

Stock Code : 2501



Cathay Real Estate Development Co., Ltd.

2017 Annual General Shareholders'

Meeting Agenda Handbook

Meeting Time : June 16, 2017, at 9 : 00 a.m.

**Place : B1, No. 296, Section 4, Renai Road, Taipei, Taiwan,
R.O.C.**

International Conference Room

<http://www.cathay-red.com.tw/>

Table of Contents

I. Meeting Agenda	1
1. Matters to Report	
(1) 2016 Business Report.....	2
(2) Supervisors’ Review Report.....	6
(3) 2016 Compensation Report for Employees, Directors and Supervisors.....	8
2. Matters for Acknowledgement	
(1) 2016 Business Report and Financial Statements.....	9
(2) 2016 Profit Distribution.....	30
3. Matters for Election	
(1) Re-election of directors due to expiry of term in office	32
4. Matters for Discussion	
(1) Proposal for releasing the prohibition on the Company’s 18th board of directors from participation in competitive business	36
5. Provisional Motion(s)	
II. Appendix	
1. Articles of Incorporation.....	39
2. Rules of Procedure for Shareholder Meetings.....	54
3. Election Procedures for Directors and Supervisors	66
4. Shareholding Status of Directors and Supervisors.....	72

Cathay Real Estate Development Co., Ltd.

2017 Shareholder Meeting Agenda

1. Commencement of Meeting
2. Chairman's Remarks
3. Matters to Report
 - (1) 2016 Business Report
 - (2) Supervisors' Review Report
 - (3) 2016 Compensation Report for Employees, Directors and Supervisors
4. Matters for Acknowledgement
 - (1) Adoption of 2016 Business Report and Financial Statements
 - (2) Adoption of Proposal for 2016 Profit Distribution
5. Matters for Election
 - (1) Re-election of directors due to expiry of term in office
6. Matters for Discussion
 - (1) Proposal for releasing the prohibition on the Company's 18th board of directors from participation in competitive business.
7. Provisional Motion(s)
8. Adjournment

1. Matters to Report

(1) 2016 Business Report

Looking back at 2016, the world economic growth was unexpectedly lower than the previous year, mainly due to weak growth of advanced economies, the negative impact of Brexit, China's rebalancing economic growth, etc. Fortunately, it stabilized in the second half of the year. Domestically, the first half of the year also showed a weak growth and warmed up in the second half. Statistics from the Directorate General of Budget, Accounting and Statistics (DGBAS) shows that the year's economic growth was 1.50%, an increase from 0.72 % in the previous year. On the whole, domestic economy is gradually picking up from the downturn. In terms of the real estate market, the late warming up of the economy in the second half of the year poses limited help. In addition, the wavering policies due to party rotation, stagnant cross-straits relations, and tumultuous taxation problems result in a drop in price and volume throughout the year, forming a recession pattern. Our company adopts a conservative approach in response to the economic downturn, by only launching reserved completed units in Building A of Zhubei's "Cathay Twin Park" during the first half of the year, and postponing the launch of pre-sale cases. In terms of revenue, the accrued revenue are from a total of six construction projects, including Taipei's "Cathay Castle", Zhubei's "Cathay Twin Park", and Taichung's "The World in One Palace" and three other projects, generating a total revenue of NT\$

17,408,310,000 for the year. The above amount of revenue set a new high level since the founding of the Company. Looking forward to 2017, the world economy is expected to recover steadily, though still with the existence of some variables such as: the economic and trade trend of the Trump administration, the subsequent impact of hard Brexit, Europe's anti-establishment trend, etc. Domestically, as foreign demand warms up, and the government's active promotion of investment, the economy is expected to continue to warm up. In terms of capital, with the economy under a low-growth environment, despite an increase in interest rate, the margin would not be big, and the capital is expected to remain loose. In terms of policies, the property market still suffers a greater impact from the tax reform. In terms of market, we still anticipate a drop in house prices, and with most buyers purchasing for their own use, it's difficult to see good performance in terms of price and volume. In general, this year's domestic real estate market is still expected to be in the low-range correction period. However, as it is generally considered that the worst period is over, the market should be able to pick up gradually from the bottom. Considering the fact that the market will not deteriorate and in accordance to the Company's operations requirements, the Company shall adopt a steady attack strategy by launching pre-sale units of Taipei's "Cathay New Village" and Hsinchu's "The Seeds Of Happiness" during the first half of the year, and Sanchong and Taoyuan during the second half. As for the remaining land inventory, we shall make active preparation and decide on the timing

of the project launches based on the market atmosphere of the location.

In addition, the company's tasks of organizational optimization have completed, and are currently in stable operation. This year, we shall be focusing on strengthening core functions and decision-making delegation, to strengthen employees' competency and unleash supervisors' potential, so as to increase the team's operational efficiency, unleash the team's power, and face market challenges flexibly. In terms of our main business, we shall adopt a flexible approach in managing risk, to enable us to immediately develop the land and continue to focus on joint developments at downtown areas. Our mid and long-term land reserves shall be used for development in potential suburb areas. In addition, we actively take up urban renewal projects and bring in advanced teams for joint development, so as to break through the dilemma faced by the industry. In terms of reinvestment, we have established steady operations. We are reaching full capacity in our healthcare management business, and are actively assessing setting up domestic and foreign branches to expand our service capacity. In terms of hotel business, we continue to work towards providing exquisite care and quality service, distinguishing ourselves from the market, and reducing the impact from the decrease in number of Chinese visitors. In terms of business in mainland China, our two shopping malls in Shanghai are officially in operation, and we aim to attract the crowd and establish our name at the initial stage. We are also actively looking at and assessing other new

business opportunities. We hope that with more flexible business thinking, we are able to break through the adversity, expand our revenue scale, and generate stable profit.

I'd like to express my deepest appreciation for your presence today.

I wish you good health and good luck, thank you!

Chairman: Chang Ching-kuei

President: Lee Hung-Ming

Chief Accountant: Liao Ya-Fen

(2) Supervisors' Review Report

The board of directors prepares the Company's 2016 Business Report, Financial Statements and Profit Distribution, which are delegated by the supervisors for audit by the CPA Hsu Jung-Huang of Ernst & Young. Upon review by the supervisors, it is deemed that there is no non-compliance, and in accordance with Article 219 of the Company Act, the audit reports by CPA Hsu Jung-Huang are submitted for approval.

To

2017 Annual Meeting of Shareholders

Cathay Real Estate Development Co., Ltd.

Standing supervisor: Cathay Real Estate Foundation

Representative: Tsai Chih-Ing

Supervisor: Cathay Real Estate Employees' welfare Committee

Representative: Lee Fong-Kun

April 26, 2017

Auditor's Report on the Final Accounts of Cathay Real Estate Development Co., Ltd.

Cathay Real Estate Development Co., Ltd.'s 2016 final accounts, including business report, financial statement and earnings distribution, have been audited by our accountants using the required audit procedures. The compilation of the above-mentioned financial statements is the responsibility of the management, and our accountants' responsibility is to express opinions for the above-mentioned final accounts according to our auditing results.

In our opinion, the above financial statements present fairly, in all material respects, in conformity with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and International Financial Reporting Interpretations Committee (IFRIC) Interpretations recognized by the Regulations Governing the Preparation of Financial Reports by Securities Issuers and Financial Supervisory Commission, the financial position of Cathay Real Estate Development Co., Ltd. as at 31 December 2016, and its financial performance and cash flow for the year ended 2016. The relevant information in its business report and financial statement tallies with the above financial statement.

To

Cathay Real Estate Development Co., Ltd.

Standing Supervisor: Ms. Tsai Chih-Ing

Supervisor: Mr. Lee Fong-Kun

Ernst & Young

CPA: Hsu Jung-Huang

Telephone: (02)2757-8888

Fax: (02)2720-2141

FSC Approval Document Number

: FSC Securities Audit Letter

No.0930133943

April 26, 2017

(3) 2016 Compensation Report for Employees, Directors and Supervisors

Explanation:

1. Conducted in accordance with Article 31 of the Articles of Incorporation.
2. 2016 Financial Statements have been audited by Ernst & Young. The earnings before tax are NT\$ 3,547,480,925 where 0.10% amounting to NT\$ 3,547,481 is allotted as 2016 total employee compensation, and 0.1184% amounting to NT\$ 4.2 million is allotted as 2016 total directors and supervisors compensation. The above compensation is to be distributed in cash.
3. The total directors and supervisors' compensation shall be allotted based on cardinal numbers as stipulated in Article 4 of the Company's Rules on Payment of Directors and Supervisors Compensation.
4. The resolution was approved at the 19th board meeting of the Company's 17th Board of Directors, and submitted at the Annual Meeting of Shareholders.

2. Matters for Acknowledgement

(1) Adoption of 2016 Business Report and Financial Statements.

[Proposed by the Board of Directors]

Explanation:

1. The Company's 2016 Financial Statements have been audited by Lin Li-Huang/CPA and Huang Chien-Che/CPA from Ernst & Young, and an unqualified audit report has been issued.
2. The above Financial Statements, together with the Business Report, have been reviewed by the Company's supervisors.
3. Please refer to pages 2 to 5, and 10 to 29 of this handbook.

