KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

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

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To KGI Securities Co. Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of KGI Securities Co. Ltd. (the "Company") and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 consolidated financial statements for the year ended December 31, 2019. 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.

Assessment of Goodwill Impairment

The Company and subsidiaries perform impairment test annually on goodwill generated from business combination. Due to the complexity of testing assessment, management's subjective judgement to related assumptions, and significant goodwill amount as of December 31, 2019 to the consolidated financial statements, we listed it as a key audit matter. Our audit procedures include, but not limited to, obtaining the self-assessment report from management and the impairment report prepared by external expert, and reviewing related assumptions used in calculating future cash flows in those reports. In addition, we use our firm's internal valuation expert to review the methods (such as discounted cash flow method) and the parameters (such as discounted rate) used in the impairment report to assist us to assess the methods and assumptions of goodwill impairment testing mentioned above. We also assessed the adequacy of disclosures for goodwill in Note V and Note VI.17.

Valuation of Derivative Instruments

The Company and subsidiaries invest in different types of derivative instrument assets and liabilities. As of December 31, 2019, the carrying amount of derivative instrument assets and liabilities measured at fair value is significant to the consolidated financial statement. Except for those classified as level 1, the fair value of other derivative instruments cannot be retrieved from active market. Management therefore used valuation technique to determine the fair value. Level 2 derivative instruments are valued using parameters that are available or observable from an active market. The inputs of level 3 are not based on observable inputs from an active market. Since different valuation techniques and assumptions may have significant effect on the estimates of fair value, we considered the valuation of derivative instruments as a key audit matter. Our audit procedures include, but not limited to, assessing and testing the design and execution of the internal control regarding to valuation, and reviewing management's verification on fair value and authorization process of valuation models. In addition, we used our firm's internal valuation expert to reevaluate derivative instruments on a sampling basis, and compared the outcomes with the one from management to see if the difference is within acceptable range. We also assessed the adequacy of disclosures for valuation of derivative instruments in Note V and Note XII.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT 4,842,834 thousand dollar and NT 7,724,443 thousand dollars, constituting 1.45% and 2.78% of consolidated total assets as of December 31, 2019 and 2018, respectively; income before income tax of NT 149,126 thousand dollars and NT 39,830 thousand dollars, constituting 2.40% and 0.92% of consolidated income before income tax for the years ended December 31, 2019 and 2018, respectively; and other comprehensive income of NT 3,369 thousand dollars and NT 140 thousand dollars, constituting 0.07% and 0.01% of consolidated other comprehensive income for the years ended December, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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 Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and 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 subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and 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 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 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 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 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 consolidated financial statements for the year ended December 31, 2019 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.

Others

We have audited and expressed an unqualified opinion including the Other Matter paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018.

Huang, Chien-Che
Fuh, Wen-Fun
Ernst & Young, Taiwan
March 26, 2020

Notice to Readers
The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars)

ASSETS	12/31/2019	12/31/2018
CURRENT ASSETS		
Cash and cash equivalents (Note IV, VI.1, VI.28 and VII)	$16,650,427	$13,848,536
Financial assets measured at fair value through profit or loss-current (Note IV, VI.2, VI.21, VII and VIII)	81,817,301	56,507,312
Financial assets measured at fair value through other comprehensive income-current (Note IV, VI.3, VI.28, VII and VIII)	20,981,470	14,371,372
Investment in bonds with reverse repurchase agreements (Note IV, VI.5 and VI.28)	18,188,175	19,448,822
Securities margin loans receivable (Note IV, VI.6, VI.28 and VII)	24,155,864	21,179,631
Refinancing margin	1,717	-
Refinancing deposits receivable	1,431	-
Trading securities receivable (Note IV, VI.7 and VI.28)	5,365,066	8,029,932
Customer margin accounts (Note IV, VI.8, VI.28 and VII)	37,535,640	34,123,265
Futures commission merchant receivable (Note IV, VI.9 and VI.28)	6,906	12,618
Stock borrowing collateral price	126,169	1,157,582
Security lending deposits	16,655,194	10,778,769
Notes receivable	3,350	1,168
Accounts receivable (Note IV, VI.10, VI.28 and VII)	27,579,474	24,763,532
Prepayments	118,910	107,241
Other financial assets-current (Note IV, VI.1 and VII)	3,126,037	3,387,927
Current tax assets	17,228	571,927
Other current assets (Note IV, VI.28, VII and VIII)	37,507,177	32,761,841
Total Current Assets	289,837,536	241,051,475
NON-CURRENT ASSETS		
Financial assets measured at fair value through profit or loss-non-current (Note IV and VI.2)	3,091,790	2,782,424
Financial assets measured at fair value through other comprehensive income-non-current (Note IV, VI.3 and VI.28)	8,058,407	4,218,151
Financial assets measured at amortized cost-non-current (Note IV, VI.4 and VI.28)	-	496,707
Investments accounted for using the equity method (Note IV, VI.11 and VIII)	16,385,894	11,170,844
Property and equipment (Note IV, VI.12, VII and VIII)	5,617,126	5,696,497
Right-of-use assets (Note IV, VI.13 and VII)	1,175,913	-
Investment property (Note IV, VI.14, VII and VIII)	495,848	499,674
Intangible assets (Note IV, VI.15 and VI.17)	7,618,349	7,985,194
Deferred tax assets	210,068	348,416
Other non-current assets (Note IV, VI.16 and VI.28)	2,621,531	3,272,204
Total Non-Current Assets	45,274,926	36,470,111
TOTAL ASSETS	$335,112,462	$277,521,586

