Associate
Tailin Management Consulting Limited (Tailin Consulting)	Associate
Cathay Life Insurance Co., Ltd. (Cathay Life Insurance)	Others
Cathay United Bank Co., Ltd. (Cathay United Bank)	Others
San Ching Engineering Co., Ltd. (San Ching Engineering)	Others
Lin Yuan Property Management Co., Ltd. (Lin Yuan Property)	Others
Cathay Century Insurance Co., Ltd. (Cathay Century Insurance)	Others
Symphox Information Co., Ltd. (Symphox Information)	Others
Seaward Card Co., Ltd. (Seaward Card)	Others
Nangang International One Co., Ltd. (Nangang One)	Others
Nangang International Two Co., Ltd. (Nangang Two)	Others

Significant transactions with the related parties

The Group's related party transactions would not be disclosed when amounts less than 3 million.

(1) Cash in banks and short-term loan

		For the year ended December 31, 2019			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	$6,163,728	$1,100,961	0.05%	$504
	Checking accounts	2,227,481	56,854	-	-
	Securities accounts	866,483	169,914	0.01%	11
	Time deposits	165,200	88,500	0.75%~1.02%	810
	Short-term loan	2,040,000	250,000	1%	(1,160)

		For the year ended December 31, 2018			
Name of the related parties	Type	Maximum amount	Year ended balance	Interest rate (%)	Interest income (expenses)
Others:					
Cathay United Bank	Demand deposit	$8,822,992	$1,076,036	0.05%	$1,187
	Checking accounts	1,425,684	97,966	-	-
	Securities accounts	1,170,662	52,269	0.01%	7
	Time deposits	109,150	85,550	0.75%~1.02%	767
	Short-term loan	400,000	210,000	1.00%	-

(2) Purchase

Name of the related parties	Type	For the years ended December 31, 2019	2018
Others:			
San Ching Engineering	Building constructing or expansion	$1,467,349	$2,430,896
Cathay United Bank	Management fee of trust service	4,936	2,856
Total		$1,472,285	$2,433,752

A. The sales price to the above related parties was determined through agreement based on the market rates.

B. The total price of the commissioned construction and consultancy contracts signed by the Group and San Ching Engineering was NT$10,111,544 thousand and NT$11,899,255 thousand, respectively, for the year ended of 2019 and 2018.

(3) Sales

A. Rental Income

Name of the related parties	Type	For the years ended December 31, 2019	2018
Others:			
Cathay Life Insurance	Office and vehicles rental	$8,057	$8,056
Cathay United Bank	Office and vehicles rental	18,438	18,813
San Ching Engineering	Office and vehicles rental	3,388	2,540
Total		$29,883	$29,409

The rental period is 2 to 5 years and collect rent monthly which were ruled by the contract.

B. Service revenue

Name of the related parties	For the years ended December 31, 2019	2018
Others:		
Cathay Life Insurance	$41,358	$34,866
Cathay United Bank	20,097	26,084
Symphox Information	4,529	9,315
Total	$65,984	$70,265

The service revenues are generated from the subsidiary Cathay Healthcare Management provides health inspection services and Cathay Hospitality provides housing services.

(4) Accounts Receivable – related parties

The debt between the Group and the related parties (both uninterested) are as follows:

Name of the related parties	As of December 31, 2019	2018
Others:		
Nangang One	$3,696	$-
Nangang Two	4,704	-
Total	$8,400	$-

(5) Accounts payable – related parties

The debt between the Group and the related parties (both uninterested) are as follows:

Name of the related parties	As of December 31, 2019	2018
Others:		
San Ching Engineering	$210,853	$590,101
Cathay Life Insurance	1,693	4,556
Total	$212,546	$594,657

(6) Lease - related parties

A. Right-of-use assets

	As of December 31, 2019	2018 (Note)
Others:		
Cathay Life Insurance	$4,175,150	

The Company acquired right-of-use assets from Cathay Life Insurance was NT$185,758 thousand for the year ended December 31, 2019.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Lease liabilities

	As of December 31, 2019	2018
Others:		
Cathay Life Insurance	$4,267,238	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Interest expenses

	For the years ended December 31, 2019	For the years ended December 31, 2018 (Note)
Others:		
Cathay Life Insurance	$115,075	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(7) Others

A. Refundable deposits

Name of the related parties	Type	As of December 31, 2019	As of December 31, 2018
Others:			
Cathay Life Insurance	Rent deposit	$22,707	$23,468

B. Guarantee deposit received

Name of the related parties	Type	As of December 31, 2019	As of December 31, 2018
Others:			
Cathay United Bank	Rent deposit	$4,625	$4,608

(8) Other income

Name of the related parties	Items	For the years ended December 31, 2019	For the years ended December 31, 2018
Others:			
Cathay Life Insurance	Management fee and planning fee	$4,280	$3,688
Cathay United Bank	Management fee and planning fee	4,846	4,839
Nangang One	Consultancy service	7,040	14,080
Nangang Two	Consultancy service	8,960	17,920
Total		$25,126	$40,527

(9) Operating costs

Name of the related parties	Items	For the years ended December 31, 2019	2018
Others:			
Lin Yuan Property	Management and repairing fee	$38,656	$45,976
Cathay Century Insurance	Insurance fee	6,182	6,383
Cathay Life Insurance	Rental expenses	2,927	180,551
Cathay Life Insurance	Management fee	69,490	60,528
Symphox Information	Others	3,677	3,452
Associate:			
Tailin Consulting	Consultancy fee	-	9,573
Total		$120,932	$306,463

(10) Operating expenses

Name of the related parties	Items	For the years ended December 31, 2019	2018
Others:			
Seaward Card	Temporary worker service	$3,655	3,094
Cathay Life Insurance	Insurance and selling expenses	16,317	10,866
San Ching Engineering	Service fee	10,901	6,173
Cathay United Bank	Sales fee	3,040	1,059
Associate:			
CCH REIM	Service fee	-	15,410
Total		$33,913	$36,602

(11) Property transactions

Details of The Group and its subsidiaries transacting equipment to related parties are as follows:

For the year ended December 31,2019

Name of the related parties	Date	Subject matter	Purchasing price
Others:			
Lin Yuan Property	November, 2019	Business facilities for building	$7,759

For the year ended December 31,2018

Name of the related parties	Date	Subject matter	Purchasing price
Others:			
Cathay Life Insurance	August, 2018	Business facilities for building	$452,540

(12) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$57,424	$52,063
Post-employment benefits	1,186	1,034
Total	$58,610	$53,097

8. PLEDGED ASSETS

The following assets were pledged to banks as collaterals for bank loans:

	As of December 31,		
Items	2019	2018	Secured liabilities
Inventories	$3,897,159	$5,320,359	Short-term loan & Long-term loan
Investment property	8,057,172	8,057,172	Short-term loan & Long-term loan
Total	$11,954,331	$13,377,531	

Pledged or mortgaged assets are expressed in terms of collateral amounts.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Significant contract

As of December 31, 2019, the total contract price of the construction contracts signed by the Group and non-related parties was NT$9,077,395 thousand, and the total amount of NT$6,787,583 thousand was not paid, except for Note 7.(2).

(2) Others

As of December 31, 2019, guarantee notes issued for borrowings (financing) were NT$43,904,300 thousand.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of December 31,	
Financial Assets	2019	2018
Financial assets at fair value through other comprehensive income	$4,689,335	$4,258,837
Financial assets at amortised cost	2,456,953	2,526,311
Total	$7,146,288	$6,785,148

	As of December 31,	
Financial Liabilities	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	$7,263,000	$8,715,000
Short-term notes and bills payable	1,034,540	260,000
Accounts payables	1,372,516	1,801,378
Bonds payable (including current portion)	3,000,000	3,000,000
Long-term borrowings (including current portion)	8,102,682	5,605,285
Lease liabilities	4,373,611	(Note)
Guarantee deposit received	141,063	142,239
Total	$25,287,412	$19,523,902

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the above-mentioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group consistently complies with its financial risk management policies.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market price. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instrument).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, and there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for a foreign currency, USD and CNY. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 5%, the equity for the year ended December 31, 2019 and 2018 is decreased/increased by NT$0 thousand and NT$110 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investments with bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit to decrease/increase by NT$8,298 thousand and NT$8,975 thousand for the years ended December 31, 2019 and 2018, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities and unlisted equity securities are classified under held for financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

When the price of the listed equity securities at fair value through other comprehensive income increases/decreases 5%, it could have impacts of NT$105,190 thousand and NT$101,834 thousand for the year ended December 31, 2019 and December 31, 2018 on the profit/loss or equity attributable to the Group.