Resolution:

Independent Auditor's Report

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

Opinion

We have audited the accompanying individual balance sheets of Cathay Real Estate Development Co., Ltd. (the "Company") as of December 31, 2016 and 2015, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the individual financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits, the individual financial statements referred to above present fairly, in all material respects, the individual financial position of the Company as of December 31, 2016 and 2015, and their individual financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual 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 2016 individual financial statements. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Construction Income Recognition

The Company is primarily engaged in entrusting construction firms in development of public housing and commercial offices for sale and rental. Since the 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 individual financial statements, with respect to a significant proportion within operating revenue, 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 revenue recognition policies; understand the transaction process and perform tests of control on the effectiveness of control points during internal control assessment; select samples to perform test of details on selected transactions and verify major terms and conditions in the construction contract; perform cut-off test and subsequent procedure on selected transactions.

We also consider the appropriateness of the above revenue disclosure in the note IV and VI in the individual financial statements.

Valuation of Construction Land

The construction land of the Company shall be measured at the lower of cost and net realizable 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 individual 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 valuation policies; understand the transaction process and perform tests of control on the effectiveness of control points during internal control assessment; select samples to analyze the management valuation process and the key valuation parameters, and assess the reasonableness on the basis of working paper and relevant documentation corresponding to construction land valuation which included in inventories.

We also consider the appropriateness of construction land valuation disclosure under the subsection of the inventories included in the note sections of IV, V and VI in the individual financial statements.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual 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 supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual 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 individual 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 individual 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 individual 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 individual financial statements, including the accompanying notes, and whether the individual 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 individual 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 2016 individual 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.

March 22, 2017
Ernst & Young
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying individual financial statements are intended only to present the financial position and 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 individual financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.

Individual Balance Sheets

December 31, 2016 and December 31, 2015

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	IV, VI & VII	\$1,280,799	3	\$2,673,187	5
Available-for-sale financial assets, current	IV & VI	2,687,803	6	2,581,852	5
Notes receivable, net	IV & VI	26,394	-	31,918	-
Accounts receivable, net	IV & VI	18,839	-	16,403	-
Other receivables	VII	6,680	-	8,533	-
Inventories	IV, VI & VII	29,808,683	61	34,796,354	63
Prepayments		147,626	-	133,126	-
Other current assets		72,852	-	103,412	-
Total current assets		<u>34,049,676</u>	<u>70</u>	<u>40,344,785</u>	<u>73</u>
Non-current assets					
Available-for-sale financial assets, non-current	IV, VI & VII	1,790,852	4	2,054,584	4
Financial assets measured at cost, non-current	IV & VI	211,885	-	58,021	-
Investments accounted for using equity method	IV & VI	1,756,241	4	2,044,468	4
Property, plant and equipment	IV & VI	84,896	-	89,720	-
Investment Property, net	IV & VI	9,477,221	19	9,088,251	17
Intangible assets	IV & VI	786	-	2,511	-
Deferred tax assets	IV & VI	295,869	1	60,209	-
Other non-current assets	VI & VII	1,050,670	2	1,345,797	2
Total non-current assets		<u>14,668,420</u>	<u>30</u>	<u>14,743,561</u>	<u>27</u>
Total Assets		<u>\$48,718,096</u>	<u>100</u>	<u>\$55,088,346</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.

Individual Balance Sheets (continued)

December 31, 2016 and December 31, 2015

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Liabilities					
Short-term loans	IV & VI	\$3,190,000	7	\$9,030,000	17
Short-term notes payable	IV & VI	649,855	1	2,948,325	6
Notes payable	IV	44,038	-	10,802	-
Accounts payable	IV	599,582	1	203,853	-
Accounts payable to related parties	IV & VII	350,511	1	223,575	-
Other payables	VII	208,200	-	186,980	-
Current tax liabilities	IV & VI	211,444	1	103,111	-
Other current liabilities		52,097	-	32,638	-
Advances	IV	5,758,794	12	8,473,017	15
Total current liabilities		<u>11,064,521</u>	<u>23</u>	<u>21,212,301</u>	<u>38</u>
Non-current liabilities					
Bonds payable	IV & VI	3,000,000	6	3,000,000	5
Long-term loans	IV & VI	11,388,820	23	5,291,985	10
Deferred tax liabilities	IV & VI	8,542	-	8,542	-
Other non-current liabilities	IV, VI & VII	277,654	1	312,528	1
Total non-current liabilities		<u>14,675,016</u>	<u>30</u>	<u>8,613,055</u>	<u>16</u>
Total liabilities		<u>25,739,537</u>	<u>53</u>	<u>29,825,356</u>	<u>54</u>
Equity					
Share capital	IV				
Common stock	VI	11,595,611	24	16,565,158	30
Capital surplus	VI	10,407	-	10,407	-
Retained earnings	VI				
Legal reserve		3,545,241	7	3,312,536	6
Special reserve		504,189	1	504,189	1
Unappropriated earnings		7,015,437	14	4,230,235	8
Total retained earnings		<u>11,064,867</u>	<u>22</u>	<u>8,046,960</u>	<u>15</u>
Other equity		307,674	1	640,465	1
Total equity		<u>22,978,559</u>	<u>47</u>	<u>25,262,990</u>	<u>46</u>
Total liabilities and equity		<u>\$48,718,096</u>	<u>100</u>	<u>\$55,088,346</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Real Estate Development Co., Ltd.

Individual Statements of Comprehensive Income

For the years ended 31 December 2016 and 2015

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

Items	2016		2015	
	Amount	%	Amount	%
Operating revenues	\$17,408,316	100	\$8,709,076	100
Operating costs	(12,941,175)	(75)	(5,354,993)	(62)
Operating profit	4,467,141	25	3,354,083	38
Realized on sales	41	-	41	-
Operating profit, net	4,467,182	25	3,354,124	38
Operating expenses	(587,103)	(3)	(621,096)	(7)
Operating income	3,880,079	22	2,733,028	31
Non-operating income and expenses				
Other income	203,924	1	176,080	2
Other gains and losses	8,946	-	97,583	1
Financial cost	(13,804)	-	(32,292)	-
Share of profit or loss of subsidiaries, associates and joint ventures	(539,412)	(3)	(385,134)	(5)
Total non-operating income and expenses	(340,346)	(2)	(143,763)	(2)
Income before tax	3,539,733	20	2,589,265	29
Income tax expense	(521,826)	(3)	(262,212)	(3)
Net Income	3,017,907	17	2,327,053	26
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans				
Share of other comprehensive income of subsidiaries, associates and joint ventures	4,440	-	(14,344)	-
Income tax (benefit) expense relating to items that will not be reclassified	(682)	-	(1,271)	-
Items that may be reclassified subsequently to profit or loss	(755)	-	2,438	-
Unrealized gains or losses from available-for-sale financial assets				
Share of other comprehensive income of subsidiaries, associates and joint ventures	(157,781)	(1)	(178,741)	(2)
Total other comprehensive income (loss), net of tax	(178,013)	(1)	(41,913)	-
Other comprehensive income (loss), net of tax	(332,791)	(2)	(233,831)	(2)
Total comprehensive income	\$2,685,116	15	\$2,093,222	24
Earnings per share (in NT dollars)				
Basic earnings per share				
Net income form continuing operations	\$2.06		\$1.40	

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.
Individual Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in thousands of New Taiwan Dollars)

Description	Retained earnings				Other equity			Total equity		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation reserve		Unrealized gain or loss from available-for-sale financial assets	Remeasurements of defined benefit plans
Balance as of January 1, 2015	\$16,565,158	\$10,407	\$3,017,205	\$504,189	\$3,855,029	\$7,376,423	\$108,951	\$730,084	\$35,261	\$24,826,284
Appropriation of 2014 earnings:										
Legal Reserve	-	-	295,331	-	(295,331)	-	-	-	-	-
Cash Dividends	-	-	-	-	(1,656,516)	(1,656,516)	-	-	-	(1,656,516)
Net income for the year ended December 31, 2015	-	-	-	-	2,327,053	2,327,053	-	-	-	2,327,053
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	(41,913)	(178,741)	(13,177)	(233,831)
Total comprehensive income	-	-	-	-	2,327,053	2,327,053	(41,913)	(178,741)	(13,177)	2,093,222
Balance as of December 31, 2015	\$16,565,158	\$10,407	\$3,312,536	\$504,189	\$4,230,235	\$8,046,960	\$67,038	\$551,343	\$22,084	\$25,262,990
Balance as of January 1, 2016	\$16,565,158	\$10,407	\$3,312,536	\$504,189	\$4,230,235	\$8,046,960	\$67,038	\$551,343	\$22,084	\$25,262,990
Appropriation of 2015 earnings:										
Legal Reserve	-	-	232,705	-	(232,705)	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	3,017,907	3,017,907	-	-	-	3,017,907
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	(178,013)	(157,781)	3,003	(332,791)
Total comprehensive income	-	-	-	-	3,017,907	3,017,907	(178,013)	(157,781)	3,003	(332,791)
Reduction of cash capital	(4,969,547)	-	-	-	-	-	-	-	-	(4,969,547)
Balance as of December 31, 2016	\$11,595,611	\$10,407	\$3,545,241	\$504,189	\$7,015,437	\$11,064,867	\$(110,975)	\$393,562	\$25,087	\$22,978,559

Note 1: The employee compensation amounted to NTD \$3,547 as of 2016 and \$2,596 as of 2015 have been deducted from the statement of comprehensive income.