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

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	12/31/2019	12/31/2018
CURRENT LIABILITIES		
Short-term borrowings (Note VI.18 and VII)	$18,789,210	$14,782,223
Commercial papers payable (Note VI.19)	6,043,308	2,457,752
Financial liabilities measured at fair value through profit or loss-current (Note IV, VI.20, VI.21 and VII)	16,096,307	11,541,518
Liabilities for bonds with repurchase agreements (Note IV and VI.22)	77,387,490	65,175,218
Short sale margins (Note VI.6)	2,357,168	2,705,335
Payables for short sale collateral received (Note VI.6)	11,351,628	14,465,995
Guarantee deposit received from security lending	23,218,189	17,818,460
Futures customers' equity (Note IV and VII)	36,405,424	32,140,949
Accounts payable (Note VI.23 and VII)	40,935,136	40,180,799
Amounts received in advance	226,789	156,239
Amounts collected for other parties	10,154,141	1,405,617
Other payables (Note IV and VII)	3,259,011	2,650,442
Other financial liabilities-current	4,888,724	2,233,719
Current tax liabilities (Note IV and VII)	900,858	913,851
Long-term liabilities-current portion (Note IV and VI.24)	4,800,000	-
Lease liabilities-current (Note IV, VI.13 and VII)	473,433	-
Other current liabilities	61,509	71,803
Total Current Liabilities	257,348,325	208,699,920
NON-CURRENT LIABILITIES		
Bonds payable (Note IV and VI.24)	4,200,000	4,800,000
Liabilities reserve-non-current (Note IV and VI.26)	220,210	227,068
Lease liabilities-non-current (Note IV, VI.13 and VII)	723,048	-
Deferred tax liabilities (Note IV and VI.30)	1,153,916	1,258,095
Other non-current liabilities (Note IV and VI.25)	753,722	762,221
Total Non-Current Liabilities	7,050,896	7,047,384
Total Liabilities	264,399,221	215,747,304
EQUITY		
Capital stock abstract (Note VI.27)		
Common stock	32,418,432	32,418,432
Capital reserve (Note VI.27)	8,648,567	8,648,158
Retained earnings (Note VI.27)		
Legal reserve	5,265,093	4,888,610
Special reserve	14,870,597	11,338,931
Unappropriated earnings	5,293,012	5,016,370
Other equity		
Exchange differences resulting from translating the financial statements of a foreign operation	(754,675)	(588,187)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	1,658,964	(3,303,578)
Equity attributable to owners of the parent company	67,399,990	58,418,736
Non-controlling interests (Note VI.27 and VI.32)	3,313,251	3,355,546
Total Equity	70,713,241	61,774,282
TOTAL LIABILITIES AND EQUITY	$335,112,462	$277,521,586