Please refer to Note 12.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019, and 2018, accounts receivable from top ten customers represented low percentage of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury department in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility using cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	As of December 31, 2019				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	$11,403,615	$5,184,940	$-	$-	$16,588,555
Accounts payable	1,372,516	-	-	-	1,372,516
Bonds payable	3,042,000	-	-	-	3,042,000
Lease liabilities	290,712	578,106	466,726	3,038,067	4,373,611
Guarantee deposits	34,522	38,524	11,244	56,773	141,063

	As of December 31, 2018				
	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Borrowings	$13,224,350	$1,413,817	$-	$-	$14,638,167
Accounts payable	1,801,378	-	-	-	1,801,378
Bonds payable	-	3,042,000	-	-	3,042,000
Guarantee deposits	34,516	30,156	16,980	60,587	142,239

(6) Reconciliations of the liabilities from financing activities

Reconciliations of the liabilities for the year ended December 31, 2019:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$8,715,000	$260,000	$5,605,285	$4,404,063	$18,984,348
Cash flows	(1,452,000)	774,540	2,497,397	(347,035)	1,472,902
Non-cash changes					
Interest on lease liability	-	-	-	117,493	117,493
Other(Note)	-	-	-	199,090	199,090
As of December 31, 2019	$7,263,000	$1,034,540	$8,102,682	$4,373,611	$20,773,833

Note: Lease liabilities that meet the recognition of lease requirements in this period.

Reconciliations of the liabilities for the year ended December 31, 2018:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Total liabilities from financing activities
As of January 1, 2018	$5,779,000	$879,529	$14,535,275	$21,193,804
Cash flows	2,936,000	(619,529)	(3,785,554)	(1,469,083)
Transfer	-	-	(5,144,436)	(5,144,436)
As of December 31, 2018	$8,715,000	$260,000	$5,605,285	$14,580,285

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payables and other current liabilities approximate their fair value because of its shorter maturities.
(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
(c) Fair value of other financial assets and liabilities are determined based on the discounted cash flow analysis. The assumption of interest rate and discount rate were based on relevant information of similar instrument and using interest rate yield curve for the contract period

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial instruments measured at amortized cost (including cash and cash equivalents, receivables, payables and other liabilities) measured at amortized cost approximate their fair value.

C. Fair value hierarchy

The following table provides financial instrument analysis information measured at fair value after the original recognition, and divide the fair value into the following three levels of disclosure:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liabilities.

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,454,341	$1,916,850	$318,144	$4,689,335

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$2,620,886	$1,318,200	$319,751	$4,258,837

The group had no recurring assets and liabilities transfer between level 1 input and level 2 input for the year ended December 31, 2019 and 2018.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Asset
	At fair value through other comprehensive income
	Stocks
As of January 1, 2019	$319,751
Amount recognized in OCI	1,641
Disposals	(3,248)
As of December 31, 2019	$318,144

	Asset
	At fair value through other comprehensive income
	Stocks
As of January 1, 2018	$343,174
Amount recognized in OCI	(23,423)
As of December 31, 2018	$319,751

Total gains and losses recognized in profit or loss for the years ended 31 December 2019 and 2018 is the amount of NT$1,641 thousand and NT$(23,423) thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$18,863 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$18,609 thousand

As of December 31, 2018:

	Valuation technique	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
Financial assets：					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	0%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$22,309 thousand
Stocks	Assets approach	P/E ratio of similar entities	0%~30%	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's equity by NT$16,401 thousand

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31,					
	2019			2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$-	30.201	$-	$71	30.838	$2,204
CNY	-	-	-	-	-	-
Financial liabilities						
Monetary items:						
EUR	-	-	-	-	-	-

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it, considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: None

C. Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures): Please refer to Table 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 % of the capital stock: Please refer to Table 3.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the paid-in capital: Please refer to Table 4.

F. Disposal of property with amount exceeding NT$300 million or 20% of the paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the paid-in capital or more: Please refer to Table 5.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Significant intercompany transactions between consolidated entities: Please refer to Table 6.

(2) Investee information

A. Financings provided to others: None.

B. Endorsement/guarantee provided to others: Please refer to Table 1.

C. Securities held as of December 31, 2019 (Investee information): Please refer to Table 7.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 % of the capital stock: None.

E. Acquisition of property with the amount exceeding NT$300 million or 20% of the paid-in capital: None.

F. Disposal of property with amount exceeding NT$300 million or 20% of the paid-in capital: None.

G. Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the paid-in capital or more: None.

H. Receivables from related parties with amounts exceeding NT$100 million or 20% of the paid-in capital: None.

I. Derivative financial instruments undertaken: None.

J. Names, locations and related information of investee companies: Please refer to Table 8.

(3) Investment in Mainland China as of December 31, 2019

Please refer to Table 9.

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

Movable property and real estate development department: The main businesses of the department are entrusted the manufacturer to build residential and commercial buildings for leasing or selling.

The operating segment information does not summarize more than one operating segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner like transactions with third parties.

(1) Information about profit or loss, assets and liabilities of reportable segment

Information for the year ended December 31, 2019

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$9,675,900	$1,948,028	$-	$11,623,928
Inter-segment	60,709	2,217	(62,926)	-
Total revenue	$9,736,609	$1,950,245	$(62,926)	$11,623,928
Interest expense	$9,911	$159,413	$(27,994)	$141,330
Depreciation and Amortization	212,904	612,672	(56,646)	768,930
Loss (gain) of investments accounted for using equity method	(50,775)	(50,125)	100,900	-
Other material non-cash items:				
Loss (gain) on disposal of investments	-	45,221	-	45,221
Dividend income	97,167	-	-	97,167
Segment profit	$1,504,687	$(59,504)	$125,155	1,570,338
Assets				
Capital expenditure of non-current assets	$10,965,126	$2,331,558	$(13,374)	$13,283,310
Segment assets	$47,614,997	$8,797,840	$(2,676,707)	$53,736,130
Liabilities				
Investment Accounted for Using Equity Method(Credit)	$(1,542,646)	$(121,155)	$1,663,801	$-
Segment liabilities	$23,236,905	$7,054,337	$(1,037,162)	$29,254,080

Information for the year ended December 31, 2018

	Movable property and real estate development department	Others	Adjustment and eliminations	Consolidated Amount
Revenue				
External customer	$12,787,051	$1,507,719	$-	$14,294,770
Inter-segment	25,474	4,559	(30,033)	-
Total revenue	$12,812,525	$1,512,278	$(30,033)	$14,294,770
Interest expense	$1,905	$131,896	$-	$133,801
Depreciation and Amortization	191,330	242,043	(41)	433,332
Loss (gain) of investments accounted for using equity method	1,218,883	897,398	(2,129,426)	(13,145)
Other material non-cash items:				
Loss (gain) on disposal of investments	-	2,128,213	-	2,128,213
Dividend income	152,719	-	-	152,719
Segment profit	$3,834,808	$2,803,598	$(2,129,426)	$4,508,980
Assets				
Capital expenditure of non-current assets	$11,190,073	$1,834,418	$(13,415)	$13,011,076
Segment assets	$46,692,101	$4,134,558	$(2,055,271)	$48,771,388
Liabilities				
Investment Accounted for Using Equity Method(Credit)	$(1,652,433)	$(378,558)	$2,033,129	$2,138
Segment liabilities	$21,617,365	$1,824,633	$(12,159)	$23,429,839

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ section. All other adjustments and eliminations are part of detailed reconciliations presented further below.