Note 2: The remuneration of directors amounted to NTD \$4,200 as of 2016 and 2015 has been deducted from the statement of comprehensive income.

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Real Estate Development Co., Ltd.
Individual Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in thousands of New Taiwan Dollars)

Items	2016	2015
Cash flow from operating activities		
Net income before tax	\$3,539,733	\$2,589,265
Adjustment Items:		
Depreciation	193,708	157,506
Amortization	1,725	3,570
Interest expense	13,804	32,292
Interest income	(7,348)	(7,863)
Dividends received	(126,393)	(126,914)
Share of other comprehensive income of subsidiaries, associates and joint ventures	539,412	385,134
Gain on disposal of property, plant and equipment	(4,050)	(6,466)
Gain on disposal of financial instrument	(7,373)	(92,110)
Cost from disposal of property	74,345	23,685
Changes in operating assets and liabilities:		
Decrease in notes receivable	5,524	55,273
(Increase) decrease in accounts receivable	(2,436)	10,294
Decrease in other receivable	375	114,020
Decrease (increase) in inventories	5,242,450	(1,381,860)
Increase in prepayments	(14,500)	(85,218)
Decrease (increase) in other current assets	30,560	(60,600)
Increase (decrease) in notes payable	33,236	(4,752)
Increase in accounts payable	395,729	34,915
Increase (decrease) in accounts payable (including related parties)	126,936	(29,318)
Increase (decrease) in other payables	31,483	(93,743)
Decrease in advances	(2,714,223)	(760,456)
Increase (decrease) in other current liabilities	19,459	(12,391)
Cash from operating activities	<u>7,372,156</u>	<u>744,263</u>
Interest received	8,826	6,382
Income taxes paid	(649,908)	(188,435)
Net cash provided by operating activities	<u>6,731,074</u>	<u>562,210</u>
Cash flow from investing activities		
Acquisition of available-for-sale financial assets	-	(950,000)
Proceeds from disposal of available-for-sale financial assets	-	170,385
Acquisition of financial assets at cost	(156,861)	-
Return of share capital from reduction in financial assets at cost	10,370	-
Acquisition of investments accounted for using the equity method	(455,630)	(101,903)
Acquisition of property, plant and equipment:	(36,252)	(26,423)
Proceeds from disposal of property, plant and equipment	22,069	22,879
Acquisition of intangible assets	-	(812)
Increase in other non-current assets	(338,841)	(478,567)
Dividends received	152,143	143,914
Net cash used in investing activities	<u>(803,002)</u>	<u>(1,220,527)</u>
Cash flow from financing activities		
Increase in short-term loans	-	3,020,000
Decrease in short-term loans	(5,840,000)	-
Decrease in short-term notes and bills payable	(2,298,470)	(1,661,446)
Issuance of bonds	-	3,000,000
Increase in long-term loans	6,096,835	-
Decrease in long-term loans	-	(1,375,379)
Decrease in other non-current liabilities	(30,433)	(19,814)
Payment of cash dividends	-	(1,656,516)
Reduction of cash capital	(4,969,547)	-
Interest paid	(278,845)	(294,348)
Net cash (used in) provided by financing activities	<u>(7,320,460)</u>	<u>1,012,497</u>
Net (decrease) increase in cash and cash equivalents	(1,392,388)	354,180
Cash and cash equivalents, beginning of period	2,673,187	2,319,007
Cash and cash equivalents, end of period	<u>\$1,280,799</u>	<u>\$2,673,187</u>

The accompanying notes are an integral part of the financial statements.

Independent Auditor’s Report

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

Opinion

We have audited the accompanying consolidated balance sheets of Cathay Real Estate Development Corporation (the “Company”) and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company 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 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Construction Income Recognition

The Company and its subsidiaries are primarily engaged in entrusting construction firms in development of public housing and commercial offices for sale and rental. Since the construction income is classified as operating revenue based on sale of goods, the profit and loss are recognized when the ownership transferred. Due to the significance of the construction income in the consolidated financial statements, with respect to a significant proportion within operating revenue, the construction revenue is determined to be a key audit matter from our opinion.

The audit procedures we performed regarding construction revenue recognition included but not limited to: evaluate the appropriateness of the construction revenue recognition policies; understand the transaction process and perform tests of control on the effectiveness of control points during internal control assessment; select samples to perform test of details on selected transactions and verify major terms and conditions in the construction contract; perform cut-off test and subsequent procedure on selected transactions.

We also consider the appropriateness of the above revenue disclosure in the note IV and VI in the consolidated financial statements.

Valuation of Construction Land

The construction land of the Company and its subsidiaries shall be measured at the lower of cost and net realizable 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 consolidated 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 valuation policies; understand the transaction process and perform tests of control on the effectiveness of control points during internal control assessment; select samples to analyze the management valuation process and the key valuation parameters, and assess the reasonableness on the basis of working paper and relevant documentation corresponding to construction land valuation which is included in inventories.

We also consider the appropriateness of construction land valuation disclosure under the subsection of the inventories included in the note sections of IV, V and VI in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2016 and 2015.

March 22, 2017
Ernst & Young
Taipei, Taiwan
Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.

Consolidated Balance Sheets

December 31, 2016 and December 31, 2015

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	IV, VI & VII	\$1,671,665	3	\$3,496,080	6
Available-for-sale financial assets, current	IV & VI	2,687,803	5	2,581,852	4
Notes receivable, net	IV & VI	26,668	-	32,534	-
Accounts receivable, net	IV & VI	193,255	-	156,981	-
Other receivables		23,360	-	22,378	-
Current tax assets	IV	30	-	141	-
Inventories	IV, VI & VII	29,822,338	54	34,813,207	56
Prepayments	VI	477,885	1	438,067	1
Other current assets	VII	81,045	-	104,693	-
Total current assets		<u>34,984,049</u>	<u>63</u>	<u>41,645,933</u>	<u>67</u>
Non-current assets					
Available-for-sale financial assets, non-current	IV, VI & VII	1,790,852	3	2,054,584	4
Financial assets measured at cost, non-current	IV & VI	212,200	-	58,021	-
Investments accounted for using equity method	IV & VI	20,613	-	34,633	-
Property, plant and equipment	IV & VI	1,131,539	2	1,168,913	2
Investment Property, net	IV & VI	13,673,166	25	13,149,435	21
Intangible assets	IV & VI	30,936	-	39,214	-
Deferred tax assets	IV & VI	401,817	1	120,548	-
Other non-current assets	VI & VII	3,184,504	6	3,661,994	6
Total non-current assets		<u>20,445,627</u>	<u>37</u>	<u>20,287,342</u>	<u>33</u>
Total Assets		<u>\$55,429,676</u>	<u>100</u>	<u>\$61,933,275</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.

Consolidated Balance Sheets (continued)

December 31, 2016 and December 31, 2015

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Current Liabilities					
Short-term loans	IV & VI	\$3,816,000	7	\$9,603,000	16
Short-term notes payable	IV & VI	969,441	2	3,287,754	5
Notes Payable		44,038	-	10,802	-
Accounts Payable		1,100,546	2	705,495	1
Accounts payable to related parties	VII	352,694	1	239,686	-
Other payables	VII	364,695	1	464,611	1
Current tax liabilities	IV & VI	226,551	-	107,115	-
Other current liabilities		58,322	-	37,072	-
Advances	IV	5,783,848	10	8,483,195	14
Long term liabilities - current portion	IV & VI	-	-	1,170,464	2
Total current liabilities		12,716,135	23	24,109,194	39
Non-current liabilities					
Bonds Payable	IV & VI	3,000,000	5	3,000,000	5
Long-term loans	IV & VI	15,781,666	28	8,412,957	13
Deferred tax liabilities	IV & VI	8,542	-	8,542	-
Other non-current liabilities	IV, VI & VII	343,806	1	343,475	1
Total non-current liabilities		19,134,014	34	11,764,974	19
Total Liabilities		31,850,149	57	35,874,168	58
Equity attributable to shareholders of the parent					
Share Capital					
Common stock	VI	11,595,611	21	16,565,158	27
Capital surplus	VI	10,407	-	10,407	-
Retained earnings					
Legal reserve		3,545,241	6	3,312,536	5
Special reserve		504,189	1	504,189	1
Unappropriated earnings		7,015,437	13	4,230,235	7
Total retained earnings		11,064,867	20	8,046,960	13
Other equity		307,674	1	640,465	1
Equity attributable to shareholders of the parent		22,978,559	42	25,262,990	41
Non-controlling interests	VI	600,968	1	796,117	1
Total Equity		23,579,527	43	26,059,107	42
Total Liabilities and Equity		\$55,429,676	100	\$61,933,275	100

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Real Estate Development Co., Ltd.

