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)

English Translation of I Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.
Notes To Parent Company Only Financial Statements
For the 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					Total
		Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	
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					Total
		Within 30 days	31-90 days	91-270 days	271-365days	Over 365 days	
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.

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

Unit: NT$1,000 ; Share

Company	Type and Name of the Securities (Note)	Relationship	Financial Statement Account	As of December 31, 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.

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

Table 6: Significant intercompany transactions between consolidated entities

Unit：NT$1,000

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

Note1：The Company and its subsidiaries are coded as follows：

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note2：The Types of the transactions are coded as follows:

(1) The Company to subsidiaries is coded "1".

(2) Subsidiaries to The Company is coded "2".

(3) Subsidiaries to Subsidiaries is coded "3".

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

(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.

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

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

Investor	Investee	Region	Main Business	Original cost		At the end of period			Investees company net income	Share of Profits/Losses	Note
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Percentage	Amount			
The Company	Cathay Real Estate Holding Corporation	British Virgin Islands	General trade and investing	$242,747 (USD 9,592)	$597,409 (USD 21,052)	9,591,891	100.00%	$9,449	$29,290	$29,290	Subsidiary
The Company	Cathay Real Estate Management Co., Ltd.	ROC	Construction management	50,000	50,000	5,000,000	100.00%	117,650	33,460	33,460	Subsidiary
The Company	Cathay Healthcare Management Co., Ltd.	ROC	Consultancy	467,500	467,500	46,750,000	85.00%	579,491	109,864	93,388	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.

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

Unit：NT$1,000 ; USD$1,000

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

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

Note1: The methods for engaging in investment in Mainland China include the following:

(1) Directly invested in China

(2) Investment in Mainland China companies through a company invested and established in a third region

(3) Other method

Note2: Investees company net income:

(a) If the investees is uder preparation, should take note.

(b) If the investees' net income is base on these three condition, should take note.

(1) The investes' finance statement has certification by the CPA firm in Taiwan which has partnership with international CPA firm.

(2) The investes' finance statement has certification by the parenent company in Taiwan.

(3) Others.

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

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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	

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CATHAY REAL ESTATE DEVELOPMENT CO., LTD.

2. Detail List of Financial Asset Measured at Fair Value Through Other Comprehensive Income

As 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		Notes
		Cost	Net Realizable Value	
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. (incorporated on 2019/6/24)	-	-	-	10,000,000	100,000	(Note4)	-	1,021	(Note1)	10,000,000	100.00%	98,979	9.90	98,979	N/A	
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.)

English Translation of Financial Statements Originally Issued in Chinese

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 subiect
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)	