(2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

A. Revenue:

	For the years ended December 31, 2019	2018
Total revenue from reportable segments	$9,736,609	$12,812,525
Other revenue	1,950,245	1,512,278
Elimination of inter-segment revenue	(62,926)	(30,033)
Total revenue	$11,623,928	$14,294,770

B. Profit or loss:

	For the years ended December 31,	
	2019	2018
Net income from reportable segments	$1,504,687	$3,834,808
Other profit	(59,504)	2,803,598
Elimination of inter-segment profit	125,155	(2,129,426)
Net income from continuing operations	$1,570,338	$4,508,980

C. Assets:

	As of December 31,	
	2019	2018
Total assets of reportable segments	$47,614,997	$46,692,101
Other assets	8,797,840	4,134,558
Adjustment and elimination	(2,676,707)	(2,055,271)
Segment assets	$53,736,130	$48,771,388

D. Liabilities:

	As of December 31,	
	2019	2018
Total liabilities of reportable segments	$23,236,905	$21,617,365
Other liabilities	7,054,337	1,824,633
Adjustment and elimination	(1,037,162)	(12,159)
Segment liabilities	$29,254,080	$23,429,839

E. Other material items:

For the year ended December 31, 2019

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$2,613	$2,052	$-	$4,665
Interest expense	9,911	159,413	(27,994)	141,330
Capital expenditure for non-current assets	10,965,126	2,331,558	(13,374)	13,283,310
Depreciation and amortization	212,904	612,672	(56,646)	768,930

For the year ended December 31, 2018

	Reportable segments	Others	Adjustment	Consolidated
Interest revenue	$734	$6,563	$-	$7,297
Interest expense	1,905	131,896	-	133,801
Capital expenditure for non-current assets	11,190,073	1,834,418	(13,415)	13,011,076
Depreciation and amortization	191,330	242,043	(41)	433,332

The reconciling item to adjust capital expenditures for non-current assets is the amount incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are material.

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Table 1: Endorsement/guarantee provided to others

Unit: NT$1,000

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage	Limit on the Endorsement/Guarantee Amount	Parent Company Endorsed / Guaranteed for the Subsidiaries	Subsidiaries Endorsed/ Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
		Company Name	Relationship (Note2)										
1	Cathay healthcare management co.,Ltd	Hangzhou Kunning Health Consulting Limited	3	$7,313,428	$60,212	$30,106	$-	$-	0.12%	$14,626,855	Y	N	Y
Note	A. Limit of the Endorsement / Guarantee Amount for Receiving Party：NT$24,378,092 thousand *30% B. Limit on the Endorsement/Guarantee Amount：NT$24,378,092 thousand*60%												

Note1： The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2： Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) The endorser/guarantor company and endorsed/guaranteed company both are owned directly or indirectly more than 50% voting shares by the company.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

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(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 2: Securities held as of December 31, 2019 (not including subsidiaries, associates and joint ventures)

Unit: NT$1,000 ; Share

Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 2018				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock － Cathay Financial holdings Co., Ltd	Others	Financial assets at fair value through other comprehensive income–current	57,681,332	$2,454,341	0.44%	$2,454,341	
〃	Stock － Lin Yuan Property Management Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	300,000	9,882	10.00%	9,882	
〃	Stock － Symphox Information Co., Ltd	Others	〃	5,489,000	54,670	11.00%	54,670	
〃	Stock － Taiwan Star Telecom Co., Ltd	None	〃	195,000,000	1,916,850	4.23%	1,916,850	
〃	Stock － Gong Cheng Industrial Co.	None	〃	1,580,083	-	3.23%	-	
〃	Stock － Gian Feng Investment Co., Ltd.	None	〃	2,000,000	26,160	10.00%	26,160	
〃	Stock － MetroWalk international Co., Ltd	None	〃	3,448,276	77,379	1.72%	77,379	
〃	Stock － Budworth Investments Limited	None	〃	30,314	45	3.33%	45	
〃	Stock － Nangang International One Co., Ltd.	Others	〃	7,485,000	74,957	4.99%	74,957	
〃	Stock － Nangang International Two Co., Ltd.	Others	〃	7,485,000	74,751	4.99%	74,751	

Note：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

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Table 3: Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of paid-in capital:

Unit: NT$1,000

Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As January 1, 2019		Purchase (Note 3)		Sell (Note 3)				As December 31, 2019	
					Shares	Amount	Shares	Amount	Shares	Price	Book Cost	Gain / Loss	Shares	Amount
The Company	The stocks of Cathay hospitality consulting Co., Ltd	Investments Accounted for Using Equity Method	Cathay hospitality consulting Co., Ltd	Subsidiary	45,000,000	$450,000	30,000,000	$300,000	-	$-	$-	$-	75,000,000	$750,000

Note 1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other relatedderivative securities.

Note 2：If the securities listed above are investments accounted for using the equity method, fill in the second column.

Note 3：The accumulated consideration of acquisition or sale should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4：The Company' s paid-in capital means the parent's paid-in capital. If the stock has no par value or the par value do not equal to NT$10, according to the regulation of 20% paid-in capital transaction amount, the par value will be calculated by 10% of the total parent equity.

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 4: Acquisition of property with the amount exceeding NT$300 million or 20% of the Company's paid-in capital:

Unit: NT$1,000

Company	Property Name	Transaction Date	Transaction Amount	Status of Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				References for Determining Price	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	Land Serial No. 269, Sanmin Section, Taoyuan District, Taoyuan City	2019.1.25	$400,500	Installment by agreement	Individual	None	-	-	-	$-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 83, Sanmin Section, Taoyuan District, Taoyuan City	2019.7.3	769,482	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 80, Ruanciao Section, Beitou District, Taipei City	2019.7.15	583,148	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None
The Company	Land Serial No. 139、No. 139-1、No. 141, Hueiyi Section, Nantun District, Taichung City and Building Serial No. 427	2019.10.1	1,191,519	Installment by agreement	Individual	None	-	-	-	-	Negotiation by two parties	Construction	None

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Table 5: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit: NT$1,000

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts payable	
The Company	San Ching Engineering Co., Ltd	Affiliated Company	Construnction-in-progress	$1,467,349	19.22%	N/A	$-	-	$210,853	24.22%	Residential building

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Table 6: Significant intercompany transactions between consolidated entities

Unit: NT$1,000

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Cathay Hospitality Consulting Co., Ltd.	1	Rental income	$95	Regular	-
0	The Company	Cathay Hospitality Consulting Co., Ltd.	1	Accounts receivable	8	Regular	-
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Deferred credits-gains on inter-affiliate accounts	13,374	Regular	0.12%
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Realized gain from inter-affiliate accounts	41	Regular	-
0	The Company	Cathay Real Estate Management Co., Ltd.	1	Cost of rental sales	1,800	Regular	0.02%
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Rental income	108	Regular	-
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Accounts receivable	34	Regular	-
0	The Company	Cathay Healthcare Management Co., Ltd.	1	Entertainment	25	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Entertainment	365	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Rental income	162	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Accounts receivable	36	Regular	-
0	The Company	Cathay Hospitality Management Co., Ltd.	1	Advertisement	27	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Investment property-land	12,813	Regular	0.02%
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Investment property-buildings	847	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Accumulated Depreciation-Investment property	286	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Cost of rental sales	41	Regular	-
1	Cathay Real Estate Management Co., Ltd.	The Company	2	Service income	1,800	Regular	0.02%
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Accounts payable	34	Regular	-
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Rent	108	Regular	-
2	Cathay Healthcare Management Co., Ltd.	The Company	2	Service income	25	Regular	-
3	Cathay Hospitality Consulting Co., Ltd.	The Company	2	Accounts payable	8	Regular	-
3	Cathay Hospitality Consulting Co., Ltd.	The Company	2	Rent	95	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Accounts payable	36	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Rent	162	Regular	-
4	Cathay Hospitality Management Co., Ltd.	The Company	2	Guest room income	392	Regular	-

Note1：The Company and its subsidiaries are coded as follows：
(1) The Company is coded "0".
(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:
(1) The Company to subsidiaries is coded "1".
(2) Subsidiaries to The Company is coded "2".
(3) Subsidiaries to Subsidiaries is coded "3".