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015

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

Items	2016		2015	
	Amount	%	Amount	%
Operating revenues	\$18,695,526	100	\$9,848,217	100
Operating costs	(14,185,529)	(76)	(6,367,826)	(64)
Operating profit	4,509,997	24	3,480,391	36
Operating expenses	(1,107,767)	(6)	(1,084,956)	(11)
Operating income	3,402,230	18	2,395,435	25
Non-operating Income and Expense				
Other income	212,596	1	183,594	2
Other gains and losses	(45,861)	-	49,201	-
Financial cost	(218,002)	(1)	(183,219)	(2)
Share of profit or loss of subsidiaries, associates and joint ventures	(17,955)	-	(8,657)	-
Total non-operating income and expenses	(69,222)	-	40,919	-
Income before tax	3,333,008	18	2,436,354	25
Income tax expense	(494,763)	(3)	(242,230)	(3)
Net income	2,838,245	15	2,194,124	22
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans				
Income tax (benefit) expense relating to items that will not be reclassified	3,358	-	(15,615)	-
Items that may be reclassified subsequently to profit or loss	(355)	-	2,438	-
Exchange differences arising from translation of foreign operations	(274,255)	(1)	(61,143)	-
Unrealized gains or losses from available-for-sale financial assets	(157,781)	(1)	(178,741)	(2)
Share of other comprehensive income of subsidiaries, associates and joint ventures	5,604	-	(5,816)	-
Other comprehensive income (loss), net of tax	(423,429)	(2)	(258,877)	(2)
Total comprehensive income	\$2,414,816	13	\$1,935,247	20
Profit (loss) attributable to:				
Shareholders of the parent	\$3,017,907	16	\$2,327,053	23
Non-controlling Interests	(179,662)	(1)	(132,929)	(1)
Total comprehensive income (loss) attributable to:	\$2,838,245	15	\$2,194,124	22
Shareholders of the parent	\$2,685,116	14	\$2,093,222	21
Non-controlling Interests	(270,300)	(1)	(157,975)	(1)
Earnings per share (in NT dollars)	\$2,414,816	13	\$1,935,247	20
Basic earnings per share				
Net income form continuing operations	\$2.06		\$1.40	

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Real Estate Development Co., Ltd.
Consolidated Statements of Change in Equity
For the years ended December 31, 2016 and 2015
(Expressed in thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent											
	Common stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Total	Foreign currency translation reserve	Unrealized gain or loss from available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Non-controlling interests of equity	Total Equity
Balance as of January 1, 2015	\$16,565,158	\$10,407	\$3,017,205	\$504,189	\$3,855,029	\$7,376,423	\$108,951	\$730,084	\$35,261	\$24,826,284	\$901,137	\$25,727,421
Appropriation of 2014 earnings:												
Legal Reserve	-	-	295,331	-	(295,331)	-	-	-	-	(1,656,516)	-	(1,656,516)
Cash Dividends	-	-	-	-	(1,656,516)	(1,656,516)	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	2,327,053	2,327,053	-	-	-	2,327,053	(132,929)	2,194,124
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	(41,913)	(178,741)	(13,177)	(233,831)	(25,046)	(258,877)
Total comprehensive income	-	-	-	-	2,327,053	2,327,053	(41,913)	(178,741)	(13,177)	2,093,222	(157,975)	1,935,247
Change in non-controlling interests of equity	-	-	-	-	-	-	-	-	-	-	52,955	52,955
Balance as of December 31, 2015	\$16,565,158	\$10,407	\$3,312,536	\$504,189	\$4,230,235	\$8,046,960	\$67,038	\$551,343	\$22,084	\$25,262,990	\$796,117	\$26,059,107
Balance as of January 1, 2016	\$16,565,158	\$10,407	\$3,312,536	\$504,189	\$4,230,235	\$8,046,960	\$67,038	\$551,343	\$22,084	\$25,262,990	\$796,117	\$26,059,107
Appropriation of 2015 earnings:												
Legal Reserve	-	-	232,705	-	(232,705)	-	-	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	3,017,907	3,017,907	-	-	-	3,017,907	(179,662)	2,838,245
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	(178,013)	(157,781)	3,003	(332,791)	(90,638)	(423,429)
Total comprehensive income	-	-	-	-	3,017,907	3,017,907	(178,013)	(157,781)	3,003	2,685,116	(270,300)	2,414,816
Reduction of cash capital	(4,969,547)	-	-	-	-	-	-	-	-	(4,969,547)	-	(4,969,547)
Change in non-controlling interests of equity	-	-	-	-	-	-	-	-	-	-	75,151	75,151
Balance as of December 31, 2016	\$11,595,611	\$10,407	\$3,545,241	\$504,189	\$7,015,437	\$11,064,867	\$(110,975)	\$393,562	\$25,087	\$22,978,559	\$600,968	\$23,579,527

The accompanying notes are an integral part of the financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Real Estate Development Co., Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Items	2016	2015
Cash flow from operating activities		
Net income before tax	\$3,333,008	\$2,436,354
Adjustment Items:		
Depreciation	485,610	378,565
Amortization	19,810	16,908
Interest expense	218,002	183,219
Interest income	(12,823)	(14,766)
Dividends received	(126,393)	(126,914)
Share of other comprehensive income of subsidiaries, associates and joint ventures	17,955	8,657
Loss (gain) on disposal of property, plant and equipment	73	(6,303)
Loss on disposal of intangible assets	1,320	-
Gain on disposal of financial instrument	(7,373)	(92,110)
Cost on disposal of property	74,345	23,685
Changes in operating assets and liabilities:		
Decrease in notes receivable	5,866	54,744
Increase in accounts receivable	(36,274)	(41,192)
(Increase) decrease in other receivables	(2,411)	109,133
Decrease (increase) in inventories	5,245,647	(1,389,269)
Increase in prepayments	(39,818)	(125,395)
Decrease (increase) in other current assets	23,648	(20,800)
Increase (decrease) in notes payable	33,236	(4,752)
Increase in accounts payable	395,051	500,195
Increase (decrease) in accounts payable (including related parties)	113,008	(16,049)
Increase (decrease) in other payables	(88,775)	57,054
Decrease in advances	(2,699,347)	(758,041)
Increase (decrease) in other current liabilities	24,609	(27,753)
Cash from operating activities	<u>6,977,974</u>	<u>1,145,170</u>
Interest received	14,252	13,572
Income taxes paid	<u>(656,841)</u>	<u>(191,966)</u>
Net cash provided by operating activities	<u>6,335,385</u>	<u>966,776</u>
Cash flow from investing activities		
Acquisition of available-for-sale financial assets	-	(950,000)
Proceeds from disposal of available-for-sale financial assets	-	170,385
Acquisition of financial assets at cost	(157,175)	-
Return of share capital from reduction in financial assets at cost	10,370	-
Acquisition of property, plant and equipment:	(152,323)	(399,404)
Proceeds from disposal of property, plant and equipment	22,176	22,880
Acquisition of intangible assets	(12,205)	(28,639)
Acquisition of Investment Property	(647,059)	(1,434,444)
Increase in other non-current assets	(156,477)	(467,029)
Dividends received	126,393	126,914
Net cash used in investing activities	<u>(966,300)</u>	<u>(2,959,337)</u>
Cash flow from financing activities		
Increase in short-term loans	-	3,230,000
Decrease in short-term loans	(5,787,000)	-
Decrease in short-term notes and bills payable	(2,318,313)	(1,516,872)
Issuance of bonds	-	3,000,000
Increase in long-term loans	6,198,245	-
Decrease in long-term loans	-	(126,117)
Increase in other non-current liabilities	331	7,602
Payment of cash dividends	-	(1,656,516)
Reduction of cash capital	(4,969,547)	-
Interest paid	(483,922)	(444,839)
Change in non-controlling interests of equity	75,151	52,955
Net cash (used in) provided by financing activities	<u>(7,285,055)</u>	<u>2,546,213</u>
Effect of currency exchange rate on cash and cash equivalents	<u>91,555</u>	<u>(55,795)</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,824,415)</u>	<u>497,857</u>
Cash and cash equivalents, beginning of period	<u>3,496,080</u>	<u>2,998,223</u>
Cash and cash equivalents, end of period	<u>\$1,671,665</u>	<u>\$3,496,080</u>

The accompanying notes are an integral part of the financial statements.

(2) Adoption of Proposal for 2016 Profit Distribution.

[Proposed by the Board of Directors]

Explanation:

1. The Company's 2016 Profit Distribution, has according to Article 31 of the Articles of Incorporation, is scheduled to distribute NT\$ 1.5 cash dividend per share, and the undistributed profit from the most recent years shall be distributed first. With regards to the above cash dividend distribution, the total dividend distributed to the individual shareholders shall be rounded up to the nearest "yuan," and the difference shall be treated as company expense.
2. Upon resolution at the annual meeting of the shareholders, the board of directors is authorized to set the ex-dividend date and adjust the dividend yield based on actual circumstances.
3. For table of profit distribution, please refer to page 31 of this manual.

Resolution:

Cathay Real Estate Development Co., Ltd.
EARNINGS DISTRIBUTION TABLE OF THE 2016

Unit: NT\$ Dollar

Item	Amount
Retained earnings at the beginning	3,997,529,203
Add: Net income of 2016	3,017,907,195
Less: Legal reserves	301,790,720
Distributable earnings	6,713,645,678
Distributable items:	
Shareholders' dividends - Cash	1,739,341,589
Unappropriated retained earnings	4,974,304,089
<p>Note: For the Earnings Distribution, NT\$ 1.5 cash dividend is to be distributed per share, where undistributed earnings from the most recent years shall be distributed first.</p>	

Chairman: Chang Ching-kuei

President: Lee Hung-Ming

Chief Accountant: Liao Ya-Fen

3. Matters for Election

(1) Re-election of directors due to expiry of term in office.

[Proposed by the Board of Directors]

Explanation:

1. The current directors of the Company shall end their terms of office on 5 June 2017, and an election shall be held during the Annual Meeting of Shareholders on 16 June of this year. The original terms of office was extended to 15 June 2017.
2. According to the provisions of Article 17, Paragraph 1 and Paragraph 3 of the Articles of Incorporation, the board shall consist 9 to 15 directors (including at least three independent directors), and an Audit Committee shall be formed by independent directors to replace the supervisors. According to actual requirements, nine directors (including three independent directors) shall be elected to form the 18th Board of Directors.
3. Directors elected for the 18th Board of Directors shall immediately take office upon election for a term of three years. The term shall begin on 16 June 2017 and end on 15 June 2020.

Election Results:

Candidates of the Directors(18th Board)

Name	Chang Ching-Kuei	Lee Hung-Ming	Tsai Chung-Yan
Education	Feng Chia University (Bachelor of Architecture)	Chinese Culture University (Bachelor of law)	San Francisco State University (Master of Public Administration , MPA)
Experience	Cathay Real Estate Development Co., Ltd. Chairman	Cathay Real Estate Development Co., Ltd. President	Cathay Real Estate Development Co., Ltd. Vice President
Positions	Chairman : Cathay Real Estate Development Co., Ltd. 、 Cathay Real Estate Management Co., Ltd. 、 Cathay Healthcare Inc. 、 Cathay Real Estate Foundation. Director : Cathay General Hospital 、 Cathay Charity Foundation. Supervisor : Lin Yuan Property Management Co.Ltd. 、 Taiwan Real Estate Management Co., Ltd.	President : Cathay Real Estate Development Co., Ltd. 、 Cathay Real Estate Management Co., Ltd. ; Chairman : Cathay Hospitality Management Co., Ltd. 、 CMG International One Co., Ltd. 、 CMG International Two Co., Ltd. Director : Cathay Real Estate Development Co., Ltd. 、 Cathay Real Estate Management Co., Ltd. 、 Cathay Real Estate Foundation	Director : Cathay Real Estate Development Co., Ltd. 、 Cathay Life Insurance Co., Ltd. 、 Cathay Healthcare Inc. Vice President : Cathay Real Estate Development Co., Ltd. 、 Liang Ting Enterprise Co., Ltd.

Candidates of the Directors(18th Board)

Name	Tung Tzi-Li	Chu Chung-Chang	Lin Chin-Liang
Education	Indiana University(Master of Business Administration ∙ MBA)	York University(Master of Business Administration ∙ MBA)	National Cheng Kung University(Bachelor of Architecture)
Experience	Cathay Real Estate Development Co., Ltd. Vice President	May Foong Woolen & Worsted Textile MillLtd. Chairman	Cathay Real Estate Development Co., Ltd. Assistant Vice President
Positions	Director : Cathay Real Estate Development Co., Ltd. ∙ Cathay Real Estate Foundation ∙ Taiwan Star Telecom Corporation Limited. ∙ CMG International One Co., Ltd. ∙ CMG International Two Co., Ltd. ∙ CCH REIM Company Limited ∙ CCH REIM (HK) Company Limited ∙ Lotus Investment Company Limited ∙ Lotus Pacific Company Limited ∙ Cathay Healthcare Management Limited (Cayman) ∙ Jia-Heng Real Estate Co., Ltd Vice President : Cathay Real Estate Development Co., Ltd. Supervisor : Tai-Lin Management Consulting Co., Ltd.	Director : Cathay Real Estate Development Co., Ltd. ∙ Cathay Life Insurance Co., Ltd. Chairman : May Foong Woolen & Worsted Textile MillLtd. ∙ May Foong development Co.,Ltd.	Director : Cathay Real Estate Development Co., Ltd. ∙ Cathay Real Estate Management Co., Ltd. ∙ CMG International One Co., Ltd. ∙ CMG International Two Co., Ltd. ∙ CCH Commercial Company Limited ∙ Golden Gate Investment Company Limited ∙ Golden Gate Pacific Company Limited ∙ CCH Lakeside Investment Company Limited ∙ Lakeside Investment Company Limited ∙ Lakeside Pacific Company Limited ∙ Lu-Jing Real EstateCo., Ltd ∙ Cathay Healthcare Management Limited Assistant Vice President : Cathay Real Estate Development Co., Ltd. Supervisor : Symphox Information Co.,Ltd.

Candidates of the Independent Directors(18th Board)

Name	Lin Shiou-Ling	Wu Chih-Wei	James Y. Chang
Education	National Taiwan University (Bachelor of law)	California State University(Master of Business Administration , MBA)	Southern Methodist University (J.D.)
Experience	Director : Cathay Financial Holding Co., Ltd. ∙ China United Trust & Investment Co.,Ltd. executive director : Tong Lung Metal Industry Co.,Ltd. ; Turnaround Management Association-Taiwan Foundation (Enterprise evaluation Committee Chairperson)	CEO, Credit Suisse (Taiwan) Executive Chairman, Standard Chartered Bank Taiwan President, Hsinchu International Bank	Chang & Associates, Attorneys-at-Law Presiding Lawyer Soochow University Associate Professor of Law
Positions	Independent Directors : Cathay Real Estate Development Co., Ltd. Chairman : DaSheng Venture Capital Co.,Ltd. ∙ BaKu Capital Co.,Ltd. Directors : DaSheng II Venture Capital Co.,Ltd. ∙ DaSheng Financial Advisor Co.,Ltd. ∙ DaSheng Venture Capital Co.,Ltd. ∙ DaSheng one I Venture Capital Co.,Ltd. ∙ Jian-Yong Co.,Ltd. ∙ DeJin Co.,Ltd. ∙ DeBo Co.,Ltd. ∙ Chuang-Jing Co.,Ltd. ∙ Wan-Bo Co.,Ltd. ∙ AnDing Co.,Ltd. ∙ GuangLiMei Co.,Ltd. ∙ DaSheng one II Venture Capital Co.,Ltd. ∙ ErSheng Capital Co.,Ltd. ∙ SanSheng Capital Co.,Ltd. ∙ United Communications Group Company Limited ∙ ZhuoFu Co.,Ltd.	Independent Directors Cathay Real Estate Development Co., Ltd. ∙ Preferred Bank ∙ Long Chen Paper Co., Ltd Chairman : Chi Teh Investment Co. Ltd. Directors : Taiwan Ham Co., Ltd. ∙ Hematech Biotherapeutics Inc.	Chang & Associates, Attorneys-at-Law Presiding Lawyer Soochow University Associate Professor of Law

4. Matters for Discussion

(1) Proposal for releasing the prohibition on the Company's 18th board of directors from participation in competitive business.

[Proposed by the Board of Directors]

Explanation:

1. In accordance with Article 209 of the Company Act, a director who does anything for himself/herself or on behalf of another person that is within the scope of the company's business, shall obtain approval from the shareholders' meeting.
2. The Company's directors who are involved in other companies' operations which are the same or similar to the scope of our company's business, shall according to Article 209 of the Company Act, obtain approval from the shareholders' meeting. It is proposed that if the Company director is elected, his/her prohibition from participation in competitive business (details as follows) be released, and the earnings prior to the release will not be deemed to be earnings of the company.

Director	Company where position is held concurrently	Positions
Chang Ching-Kuei	Cathay Healthcare Inc. Cathay General Hospital Lin Yuan Property Management Co.Ltd Taiwan Real Estate Management Co., Ltd.	Chairman Directors Supervisor Supervisor
Lee Hung-Ming	CMG International One Co., Ltd. CMG International Two Co., Ltd.	Chairman Chairman
Tsai Chung-Yan	Cathay Life Insurance Co., Ltd. Cathay Healthcare Inc. Liang Ting Enterprise Co., Ltd.	Directors Directors Vice President
Tung Tzi-Li	Taiwan Star Telecom Corporation Limited. CMG International One Co., Ltd. CMG International Two Co., Ltd. CCH REIM Company Limited CCH REIM (HK) Company Limited Lotus Investment Company Limited Lotus Pacific Company Limited Jia-HengReal EstateCo., Ltd Cathay Healthcare Management Limited (Cayman) Tai-Lin Management ConsultingCo., Ltd	Directors Directors Directors Directors Directors Directors Directors Directors Directors Supervisor
Chu Chung-Chan g	May Foong Woolen & Worsted Textile MillLtd. May Foong development Co.,Ltd. Cathay Life Insurance Co., Ltd.	Chairman Chairman Directors
Lin Chin-Liang	CMG International One Co., Ltd. CMG International Two Co., Ltd. CCH Commercial Company Limited Golden Gate Investment Company Limited Golden Gate Pacific Company Limited Lu-Jing Real EstateCo., Ltd CCH Lakeside Investment Company Limited Lakeside Investment Company Limited Lakeside Pacific Company Limited Cathay Healthcare Management Limited (BVI) Symphox Information Co.,Ltd.	Directors Directors Directors Directors Directors Directors Directors Directors Directors Directors Supervisor

Provisional Motion(s)

Appendix 1

Cathay Real Estate Development Co., Ltd., Articles of Incorporation

Chapter 1 General Provisions

Article 1

The Company shall be named Cathay Real Estate Development Co., Ltd. ("Cathay Real Estate" in short) in accordance with the provisions of Company Limited by Shares in the Company Act.