Note3： The caculation for the Percentage of consolidated total operating revenues or total assets, if it recognized to assets or liabilities and it should be calualted by the ending balance for the consolidated assets. If it recoginzed to profit or loss and it should be caculated by the ending balance for the consolidated revenue.

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Table 7: Securities held as of December 31, 2019 (Investee information)

Unit: NT$1,000 ; Share

Holding Company	Type and Name of the Securities(Note)	Relationship	Financial Statement Account	As of December,31 2019				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
Cathay Hospitality Management Co., Ltd.	Stocks Nangang International One Co., Ltd.	Others	Financial assets at fair value through other comprehensive income–non-current	15,000	$150	0.01%	$150	
〃	Stocks Nangang International Two Co., Ltd.	Others	〃	15,000	150	0.01%	150	

Note：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 8: Names, locations and related information of investee companies as of December 31, 2019 (excluding Mainland China)

Unit: NT$1,000 ; USD$1,000 ; Share

Investor	Investee	Region	Main Business	Original cost		At the end of period			Investees company net income	Share of Profits/Losses	Note
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$242,747 (USD 9,592)	$597,409 (USD 21,052)	9,591,891	100.00%	$9,449	$29,290	$29,290	Subsidiary
The Company	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	117,650	33,460	33,460	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	579,491	109,864	93,385	Subsidiary
The Company	Cathay Hospitality Management Co., Ltd.	ROC	Service industry	400,000	400,000	40,000,000	100.00%	160,854	(87,024)	(79,041)	Subsidiary
The Company	Cathay Hospitality Consulting Co., Ltd.	ROC	Service industry	750,000	450,000	75,000,000	100.00%	576,223	(143,120)	(126,851)	Subsidiary
The Company	Cymbal Medical Network Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	100,000	-	10,000,000	100.00%	98,979	(1,021)	(1,021)	Subsidiary
Cathay Healthcare Management Co., Ltd.	Cathay Healthcare Management Limited(BVI)	British Virgin Islands	General trade and investing	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,004 (USD 464)	(24,134) (USD 780)	-	Second-tier subsidiary
Cymbal Medical Network Co., Ltd.	Xing De Co., Ltd.	ROC	Wholesale of Drugs, Medical Goods	80,000	-	8,000,000	100.00%	79,837	(163)	-	Second-tier subsidiary
Cathay Real Estate Holding Corporation	CCH REIM Company Limited	Cayman Islands	Investing	- (USD -)	$20,120 (USD 687)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Real Estate Holding Corporation	CCH Commercial Company Limited	Cayman Islands	Investing	2,641 (USD 90)	574,206 (USD 19,580)	7,758	66.67%	3,390 (USD 112)	40,124 (USD 1,297)	-	Second-tier subsidiary
CCH REIM Company Limited	CCH REIM (HK) Company Limited	Hong Kong	Investing	- (USD -)	$474,138 (USD 15,187)	-	0.00%	- (USD -)	- (USD -)	-	Joint venture
Cathay Healthcare Management Limited(BVI)	Cathay Healthcare Management Limited(Cayman)	Cayman Islands	Business management	103,122 (USD 3,400)	$78,469 (USD 2,600)	170,000	100.00%	14,002 (USD 464)	(24,134) (USD 780)	-	Third-tier subsidiary

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.

Note 2: If not belong to Note 1, filled in by the following rules:

(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.

(2) In"Investees company net income" column should filled in each investee net income.

(3) In"Share of Profits/Losses"column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss.
Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Table 9: Investment in Mainland China as of December 31, 2019

Unit: NT$1,000 ; USD$1,000

Investee company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investees company net income	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow (Note3)						
Tailin Management Consulting (Shanghai) Limited	Business management	$225,604 (USD 7,300)	(2) CCH REIM (HK) Company Limited	$8,945 (USD 300)	$-	$-	$8,945 (USD 300)	$-	0.00%	$- (b).2	$-	$-
Jiaheng (Shanghai) Real Estate Limited	Investing	$1,971,132 (USD 66,628)	(2) Lotus Pacific Company Limited	$157,691 (USD 5,330)	-	$157,691 (USD 5,330)	- -	-	0.00%	- (b).2	-	-
Shanghai Lujing Real Estate Limited	Investing	$2,064,902 (USD 69,057)	(2) Golden Gate Pacific Company Limited	$284,415 (USD 9,550)	-	$284,415 (USD 9,550)	- -	-	0.00%	- (b).2	-	-
Hangzhou Kunning Health Consulting Limited.	Consultancy	$103,122 (USD 3,400)	(1)	$78,469 (USD 2,600)	$24,653 (USD 800)	-	$103,122 (USD 3,400)	(28,370)	85%	(24,115) (b).2	8,432	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$112,067 (USD 3,700)	$4,294,039 (USD 142,182)	$14,626,855

Note1: The methods for engaging in investment in Mainland China include the following:
(1) Directly invested in China
(2) Investment in Mainland China companies through a company invested and established in a third region
(3) Other method

Note2: Investees company net income:
(a) If the investees is uder preparation, should take note.
(b) If the investees' net income is base on these three condition, should take note.
(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.
(2) The investes' finance statement has certification by the parenent company in Taiwan.
(3) Others.

Note3: Tailin Management Consulting (Shanghai) Limited was loss of control due to the disposal of CCH REIM Company Limited by Cathay Real Estate Holding Corporation. Please refer 6.(6) for more details.
The investment amount recovered in JJiaheng (Shanghai) Real Estate Limited . and Shanghai Lujing Real Estate Limited. has been repatriated.
The relevant documents were approved by the Investment Commission, MOEA on July 2, 2019.

VI. Financial Difficulties Occurred to the Company and its Affiliated Enterprises in the Most Recent Years and as of the Date of Publication of Annual Report and Impact on the Company's Financial Status: None.

Chapter 7 Review of Financial Conditions,Operating Results, and Risk Management

I. Analysis of Financial Status

Unit: NT$ thousands

Items \ Year	2018	2019	Difference	
			Amount	%
Current assets	32,529,906	32,654,308	124,402	0.38%
Property, plant and equipment	1,858,494	4,614,222	2,755,728	148.28%
Intangible assets	20,416	24,210	3,794	18.58%
Other assets	14,362,572	16,443,390	2,080,818	14.49%
Total assets	48,771,388	53,736,130	4,964,742	10.18%
Current liabilities	18,777,777	19,819,000	1,041,223	5.54%
Non-current liabilities	4,652,062	9,435,080	4,783,018	102.82%
Total liabilities	23,429,839	29,254,080	5,824,241	24.86%
Capital stock	11,595,611	11,595,611	0	0.00%
Capital surplus	25,783	31,628	5,845	22.67%
Retained earnings	13,373,271	12,311,946	(1,061,325)	-7.94%
Other equity	80,071	438,907	358,836	448.15%
Non-controlling interest	266,813	103,958	(162,855)	-61.04%
Total equity	25,341,549	24,482,050	(859,499)	-3.39%

(I) The main reasons for the significant changes of more than 20% in assets, liabilities and shareholders' equities in the most recent two years:

Property, plant and equipment: mainly caused by the reclassification of investment property.

Non-current liabilities: mainly caused by the increase in long-term loan and leasing liabilities.

Total liabilities: mainly caused by the increase in long-term loan and leasing liabilities.

Capital surplus: mainly caused by the transfer-in of overdue unclaimed dividend.

Other equity: caused by the increase in unrealized benefits of financial assets measured at fair value through other comprehensive income.

Non-controlling equity: caused by the reduction of capital attributable to non-controlling equity.

(II) Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly.

(III) Future response actions: Not applicable.

II. Analysis of Operating Results

Unit: NT$ thousands

Items \ Year	2018	2019	Difference	
			Amount	%
Operating revenue	14,294,770	11,623,928	(2,670,842)	-18.68%
Operating costs	10,576,571	8,461,339	(2,115,232)	-20.00%
Gross profit	3,718,199	3,162,589	(555,610)	-14.94%
Operating expenses	1,489,966	1,663,302	173,336	11.63%
Operating profit	2,228,233	1,499,287	(728,946)	-32.71%
Non-operating Income and expense	2,280,747	71,051	(2,209,696)	-96.88%
Income before tax	4,508,980	1,570,338	(2,938,642)	-65.17%
Income tax expense (profit)	267,183	169,980	(97,203)	-36.38%
Net income	4,241,797	1,400,358	(2,841,439)	-66.99%
Other comprehensive income (income after tax)	(260,946)	331,893	592,839	-227.19%
Total comprehensive income	3,980,851	1,732,251	(2,248,600)	-56.49%

(I) The main reasons for the significant changes of more than 20% in operating revenue, net operating profit and income before tax in the most recent two years:

Operating revenue: caused by the decrease in housing sales income.

Operating cost: caused by the decrease in housing sales cost.

Operating profit: caused by the decrease in operating revenue and increase in operating expenses.

Non-operating income and expense: caused by the decrease in other profits.

Income before tax: caused by the decrease in operating profit.

Income tax expense: caused by the decrease in income before tax.

Net income: caused by the decrease in income before tax.

Other comprehensive income (income after tax): caused by the increase in the unrealized gain on valuation of the investment in equity instruments at fair value through other comprehensive income.

Total comprehensive income: caused by the decrease in net income.

(II) Effect of changes on the company’s financial condition: The Company’s financial condition has not changed significantly.

(III) Future response actions: Not applicable.

III. Analysis and Explanation of Changes in Cash Flow in the Most Recent Year

(I) Cash inflow from operating activities was NT$ 2,284,121,000: mainly due to the disposal of investment property and the decrease in accounts receivable

(II) Cash outflow from investment activities was NT$ 395,877,000: mainly due to the acquisition of property, plant and equipment.

(III) Cash outflow from financing activities was NT$ 1,354,716,000: mainly due to the the issuance of cash dividends and repayment of long-term loans.

(IV) Improvement plan for the lack of liquidity: Accelerating business development and increasing cash inflow.

(V) Liquidity Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow (Inflow)	Cash Surplus (Deficit)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
2,123,443	9,184,700	(10,815,972)	492,171	-	-

Cash Flow Analysis for the Coming Year

1. Product sales and rental income in 2020 are expected to result in cash inflows from operating activities.
2. Expenditures for construction in progress, investments in other companies, land purchase, dividend and sales advertisements in 2020 are expected to result in cash outflows.

IV. Impact of Major Capital Expenditure in the Most Recent Year

In order to expand the development of business hotel chain brands and expansion plan, and develop in cooperation with well-known international brands, an additional investment of approximately NT$300 million was injected into our subsidiary Cathay Hospitality Consulting Co., Ltd. In addition, to build health care clinic channels and systems, and optimize the health industry service chain of the Group, Cymbal Medical Network Co., Ltd. was established with a total investment of approximately NT$100 million. The total investment of the two projects is NT$400 million, accounting for approximately 1.64% of the Company's net value without any major impact. Diversified development by investments in other companies is expected to expand the business scope, and increase the Company’s investment income.

V. Investment Policy in the Most Recent Year, Main Causes for the Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(I) Investment Policy

The Company adheres to the business belief, implements the core values, and uses the Group’s advantages and resources to create a diversified business. In addition to investing in real estate related companies such as construction manager, building management and urban renewal development, we also expand life industries such as health care management, hotel management, e-commerce, 4G mobile communication telecommunications industry and the consolidated medical clinic channel system to create the Company’s diversified income. Meanwhile, we also regularly review investment performance and wait for opportunities of disposing at high a price for maximum profit

(II) Main Causes for Profits or Losses

In 2019, the investment loss recognized by the equity method was NT$50 million, which was mainly attributable to the depreciation and expense recognized for the cost invested in the site expansion by the hotel subsidiary. The annual dividend income of financial assets at fair value through other comprehensive income was NT$100 million, which was improved with the gradual increase in the revenue of the re-investment business.

(III) Investment Plans for the Coming Year

With the uncertain factors such as international trade disputes, diminishing effects of US tax reduction policy, slowing economic growth in China, and cross-strait relations, investment plans for the coming year will focus on objects with good industry fundamentals and fixed income to reduce investment risks.

1. Healthcare management business

Enhance the service quality of the existing physical examination centers and postpartum care homes, and evaluate and establish points of postpartum care homes in major metropolitan areas, expand revenue scale, and provide high-quality diversified services.

2. Hotel business

Enhance the service quality and popularity of the existing Hotel Cozzi Minsheng Taipei, Zhongxiao Taipei, Ximen Tainan, Zhongshan Kaohsiung and Madison Taipei, and develop membership program to promote members and provide diversified services for customers in the form of Hotel chain. . The Company is also preparing new sites in other metropolitan areas, Hotel Cozzi Taoyuan is expected to open in the second half of 2020 to enhance the business scale and performance.

VI. Assessment of Risk Management in the Most Recent Year and as of the Date of Publication of the Annual Report

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate: The global economy growth has slowed down since 2016, impacting domestic foreign trade and economic performance. Although most foreign central banks continued to lower the interest rates in 2019, to stimulate domestic investment and consumption, the central bank announced that the interest rates would remain unchanged. Looking forward to this year, we will continue to pay attention to whether the domestic central bank follows the interest rate policy. At this stage, as the interest rates remain low, the impact on the real estate market is limited.
2. Foreign exchange rates: Since 2018, the USD-NT$ exchange rate has shown fluctuation within a narrow range. Basically, since real estate is a domestic demand industry, the direct impact of exchange rate changes on real estate is relatively small.
3. Inflation: In general, inflation will result in an increasing price of raw materials. However, the current domestic inflation growth is moderate, and the Company also collects land-related information and raw material prices to strictly control the cost of construction, and take into account the quality of construction and maintain the Company's brand advantage. Therefore, it has little impact on the Company.
4. Future response measures: The Company keeps abreast of the development of the above-mentioned overall economic indexes, continuously analyzes its

impact on the real estate market, and evaluates and adjusts the Company's business strategy to respond to changes in the overall economic situation, avoid risks, and create the highest operating profit.

(II) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

Cathay Healthcare Management Co.,Ltd., the subsidiary invested, indirectly holds the operating demands of Hangzhou Kunning Health Consulting Limited and endorses an amount of approximately NT$30 Million, accounting for 0.0012% of the Company's shareholders' equity in the 2019 financial statements, and the proportion is low. The above endorsement guarantee operations are all handled in accordance with the Company's endorsement guarantee operating procedures.

(III) Future Research & Development Projects and Corresponding Budget

1. Research Projects

Continue the research work of the Cathay Real Estate Index and publish relevant research information at the beginning of each quarter. In addition, in response to the rapid changes in the market, make more efforts in employee training, and strengthen professional education and training, to continue the Company's core values, and enhance the Company's brand and corporate competitive advantage.

2. Expected Research Expenditure

A budget of NT$ 11.02 Million is determined for the professional training of employees and the research of Cathay Real Estate Index.

(IV) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: In addition to complying with government laws and regulations, the Company also collects, organizes and analyzes the changes in important policies and laws at home and abroad to grasp opportunities and take response measures. Meanwhile, the Company also adheres to the principle of prudent operation, and creates the largest niche for sustainable development.

(V) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales: The Company explores and adopts the application of technology in the Company's products in face of the customer demands and ever-changing technology, to continuously enhance the Company's competitiveness. Meanwhile, the Company invests a lot of manpower and financial resources in research on the changes in the industry to improve the Company's operating performance and profitability.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: Since its establishment, the Company has been abided by the tenet of serving the society, benefiting the people, beautifying the environment, and promoting prosperity, and deeply developed the society and established a good corporate image, winning various social honors and affirmations. In addition, the Company has also established a cultural and educational foundation for social welfare activities, enhancing the corporate image.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: The Company has no ongoing merger and acquisition activities, so there is no possible risk and response measure.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company has no factory expansion plans, so there is no possible risk and response measure.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: The Company is a good builder that can keep abreast of various purchase costs, reduce the operation impact brought by rising costs, and prudently appraise, select and audit each project constructor and deliberate the price; the Company also specializes in marketing research, so it can keep abreast of market trends, create the best sales results against most individual customers; there is no centralized risk in purchase and sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: the above-mentioned personnel and shareholders all hold the stock equity of the Company for a long term, and they support the Company's operations, so they do not have the intention of transferring a large number of equities and there is no risk generated.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights: The Company's equity structure is stable for a long time, and is managed steadily by professional managers, and there is no risk of change in management rights.