Article 2

The Company's business scopes are as follows:

1. F208031 Retail Sale of Medical Equipment.
2. F301010 Department Stores.
3. G101041 Passenger Car Rental and Leasing.
4. G202010 Parking Garage Business.
5. H701010 Residence and Buildings Lease Construction and Development.
6. H701020 Industrial Factory Buildings Lease Construction and Development.
7. H701040 Specialized Field Construction and Development.
8. H701050 Public Works Construction and Investment.
9. H701060 New County and Community Construction and Investment.

10. H701070 Land Levy and Delimit.
11. H701080 Reconstruction within the renewal area.
12. H701090 Renovation, or maintenance within the renewal area.
13. H702010 Construction Management.
14. H703090 Real Estate Commerce.
15. H703100 Real Estate Rental and Leasing.
16. I103060 Management Consulting Services.
17. I199990 Other Consultancy.
18. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

The operations of the above businesses shall be conducted in accordance with the relevant laws and regulations.

Article 3

The Company may provide endorsements and guarantees due to business requirements.

Article 4

The Company's total reinvestment amount is not restricted by the reinvestment ratio as stipulated in Article 13 of the Company Act.

Article 5

The main office (headquarters) of the Company shall be established in Taipei City, and branches may be established in other appropriate places where necessary, and its setup, closure or change shall be approved by the board of

directors.

Article 6

The Company's public notice shall be handled in accordance with the Company Act and other relevant laws and regulations.

Chapter 2 Shareholdings

Article 7

The registered capital of the Company is NT\$20 billion, divided into 2 billion shares with a par value of NT\$10. The board of directors is authorized to issue the shares in installments.

Article 8

The Company's shares are issued as registered share certificates, signed or sealed by three or more directors of the Company, affixed with the Company's stamp and serial number, and duly authenticated by the competent authority or certifying institution appointed by the competent authority.

For the above publicly issued registered shares, the Company may print consolidated share certificates or be exempted from printing any share certificates. However, share certificates shall be placed under the custody of a centralized securities custody enterprise. The same applies for other securities issued.

Article 9

The Company's stock affairs shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and other relevant laws and regulations, except as otherwise stated in the Articles of Incorporation.

Article 10

Transfer of the Company's shares is suspended within 60 days before the convening date of the annual shareholders meeting, within 30 days before the special shareholders meeting, and within five days before the date of allocation of dividends and bonuses or other benefits decided by the Company.

Chapter 3 Shareholders Meeting

Article 11

The Shareholders meetings are comprised of regular and special meetings, where a regular meeting is conducted annually, within six months upon the close of the fiscal year, and convened by the board of directors. Special meetings may be convened by the board of directors where necessary according to the law, except as otherwise provided by the Company Act. Shareholders shall be notified of the date, place and meeting agenda of regular shareholders meetings, no later than 30 days prior to the meeting date; and no later than 15 days prior to the date of special meetings.

Article 12

The Company's shareholders meeting shall be convened by

the board of directors, and chaired by the Chairman of the Board.

For a shareholders meeting convened by any other person having the convening right, he/she shall act as the Chair of that meeting. However, if there are two or more persons having the convening right, the Chair of the meeting shall be elected from among them.

Article 13

A shareholder of the Company shall have one voting right for each share in his/her/its possession.

Restrictions to the exercise of the above voting rights shall be in accordance with the Company Act and relevant laws and regulations.

Article 14

A shareholder who is unable to attend the shareholders meeting, may appoint a proxy to attend by executing a power of attorney printed by the company, five days before the shareholders meeting, stating the scope of power authorized by the proxy. A shareholder may only execute one power of attorney and appoint one proxy only, except for trust enterprises or stock agencies approved by the competent authority. When a person acts as proxy for two or more shareholders concurrently, the number of voting rights represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted. When the government or a juristic person is a shareholder,

its proxy shall not be limited to one person, provided that the voting right that may be exercised shall be calculated on the basis of the total number of voting shares it holds.

Article 15

Resolutions at a shareholders meeting shall, unless otherwise provided in the Company Act, be adopted by a majority vote of the attending shareholders, who represent more than one-half of the total number of voting shares.

Article 16

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting.

The preparation and distribution of the minutes of shareholders meetings as required in the preceding Paragraph may be effectuated by electronic means or public notice.

Chapter 4 Board of Directors

Article 17

The Company's board of directors is to be formed by nine to 15 directors, comprised of at least three independent directors, and the number shall not be less than one-fifth of the board seats. The members shall be elected from among the shareholders with disposing capacity.

The election of the Company's directors utilizes a candidate

nomination system, where shareholders elect the directors from the nominees list during the shareholders meeting. The nomination and election methods shall be in accordance with the Company Act, Securities and Exchange Act and relevant laws and regulations. Assessment of independent directors' professional qualifications, shareholdings and sideline restrictions, independence and other compliance matters, shall be handled in accordance with the relevant laws and regulations.

The Company's Audit Committee shall be formed by all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. Members of the Audit Committee, execution of power and authority, and other compliance matters, shall be conducted in accordance with the relevant laws and regulations or the Articles of Incorporation, and its Corporate Charter shall be established by the board of directors.

Article 18

The term of office of a director is three years, and he/she may be eligible for re-election. In case no election of new directors is effectuated after expiration of the term of office of existing directors, the out-going directors may extend their period of duty until new directors have been elected and assumed their office.

The eligibility and re-election of the Company's independent directors shall be handled in accordance with the relevant laws and regulations.

The board of directors is authorized to issue compensation to the Company's directors (including independent directors) for their terms in office, by referencing the Company's business status and industry standards.

The Company may, by resolution of the board of directors, purchase liability insurance for its directors and supervisors or important employees during their term of duty, to provide compensation for liabilities incurred by the Company during the performance of their duties, according to the law. The board of directors may authorize the Chairman of the Board to handle the amount and renewal of the liability insurance.

Article 19

Three managing directors may be elected by all directors, and the managing directors are to elect one person among themselves as the Chairman of the Board, and one person may be elected as Vice Chairman where necessary. In case no managing directors have been elected, a Chairman of the Board shall be elected by a majority vote among the attending directors at a meeting attended by over two-thirds of the directors, and a Vice Chairman may be elected where necessary.

In case the Company has managing directors, at least one managing director shall be an independent director, and the number shall not be less than one-fifth of the total number of managing directors.

Article 20

The Chairman of the Board shall internally preside over the shareholders meeting, meeting of the board of directors, and meeting of the managing directors, and shall externally represent the Company. In case the Chairman of the Board is on leave or unable to exercise his power and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman, or the Vice Chairman is on leave or unable to exercise his power and authority for any cause, the Chairman of the Board shall designate one of the managing directors to act on his behalf. Where there are no managing directors, one of the directors shall be designated to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting Chairman of the Board.

Article 21

The directors shall attend the meetings of the board in person. If he/she is unable to attend in person, unless otherwise provided in the Company Act, he/she may execute a power of attorney and state therein the scope of authority with reference to the subjects to be discussed at the meeting, by delegating other directors to attend on his/her behalf, but this is only limited to one director.

The convening notice for the above shall be given in writing, e-mail or fax.

If the meeting of the board of directors is conducted by video conference, the directors participating in the video conference shall be deemed to have attended the meeting in person.

Article 22

The power and authority of the Board of Directors are as follows:

1. Approval of the Corporate Charter.
2. Decisions regarding business policies.
3. Review of financial reports.
4. Preparation of profit distribution and deficit compensation.
5. Preparation of capital increases and reductions, and resolution of shares or corporate bonds issuances.
6. Purchase, sale, split, exchange, property rights settlements and all other disposals of immovable properties.
7. Establishment of functional committees and the establishment and amendment of the Corporate Charter.
8. Power and authority authorized by the law, Articles of Incorporation or resolutions of the shareholders meetings.

Article 23

Resolutions of the board of directors shall be recorded in the board meetings minutes, and signed or sealed by the Chair and kept at the Company.

Article 24

Unless otherwise provided in the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors at a meeting attended by a majority of the

directors.

Chapter 5 Supervisor

Article 25

The Company shall have two supervisors elected in the shareholders meeting from among the persons with disposing capacity.

The qualifications and election, and the election methods of the Company's supervisors shall be in accordance with the provisions of the Company Act, relevant laws and regulations and competent authority.