(XII) For major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by Directors, Supervisors or shareholders with over 10% shareholdings, the Company, the Company's Directors, Supervisors or shareholders with over 10% shareholdings and the subsidiaries shall be specified. Where the results may have significant impact on the stockholders' equity or security price, the fact in contention, object amount, date of beginning of litigation, main parties involved and disposal up to the date of publication of the annual report shall be disclosed: None.

(XIII) Other Major Risks and Response Measures

1. Information security risks: (1) Information security architecture and policy: The Company attaches great importance to information security risk management. To ensure operation and customer information security, the Company established the Information Security Policy in 2004 and makes evaluation annually. (2) Specific management plans: conduct the simulation drilling and make records of the system, and introduce the IT resource management system into the system control part, including software security management, peripheral device security management and file directory monitoring management, which transmits the USB transmission file list every day, and regularly checks whether the Company's computers are installed with high-risk software every month to prevent the confidential information of the client from being disclosed. The internal auditor, twice a year, and accounting firm, at least once a year, check the information security policy, organization and responsibilities, asset classification control, personnel management and education & training, physical and security environment management, computer system security management, network security management and system storage to ensure the Company's sustainable business operation.

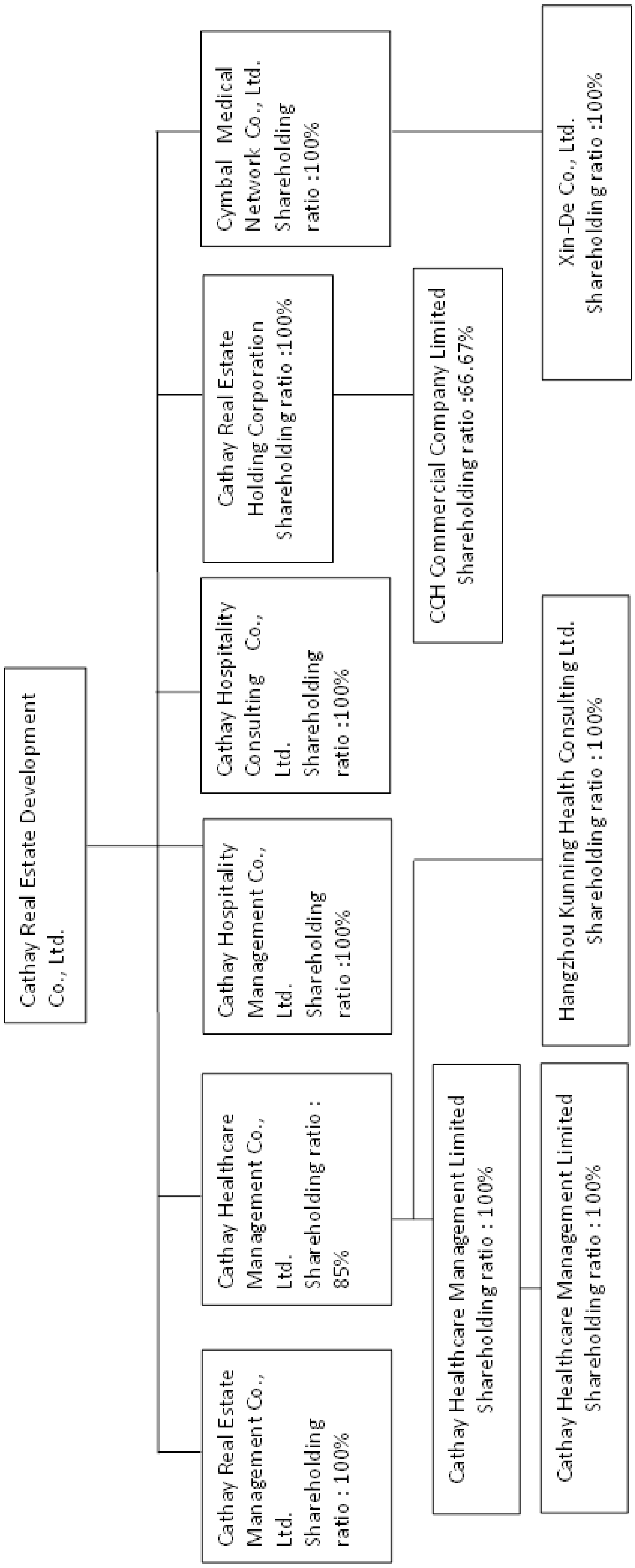
VII. Other Important Items: None.

Chapter 8 Special Disclosure

I. Information Regarding Affiliate Enterprises

(I) Consolidated Business Report of Affiliated Companies

1. Organization Chart of Affiliated Companies



2. Information about Affiliated Companies

Unit: NT$ thousands ; USD thousands

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
Cathay Real Estate Development Co., Ltd.	December 1, 1964	2F, No. 218, Section 2, Dunhua South Road, Taipei City	$11,595,611	1. Retail sale of Medical Equipments 2. Department Stores 3. Car Rental and Leasing 4. Parking Garage Business 5. Residence and Buildings Lease Construction and Development 6. Industrial Factory Buildings Lease Construction and Development 7. Specialized Field Construction and Development 8. Public Works Construction and Investment 9. New County and Community Construction and Investment 10. Land Levy and Delimit 11. Reconstruction within the Renewal Area 12. Renovation, or Maintenance within the Renewal Area 13. Construction Management 14. Real Estate Commerce 15. Real Estate Rental and Leasing 16. Management Consulting Services 17. Other Consultancy 18. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Real Estate Management Co., Ltd.	March 11, 2005	2F, No. 218, Section 2, Dunhua South Road, Taipei City	$50,000	1. Construction Management 2. Real Estate Commerce 3. Real Estate Rental and Leasing 4. Investment Consultancy 5. Management Consulting Services 6. Agency Services 7. Reconstruction within the Renewal Area 8. Renovation, or Maintenance within the Renewal Area 9. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Healthcare Management Co., Ltd.	March 25, 2011	7F, No. 333, Section 2, Dunhua South Road, Taipei City	$550,000	1. Cosmetics Manufacturing 2. Computing Equipments Installation Construction 3. Wholesale of Food and Grocery 4. Wholesale of Articles for Daily Use 5. Wholesale of Cosmetics 6. Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 7. Wholesale of Other Products 8. Retail sale of Food Products and Groceries 9. Retail Sale of Articles for Daily Use 10. Retail Sale of Cosmetics 11. Retail Sale of the Second Type Patent

Name of Company	Date of incorporation	Address	Paid-in capital	Main business or production items
				Medicine 12. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 13. International Trade 14. Restaurants 15. Intellectual Property 16. Food Consultancy 17. Management Consulting Services 18. Other Consultancy 19. Software Design Services 20. Data Processing Services 21. Digital Information Supply Services 22. Biotechnology Services 23. Manpower Dispatching Services 24. Exhibition Services 25. Rental and Leasing Business 26. Agency Services 27. Beauty Shops 28. Body Shaping Service 29. Athletics and Recreational Sports Stadium 30. Wholesale of Drugs, Medical Goods 31. Retail Sale of Drugs, Medical Goods 32. Real Estate Rental and Leasing 33. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Hospitality Management Co., Ltd.	March 27, 2012	15F, No. 319, Section 2, Dunhua South Road, Taipei City	$400,000	1. Hotels and Motels 2. Food Consultancy 3. Management Consulting Services 4. Artwork Consultation Services 5. Product Designing 6. Landscape and Interior Designing 7. Floriculture Designing 8. Manpower Dispatching Services 9. Supermarkets 10. Convenient Stores 11. International Trade 12. Residence and Buildings Lease Construction and Development 13. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Hospitality Consulting Co., Ltd.	January 5, 2018	15F, No. 319, Section 2, Dunhua South Road, Taipei City	$750,000	1. Hotels and Motels 2. Food Consultancy 3. Management Consulting Services 4. Artwork Consultation Services 5. Product Designing 6. Landscape and Interior Designing 7. Floriculture Designing 8. Manpower Dispatching Services 9. Supermarkets 10. Convenient Stores 11. International Trade 12. Residence and Buildings Lease

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
				Construction and Development 13. Beverage Stores 14. Restaurants 15. Other Food and Beverage Services 16. Wholesale of Tobacco Products and Alcoholic Beverages 17. Wholesale of Nonalcoholic Beverages 18. Wholesale of Food and Grocery 19. Retail sale of Food Products and Groceries 20. Retail Sale of Tobacco and Alcoholic Beverages 21. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Cathay Real Estate Holding Corporation	March 13, 2002	Sea Meadow House, Blackburne Highway, (P.O.Box 116), Road Town, Tortola, British Virgin Islands	$242,747 (USD 9,592)	1. Buying, bearing, investing, exchanging, acquiring, holding, managing, developing, trading government bonds, corporate bonds, stocks, options, futures, various marketable securities, precious metals, precious stones, artworks and any valuable good in the methods of cash and margin trade or short-selling or undertaken as financing businesses. 2. Buying, managing, leasing, building residential and commercial buildings and developing businesses related to real estate, and issuing real estate beneficiary certificates to raise funds.
Cymbal Medical Network Co., Ltd.	June 26, 2019	7F, No. 333, Section 2, Dunhua South Road, Taipei City	$100,000	1. Cosmetics Manufacturing 2. Computing Equipments Installation Construction 3. Wholesale of Food and Grocery 4. Wholesale of Articles for Daily Use 5. Wholesale of Cosmetics 6. Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 7. Wholesale of Other Products 8. Wholesale of Precision Instruments 9. Retail sale of Food Products and Groceries 10. Retail Sale of Articles for Daily Use 11. Retail Sale of Cosmetics 12. Retail Sale of the Second Type Patent Medicine 13. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 14. Retail Business Without Shop 15. International Trade 16. Intellectual Property 17. Investment 18. Venture Investment 19. Real Estate Rental and Leasing 20. Food Consultancy 21. Management Consulting Services

Name of Company	Date of incorporation	Address	Paid-in capital	Main business or production items
				22. Other Consultancy 23. Software Design Services 24. Data Processing Services 25. Digital Information Supply Services 26. Manpower Dispatching Services 27. Exhibition Services 28. Rental and Leasing Business 29. Agency Services 30. Wholesale of Drugs, Medical Goods 31. Retail sale of Drugs, Medical Goods 32. All business items that are not prohibited or restricted by law, except those that are subject to special approval.
CCH Commercial Company Limited	March 9, 2012	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	$3,961 (USD 135)	Investment industry.
Cathay Healthcare Management Limited	December 1, 2016	Sea Meadow House, Blackburne Highway Road Town Tortola, British Virgin Islands	$103,122 (USD 3,400)	Investment industry.
Cathay Healthcare Management Limited	February 9, 2017	3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203, Cayman Islands	$103,122 (USD 3,400)	Investment industry.
Hangzhou Kunning Health Consulting Limited	May 2, 2017	Room 1513, Building 4, No.380 Intime City, Fengtan Road, Gongshu District, Hangzhou City, Zhejiang Province	$103,122 (USD 3,400)	Engaged in non-medical health management, health consulting, housekeeping, photography, life beauty services, mother and baby products, daily necessities wholesale and retail and related ancillary services in Fengtan Road, Gongshu District.
Xin-De Co., Ltd.	July 04, 2019	7F, No. 333, Section 2, Dunhua South Road, Taipei City	$80,000	1. Cosmetics Manufacturing 2. Computing Equipments Installation Construction 3. Wholesale of Food and Grocery 4. Wholesale of Articles for Daily Use 5. Wholesale of Cosmetics

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
				6. Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 7. Wholesale of Precision Instruments 8. Wholesale of Other Products 9. Retail sale of Food Products and Groceries 10. Retail Sale of Articles for Daily Use 11. Retail Sale of Cosmetics 12. Retail Sale of the Second Type Patent Medicine 13. Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles 14. Retail Business Without Shop 15. International Trade 16. Intellectual Property 17. Investment 18. Venture Investment 19. Real Estate Rental and Leasing 20. Food Consultancy 21. Management Consulting Services 22. Other Consultancy 23. Software Design Services 24. Data Processing Services 25. Digital Information Supply Services 26. Manpower Dispatching Services 27. Exhibition Services 28. Rental and Leasing Business 29. Agency Services 30. Wholesale of Drugs, Medical Goods 31. Retail sale of Drugs, Medical Goods 32. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Note 1: The exchange rate of paid-in capital is converted using historical exchange rate.

3. For those who are concluded in the controlling and subordinate relation, the information of the same shareholder

Unit: NT$ thousands ; share; %

Constructive reason	Title or name (Note 1)	Shareholding (Note 2)		Establishment date	Address	Paid-in capital	Main business items
		Shares	%				
Not Applicable							

Note 1: If the institutional shareholder is the same, fill in the name of the juridical person; if the natural person shareholder is the same, fill in the name of the natural person. Natural person shareholders only fill in the constructive reason, name and shareholding.

Note 2: Shareholding refers to shares of controlling companies held by the shareholders.

4. Directors, Supervisors and President of Affiliated Companies

Unit: shares; %

Name of Company	Title	Name or representative	Shareholding	
			Shares	%
Cathay Real Estate Development Co.,Ltd.	Chairman	Representative of He Xin Industrial Co., Ltd.: Ching-Kuei Chang	22,000,000	1.90%
	Director and President	Representative of He Xin Industrial Co., Ltd.: Hung-Ming Lee	22,000,000	1.90%
	Director	Representative of He Xin Industrial Co., Ltd.: Chung-Yan Tsai	22,000,000	1.90%
	Director	Cathay Real Estate Foundation:Daniel Tung	5,941,332	0.51%
	Director	Cathay Real Estate Foundation: Chung-Chang Chu	2,353,690	0.20%
	Director	Employee Benefit Committee of Cathay Real Estate Holding Corporation: Chin-Liang Lin	2,754,800	0.24%
	Independent Director	Shiou-Ling Lin	0	0
	Independent Director	Chih-Wei Wu	0	0
	Independent Director	James Y. Chang	0	0
Cathay Real Estate Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Ching-Kuei Chang	5,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	5,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	5,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.: Ming-Hui Wu	5,000,000	100.00%
Cathay Healthcare Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Ching-Kuei Chang	46,750,000	85.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Chung-Yu Chen	46,750,000	85.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chung-Yan Tsai	46,750,000	85.00%
	Supervisors	Cathay Venture Capital Co., Ltd.: Ming-Hui Wu	8,250,000	15.00%
Cathay Hospitality Management Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	40,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Wan-Hua Chuang	40,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	40,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.: Tso-Hsing Hsu	40,000,000	100.00%
Cathay Hospitality Consulting Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co.,Ltd.: Hung-Ming Lee	75,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co.,Ltd.: Wan-Hua Chuang	75,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co.,Ltd.: Chin-Liang Lin	75,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co.,Ltd.:Tso-Hsing Hsu	75,000,000	100.00%