Regulations in the Articles of Incorporation with regards to supervisors, shall cease to apply upon establishment of the Audit Committee by the Company.

Article 26

The term of office of a supervisor is three years, and he/she may be eligible for re-election. In case no election of new supervisors is effectuated after expiration of the term of office of an existing supervisor, the out-going supervisor may extend their period of duty until new supervisors have been elected and assumed their office.

In case all supervisors are discharged, the board of directors shall, within 60 days, convene a special shareholders meeting to elect new supervisors. The term of office of the supervisor elected through by-election, shall not be more than the remaining term of the former supervisor.

The board of directors is authorized to issue compensation to the Company's supervisors for their terms in office, by

referencing the Company's business status and industry standards.

Article 27

The Company may appoint one standing supervisor to be selected among the supervisors. Besides executing monitoring duties according to the laws, supervisors may attend the meetings of the board of directors, but have no voting rights.

Article 28

The power and authority of the supervisors are as follows:

1. Investigation of the Company's financial status.
2. Examination of the Company's accounting books and documents.
3. Supervision of the Company's business activities.
4. Monitoring of the execution of work by employees, and reporting any illegal conduct.
5. Other vested power and authority according to the law.

Chapter 6 Manager

Article 29

The Company may have managers, whose appointment, dismissal and remuneration shall be handled in accordance with the Company Act and relevant regulations.

Chapter 7 Accounting

Article 30

The Company's fiscal year is from 1 January to 31

December for each year. When the fiscal year has closed, the board of directors shall prepare the following statements, and submit these statements to the supervisors for audit 30 days before the shareholders meeting, and then present these statements at the shareholders meeting for approval:

1. Business report.
2. Financial statements.
3. Proposals of profit distribution or deficit compensation.

Article 31

If the Company earns profit for the year, 0.1% to 1% of it shall be distributed as employees compensation, and not more than 1% as directors and supervisors compensation. However, the company's accumulated losses shall first be covered.

If there are earnings after the fiscal year closes, besides paying taxes according to the law, the Company shall first offset its previous years' losses, and set aside a legal reserve, set aside or reverse special reserve according to the law, and then allocate 30% to 100% as shareholders dividends and bonuses. The remaining monies, together with the beginning undistributed earnings, shall be the distributable earnings. The board of directors shall prepare a earnings distribution proposal, and submit it at the shareholders meeting for approval. The distribution ratio of the above shareholders' dividends and bonuses depends on the current year's major financial or working capital planning, and may be adjusted upon resolution of the shareholders meeting.

In response to economic and market environment changes, the Company adopts a diversified investment approach to increase profitability. In consideration of long-term financial planning and future funding requirements, a residual dividend policy is adopted for the dividend policy, so as to achieve steady growth and sustainable operations.

Based on the Company's operational planning and capital investment, as well as taking into account shareholders' cash inflow requirements, and to avoid over expansion of share capital, earnings are first distributed in the form of a cash dividend, followed by a stock dividend. However, a cash dividend distribution shall not be less than 50% of total dividend.

Chapter 8 Supplementary Provisions

Article 32

Matters not covered in the Articles of Incorporation shall be handled in accordance with the Company Act and other relevant laws and regulations.

Article 33

The Articles of Incorporation were established on 14 September 1964, and the 1st amendment was made on 27 February 1965, 2nd amendment on 30 Mar 1966, 3rd amendment on 20 April 1967, 4th amendment on 6 June 1969, 5th amendment on 25 May 1970, 6th amendment on 6 May 1971, 7th amendment on 19 May 1972, 8th amendment on 7 May 1973, 9th amendment on 17 May 1974, 10th amendment on 30 May 1975, 11th amendment

on 14 May 1976, 12th amendment on 21 April 1978, 13th amendment on 16 May 1980, 14th amendment on 22 May 1981, 15th amendment on 27 May 1983, 16th amendment on 25 May 1984, 17th amendment on 24 May 1985, 18th amendment on 23 May 1986, 19th amendment on 2 May 1987, 20th amendment on 20 May 1988, 21st amendment on 26 May 1989, 22nd amendment on 25 May 1990, 23rd amendment on 17 May 1991, 24th amendment on 22 May 1992, 25th amendment on 14 May 1993, 26th amendment on 20 May 1994, 27th amendment on 26 May 1995, 28th amendment on 24 May 1996, 29th amendment on 23 May 1997, 30th amendment on 22 May 1998, 31st amendment on 19 May 1999, 32nd amendment on 19 May 2000, 33rd amendment on 24 May 2001, 34th amendment on 16 May 2002, 35th amendment on 22 May 2003, 36th amendment on 14 May 2004, 37th amendment on 10 June 2005, 38th amendment on 19 June 2009, 39th amendment on 10 June 2011, 40th amendment on 15 June 2012, 41st amendment on 14 June 2013, 42nd amendment on 6 June 2014, and 43rd amendment on 8 June 2016.

Appendix 2

Cathay Real Estate Development Co., Ltd., Rules of Procedure for Shareholder Meetings

Article 1 (Basis and Regulatory Compliance)

To establish good governing system of shareholder meetings, build solid supervision functions and enhance management functions, the Rules which are established according to Article 5 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, shall be followed. The rules of procedures for the Company's shareholder meetings, except when otherwise provided by laws and regulations or the Articles of Incorporation, shall be as provided in these Rules.

Article 2 (Summon and Notice of Annual Meeting of Shareholders)

The summon and notice of the company's shareholders meetings shall be in accordance with the provisions of Article 171, Article 172, Article 172-1 and Article 185 Paragraph 1 of the Company Act, and Article 26-1, Article 26-2 and Article 43-6 of the Securities and Exchange Act, Article 56-1, Article 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Article 5 and Article 6 of Regulations Governing Content and Compliance Requirements for Shareholders Meeting Agenda Handbooks of Public Companies, or other relevant laws and regulations.

Article 3 (Entrusted to attend the Annual Meeting of Shareholders)

A shareholder may appoint a proxy to attend a shareholders meeting on his/her/its behalf by executing a power of attorney notice printed by the Company stating the scope of power authorized by the proxy.

A shareholder may only execute one power of attorney notice and appoint one proxy only, and shall serve such written proxy to the company no later than five days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

If the shareholder wishes to attend the shareholder meeting or wishes to exercise the right to vote in writing or electronic form, after the power of attorney notice has been delivered to the Company, the shareholder shall notify the Company in writing, two days before the shareholders meeting, of his/her/its intention to cancel the power of attorney. If the shareholder fails to cancel within the stipulated date, the proxy vote shall prevail.

Article 4 (Place and Time of Annual Meeting of Shareholders)

The place for convening a shareholders meeting shall be inside the premises of the Company, or any other place convenient for the shareholders, and suitable for holding of the said meeting. The time for commencing the said meeting

shall not be earlier than 9 a.m. or later than 3 p.m.

Article 5 (Attendance of Annual Meeting of Shareholders)

The Company shall clearly state the shareholders reporting time, venue and any other matters to be noted. Shareholders shall attend a shareholders meeting by presenting an attendance card, sign-in card or other identity document. The Company shall not request additional supporting documents from the shareholders to attend the meeting.

The proxy shall bring his/her identification document for verification. The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing the attendance book.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slip, voting slip, and other meeting materials. When there is an election of directors or supervisors, voting ballots shall also be furnished.

After appointing the Audit Committee, the rules of procedure with regards to supervisors shall apply *mutatis mutandis* to the Audit Committee.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 6 (Chair and Attendees of the Annual Meeting of

Shareholders)

Convening of shareholders meeting shall be conducted by the Chair in accordance with Article 182-1, Article 208 of the Company Act or other relevant laws and regulations.

The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting.

Shareholders meeting convened by the board of directors, shall be attended by majority of the board of directors and at least one representative from the functional committee required by the Securities and Exchange Act, and the attendance shall be recorded in the shareholders meeting minutes.

Article 7 (Evidence of Process of Annual Meeting of
Shareholders)

The Company shall document the shareholders meeting by audio or video, and the recorded materials shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 8 (Calculation of number of shares representing
shareholders present in the Annual Meeting of Shareholders
and commencement of meeting) Attendance at a
shareholders meeting shall be calculated based on the
numbers of shares. The number of shares in attendance shall
be calculated according to the shares indicated by the

attendance book and sign-in cards handed in, plus the number of shares whose voting rights are exercised by written or electronic form.

The Chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chair may announce a postponement. The postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If a quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the Chair shall declare the meeting adjourned.

If a quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 9 (Agenda Discussions)

If a shareholders meeting is convened by the board of

directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set in the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply to a shareholders meeting convened by a party with the power to convene, other than the board of directors.

The Chair shall not declare the meeting adjourned without resolution by shareholders if the proposals arranged in the above two paragraphs have not been resolved. If the Chair declares the meeting adjourned in violation of the rules of procedures, other members of the board of directors shall promptly assist the attending shareholders in electing a new Chair according to statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and continue the meeting.

The Chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to be put to a vote, the Chair may announce the discussion is closed and call for a vote.