Name of Company	Title	Name or representative	Shareholding	
			Shares	%
Cathay Real Estate Holding Corporation	Director	Representative of Cathay Real Development Co.,Ltd.: Ming-Hui Wu	9,591,891	100.00%
Cymbal Medical Network Co., Ltd.	Chairman	Representative of Cathay Real Estate Development Co., Ltd.: Ching-Kuei Chang	10,000,000	100.00%
	Director and President	Representative of Cathay Real Estate Development Co., Ltd.: Chung-Yu Chen	10,000,000	100.00%
	Director	Representative of Cathay Real Estate Development Co., Ltd.: Chung-Yan Tsai	10,000,000	100.00%
	Supervisors	Representative of Cathay Real Estate Development Co., Ltd.: Ming-Hui Wu	10,000,000	100.00%
CCH Commercial Company Limited	Director	Representative of Cathay Real Estate Holding Corporation: Tso-Hsing Hsu	7,758	66.67%
	Director	Representative of Cathay Real Estate Holding Corporation: Daniel Tung	7,758	66.67%
	Director	Representative of Cathay Real Estate Holding Corporation: Chin-Liang Lin	7,758	66.67%
Cathay Healthcare Management Limited	Director	Representative of Cathay Healthcare Management Co., Ltd.: Chin-Liang Lin	170,000	100.00%
Cathay Healthcare Management Limited	Chairman	Representative of Cathay Healthcare Management Limited: Chung-Yu Chen	170,000	100.00%
	Director	Representative of Cathay Healthcare Management Limited: Daniel Tung	170,000	100.00%
	Director	Representative of Cathay Healthcare Management Limited: Tso-Hsing Hsu	170,000	100.00%
Hangzhou Kunning Health Consulting Limited	Chairman	Representative of Cathay Healthcare Management Co., Ltd.: Chung-Yu Chen	0	0
	Director	Representative of Cathay Healthcare Management Co., Ltd.: Daniel Tung	0	0
	Director	Representative of Cathay Healthcare Management Co., Ltd.: Chin-Liang Lin	0	0
	Supervisors	Representative of Cathay Healthcare Management Co., Ltd.: Tso-Hsing Hsu	0	0
Xin-De Co., Ltd.	Chairman	Representative of Cymbal Medical Network Co., Ltd.: Ching-Kuei Chang	8,000,000	100.00%
	Director and President	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yu Chen	8,000,000	100.00%
	Director	Representative of Cymbal Medical Network Co., Ltd.: Chung-Yan Tsai	8,000,000	100.00%
	Supervisor	Representative of Cymbal Medical Network Co., Ltd.: Ming-Hui Wu	8,000,000	100.00%

5. Operational Highlights of Affiliated Companies

Unit: NT$ thousands ; USD thousands

Name of Company	Capital amount	Total assets	Total liabilities	Net value	Operating revenue	Operating income (loss)	Current income (after-tax)	Earnings per share (after-tax)
Cathay Real Estate Development Co.,Ltd.	$11,595,611	$47,614,997	$23,236,905	$24,378,092	$9,736,609	$1,400,160	$1,370,505	$1.18
Cathay Real Estate Management Co., Ltd.	50,000	130,381	12,731	117,650	66,804	41,023	33,460	6.69
Cathay Healthcare Management Co., Ltd.	550,000	1,517,514	835,764	681,750	610,881	193,419	109,864	2.00
Cathay Hospitality Management Co., Ltd.	400,000	3,673,283	3,520,412	152,871	826,513	(4,324)	(87,024)	(2.18)
Cathay Hospitality Consulting Co., Ltd.	750,000	3,233,256	2,673,302	559,954	425,215	(93,631)	(143,120)	(2.40)
Cathay Real Estate Holding Corporation (Note)	242,747 (USD9,592)	14,314	4,865	9,449	-	(4,031)	29,290	2.18
Cymbal Medical Network Co., Ltd.	100,000	99,426	447	98,979	-	(866)	(1,021)	(0.10)
CCH Commercial Company Limited (Note)	3,961 (USD 135)	5,085	-	5,085	-	(189)	40,124	3,447.94
Cathay Healthcare Management Limited (Note)	103,122 (USD 3,400)	14,004	-	14,004	-	-	(24,134)	(157.26)
Cathay Healthcare Management Limited (Note)	103,122 (USD 3,400)	14,002	-	14,002	-	-	(24,134)	(157.26)
Hangzhou Kunning Health Consulting Limited. (Note)	103,122 (USD 3,400)	16,666	6,746	9,920	20,832	(28,281)	(28,370)	-
Xin-De Co., Ltd.	80,000	79,907	70	79,837	-	(182)	(163)	(0.02)

Note: The capital amount, assets and liabilities exchange rate are converted from the USD to NT$ exchange rate of NT$ 30.201 on December 31, 2019, and the gain and loss exchange rate is from the USD to NT$ average exchange rate of NT$ 30.933 in 2019.

6. Business Activities of Affiliated Companies

(1) Overall business scope of all affiliated companies

1. Cathay Real Estate Development Co., Ltd.: construction industry.
2. Cathay Real Estate Management Co., Ltd.: construction manager industry.
3. Cathay Healthcare Management Co., Ltd.: consulting service industry.
4. Cathay Hospitality Management Co., Ltd.: service industry.
5. Cathay Hospitality Consulting Co., Ltd.: service industry.
6. Cathay Real Estate Holding Corporation: investment industry.
7. Cymbal Medical Network Co., Ltd.: service industry
8. CCH Commercial Company Limited: investment industry.
9. Cathay Healthcare Management Limited: investment industry.
10. Cathay Healthcare Management Limited: investment industry.
11. Hangzhou Kunning Health Consulting Limited is engaged in non-medical health management, health consulting, housekeeping, photography, life beauty services, mother and baby products, daily necessities wholesale and retail and related ancillary services in Fengtan Road, Gongshu District.
12. Xin-De Co., Ltd.: service industry.

(2) Work Division for exchange and cooperation of overall related companies:

The main business of Cathay Real Estate Holding Corporation is entrusting manufacturers to build public housing and commercial building for leasing and sales. It is independent of each subsidiary corporation and has no work division.

(II) Affiliation report

1. Declaration

Declaration

The 2019 affiliation report of the Company (from January 1, 2019 to December 31, 2019) was prepared according to "Criteria Governing for Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliation Enterprises" and the information disclosed is not inconsistent with the relevant information disclosed in the notes to the financial statements during the above-mentioned period.

Hereby declare

Company name: Cathay Real Estate Development Co.,Ltd

Chairman: Ching-Kuei Chang

March 19, 2020

2. Opinions of declaration

Letter

Recipient: Cathay Real Estate Development Co.,Ltd

Subject: Opinions on whether the declaration issued by the management authority of the Company for the 2019 affiliation reports is reasonable in all material respects.

Explanation: The Company’s 2019 affiliation reports has been prepared by the management authority of your company and it has issued a declaration showing that the above report is prepared according to “Criteria Governing for Preparation of Affiliation Reports ,Consolidated Business Reports, and Consolidated Financial Statements of Affiliation Enterprises” and the information disclosed is not inconsistent with the relevant information disclosed in the notes to the 2019 financial report.

In my opinion, the declaration issued by the management authority of your company for the 2019 related company report is reasonable in all material respects.

Ernst & Young Taiwan

Jung-Huang Hsu

CPA:

Chien-Che Huang

March 19, 2020

3. Overview of the Relationship between Subordinate Companies and the Controlling Company

Unit: shares; %

Controlling Company Name	Reasons	Shareholding and setting situations of controlling company			Directors, Supervisor or managers appointed by the controlling company	
		Shares	%	Number of Shares Set	Title	Name
He Xin Industrial Co., Ltd.	The representative is the Chairman, President and Director of the Company	22,000,000	1.90%	0	Chairman Director and President Director	Ching-Kuei Chang Hung-Ming Lee Chung-Yan Tsai

Note: When the controlling company of the subordinate company is a subordinate company of the other company, the relevant information of the other company shall also be filled in. This also applies to the situation that the other company is the subsidiary company of the other company. All in the same manner.

4. Business transaction

(1) Purchase-sales transaction: None.

(2) Property transaction: None.

(3) Capital financing: None.

(4) Asset leasing: None.

(5) Endorsement and guarantee: None.

II. Private Placement Securities in the Most Recent Years and as of the Date of Publication of Annual Report: None.

III. The Shares of the company held or disposed of by subsidiaries in the most recent years and as of the date of publication of the annual report: None.

IV. Other Necessary Supplements: None.

V. Items That Have Significant Influence on Shareholders' Equity or Security Price as Specified in Paragraph 2, Item 2, Article 36 of Securities and Exchange Act in the Most Recent Year as of the Date of Publication of Annual Report: None.