Article 10 (Shareholders' Speech)

A shareholder wishing to speak in a shareholders meeting shall first fill out a slip, specifying therein the major points of his speech, his/her shareholder account number (or attendance card number) and his/her name, and the Chair

shall determine the order for speaking.

A shareholder who submits his/her slip for a speech but does not actually speak shall be considered as not having given a speech. If the content of that speech differs from that specified on the slip, the content of the speech shall prevail.

A shareholder shall not speak more than two times for one proposal, unless he/she has obtained prior consent from the Chair, and each speech shall not exceed five minutes. If a shareholder violates the above provisions or his speech exceeds the scope of the motion, the Chair may terminate the speech.

When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained prior consent from the Chair and the said shareholder, and the Chair shall prevent such violations.

If a juristic person shareholder designates two or more representatives at the shareholders meeting, only one representative may speak on the same proposal.

After an attending shareholder has spoken, the Chair may respond in person or designate relevant personnel to respond.

Article 11 (Calculation of Voting Shares and Recusal System)

Voting and resolution at the Company's shareholders meetings shall be in accordance with Article 177, Article 178, and Article 180 of the Company Act or other relevant laws and regulations.

Article 11-1 (Voting, monitoring and calculation method)

A shareholder shall be entitled to one vote for each share

held, except when the shares are deemed non-voting shares under Article 179, Paragraph 2 of the Company Act.

When the Company holds a shareholders meeting, it shall list electronic means as one of the ways to exercise voting rights, and may adopt written means to exercise its voting rights. When voting rights are exercised by written or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by written or electronic means will be deemed to have attended the meeting in person. However, his/her rights with respect to extraordinary motions and amendments to original proposals of that meeting are deemed to have been waived.

A shareholder intending to exercise voting rights by written or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the earliest received declaration shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by written or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made, by the same means which the voting rights were exercised, 2 days before the date of the shareholders meeting. If the notice of retraction is submitted after the stipulated time, the voting rights already exercised by written or electronic means shall prevail. When a shareholder has exercised

voting rights both by written or electronic means, and appointed a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except when otherwise provided in the Company Act and in the Company's Articles of Incorporation, resolutions shall require a majority of the voting rights from the attending shareholders to pass. At the time of a vote, the Chair or designated person shall first announce the total number of voting rights represented by the attending shareholders for each proposal, followed by a poll of the shareholders. The voting results shall be entered into the Market Observation Post System (MOPS).

When there is an amendment or an alternative to a proposal, the Chair shall present the amended or alternative proposal together with the original proposal, and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair and the monitoring personnel shall be shareholders of the Company.

Vote counting for proposals or elections in a shareholders meeting shall be conducted in public at the place of the shareholders meeting. Immediately after the vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 12 (Elections)

The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules of the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 13 (Minutes of Meeting)

Matters relating to the resolutions of a shareholders meeting shall be in accordance with Article 183, Paragraph 1 to 4 of the Company Act, compiled and distributed as meeting minutes, and kept permanently during the existence of the Company.

Article 14 (Public Disclosure)

On the day of a shareholders meeting, the Company shall compile in the prescribed format, a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolutions to the MOPS within the prescribed time period.

Article 15 (Maintaining order at the meeting place)

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or armbands.

The Chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor".

When a public address (PA) system is available at the place of a shareholders meeting, and a shareholder attempts to speak through any devices other than the device provided by the Company, the Chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the Chair's correction, obstructs the proceedings and refuses to heed calls to stop, the Chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 16 (Recess and resumption of shareholders meeting)

The Chair may call for breaks during the meeting when appropriate. In an event of *force majeure*, the Chair may rule the meeting temporarily suspended, and based on the

circumstances, announce the time of a resumption of the meeting. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

If the meeting venue is no longer available for continued use and not all of the items on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

Article 17

The Rules, and any amendments hereto, shall be implemented upon approval by the shareholders meetings.

Article 18

The Rules were established on 27 February 1965, and its 1st amendment was made on 23 May 1998, 2nd amendment on 16 May 2002, 3rd amendment on 14 June 2013, 4th amendment on 9 June 2015, and 5th amendment on 8 June 2016.

Appendix 3

Cathay Real Estate Development Co., Ltd. Procedures for Election of Directors and Supervisors

Amendment made at shareholders meeting on 20 April 1967

Amendment made at shareholders meeting on 22 May 1981

Amendment made at shareholders meeting on 25 May 1984

Amendment made at shareholders meeting on 16 May 2002

Amendment made at shareholders meeting on 22 June 2007

Amendment made at shareholders meeting on 14 June 2013

Amendment made at shareholders meeting on 8 June 2016

Article 1

Except as otherwise provided by law or by the Articles of Incorporation, elections of the Company's directors and supervisors shall be conducted in accordance with these Procedures.

Article 2

Election of the Company's directors will utilize the candidate nomination system, where directors are elected from the directors nomination list during the shareholders meeting.

Elections of directors and supervisors will utilize a cumulative voting system, one share shall have the same voting rights as the number of directors and supervisors to be elected, and the total number of votes per share may be consolidated for election of one candidate or it may be

split for election of two or more candidates.

Upon establishment of the Audit Committee by the Company, regulations applicable to supervisors in these Procedures shall apply to the Audit Committee.

Article 3

For appointment of independent directors in accordance with the Articles of Incorporation, independent directors and non-independent director shall be elected at the same time, and the number of directors will be separately calculated. The qualifications and elections of independent directors shall be in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and relevant laws and regulations.

Article 4

Elections of the Company's directors shall be conducted in accordance with the candidate nomination system and procedures established in Article 192-1 of the Company Act. The Company shall review the qualifications, education, work experience and the existence of any other matters set forth in Article 30 of the Company Act with respect to the nominee directors. Additional documents for proof of qualifications shall not be arbitrarily added. The review results shall be provided to the shareholders as a reference for electing competent directors.

If the dismissal of a director results in a board with fewer than five directors, the Company shall hold a by-election

at the next shareholders meeting. When the number of directors falls short by one-third of the total number prescribed in the Company's Articles of Incorporation, a special shareholders meeting shall be held within 60 days from the date of this occurrence to hold a by-election.

When the number of independent directors falls below that required by law, a by-election shall be held at the next shareholders meeting. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of this occurrence to hold a by-election.

Article 5

The number of directors and supervisors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chair drawing lots on behalf of any person not in attendance.

Article 6

Before the election begins, the Chair shall appoint a number of persons to perform the duties of vote monitoring and counting. Monitoring personnel shall be

shareholders. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before the voting commences.

Article 7

The board of directors shall prepare the ballots, with the number of voting rights associated with each ballot specified, and then distribute these ballots to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of the voting shareholders.

Article 8

If a candidate is a shareholder, the voter shall enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name on the paper ballot, or both the name of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.

Article 9

A ballot is invalid under any of the following

circumstances:

1. The ballot was not prepared by the board of directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate, whose name is entered on the ballot, is a shareholder, but the candidate's account name and shareholder account number do not conform with the names and numbers in the shareholder register; or the candidate whose name is entered on the ballot is a non-shareholder, but upon review, shows the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered on the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided on the ballot to identify such individual.
7. The number of voting rights allotted to the candidate entered exceeds the total number of voting rights.
8. Other violations of the laws, Articles of Incorporation or relevant regulations.

Article 10

The voting results shall be calculated on-site immediately after the voting, and the results of the calculation,

including the list of elected directors and supervisors and their respective votes shall be announced by the Chair on-site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 11

The Procedures, and any amendments hereto, shall be implemented upon approval by the shareholders meetings.

Appendix 4

Shareholdings of directors and supervisors

1. As of 18 April 2017, the Company's paid-up capital is NT\$ 11,595,610,590, the number of shares issued is 1,159,561,059.

2. Details of the minimum required combined shareholdings of all directors and supervisors by law, and shareholdings as per the shareholders' register:

Position	Shareholdings required by law	Shares recorded in shareholders'
Director	32,000,000 shares	207,017,502 shares
Supervisor	3,200,000 shares	5,108,490 shares

Note: Book closure date: 18 April 2017.

3. Shareholding details of directors and supervisors:

Position	Name	Shares held as at book closure date	Remarks
Chairman	Chang Ching-Kuei	204,114,882	Wan Pao Development Co., Ltd. representative
Director	Tsai Chung-Yan	204,114,882	Wan Pao Development Co., Ltd. representative
Director	Lee Hung-Ming	204,114,882	Wan Pao Development Co., Ltd. representative
Director	Lin Chin-Liang	204,114,882	Wan Pao Development Co., Ltd. representative
Director	Tung Tzi-Li	604,030	Cathay General Hospital representative
Director	Chu Chung-Chang	2,298,590	May Foong development Co.,Ltd. representative
Independent Director	Zhang Liang	0	
Independent Director	Lin Shiou-Ling	0	
Independent Director	Wu Chih-Wei	0	
Total shares held		207,017,502	

Position	Name	Shares held as at book closure date	Remarks
Standing Supervisor	Tsai Chih-Ing	2,353,690	Cathay Real Estate Foundation representative
Supervisor	Lee Fong-Kun	2,754,800	Cathay Real Estate Employees' welfare Committee representative
Total shares held		5,108,490	