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Years Ended December 31	
	2019	2018
REVENUES (Note IV)		
Brokerage handling fee revenue (Note VI.28 and VII)	$7,919,776	$9,116,022
Revenue from borrowed securities	875,906	708,736
Revenue from underwriting business (Note VI.28 and VII)	478,027	556,453
Revenue from wealth management services-net	149,692	94,883
Gains/(losses) on disposal of trading securities-net (Note VI.28)	2,119,193	(1,402,989)
Revenue from providing agency service for stock affairs (Note VII)	206,961	171,266
Interest income (Note VI.28)	4,365,760	3,384,789
Dividend income (Note VI.3 and VII)	257,166	352,933
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.28)	1,577,331	(672,611)
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.28)	9,818	219,157
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchaes agreements measured at fair value through profit or loss-net	(611,215)	481,100
Realised gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	842,029	29,009
Gains/(losses) on warrants issued-net (Note VI.21)	155,490	880,444
Gains/(losses) on derivative financial product-futures-net (Note VI.21)	(629,304)	1,377,473
Gains/(losses) on derivative financial product-GTSM-net (Note VI.21 and VII)	(620,054)	550,439
Expected credit losses/(gains) (Note VI.28 and XII)	6,102	(111,815)
Other operating revenue (Note VI.28 and VII)	1,869,790	858,749
Total Revenues	18,972,468	16,594,038
COSTS AND EXPENSES (Note IV)		
Brokerage handling fee expenses	(1,042,539)	(957,710)
Dealing handling fee expenses	(49,474)	(62,090)
Refinancing handling fee expenses	(184)	(165)
Financial costs (Note VI.28 and VII)	(2,518,960)	(1,548,398)
Losses on trading of borrowed securities	(37,536)	(19,804)
Futures commission expenses	(107,711)	(94,268)
Settlement and clearing service expenditures	(254,276)	(311,183)
Other operating costs	(205,639)	(253,515)
Employee benefits expenses (Note VI.25, VI.28 and VII)	(7,507,330)	(7,195,285)
Depreciation and amortization (Note VI.28)	(1,059,139)	(552,234)
Other operating expenses (Note VI.28 and VII)	(3,740,009)	(4,457,047)
Total Costs and Expenses	(16,522,797)	(15,451,699)
INCOME FROM OPERATIONS	2,449,671	1,142,339
NON-OPERATING INCOME OR COSTS		
Share of the profit or loss of associates and joint ventures accounted for using the equity method (Note IV)	1,318,107	1,110,137
Other income and costs (Note VI.14, VI.28 and VII)	2,448,333	2,088,806
Total Non-Operating Income or Costs	3,766,440	3,198,943
INCOME BEFORE INCOME TAX	6,216,111	4,341,282
INCOME TAX (EXPENSES)/BENEFITS (Note IV and VI.30)	(142,562)	(511,862)
NET INCOME	6,073,549	3,829,420
OTHER COMPREHENSIVE INCOME (Note IV and VI.29)		
Not to be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(43,789)	(42,027)
Unrealized valuation gains/(losses) from equity instrument investments measured at fair value through other comprehensive income	15,998	(93,046)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	141,877	(396,176)
Income tax relating to components that will not be reclassified (Note VI.30)	(4,157)	21,736
To be reclassified subsequently to profit or loss		
Exchange differences resulting from translating the financial statements of a foreign operation	(160,844)	363,055
Unrealized valuation gains/(losses) from debt instrument investmants measured at fair value through other comprehensive income	322,722	80,607
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,285,777	(2,916,209)
Total Other Comprehensive Income-Net of Tax	4,557,584	(2,982,060)
TOTAL COMPREHENSIVE INCOME	$10,631,133	$847,360
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$6,052,557	$3,764,825
Non-controlling interests (Note VI.27 and VI.32)	$20,992	$64,595
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$10,610,112	$782,831
Non-controlling interests (Note VI.27 and VI.32)	$21,021	$64,529
EARNINGS PER SHARE (Note VI.31)		
Net income attributable to owners of the parent company	$1.87	$1.16

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars)

	Equity Attributed to Owners of the Parent Company										
			Retained Earnings			Other Equity					
Items	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealised Gains /(Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gains /(Losses) on Available-For-Sale Financial Assets	Total	Non-controlling Interests	Total Equity
Balance, January 1, 2018	$29,988,123	$8,646,690	$4,088,294	$8,566,395	$8,003,162	$(950,756)	$-	$(181,133)	$58,160,775	$3,300,090	$61,460,865
Effect of retrospective application	-	-	-	-	1,365,896	-	(83,461)	181,133	1,463,568	(1,677)	1,461,891
Adjusted Balance, January 1, 2018	29,988,123	8,646,690	4,088,294	8,566,395	9,369,058	(950,756)	(83,461)	-	59,624,343	3,298,413	62,922,756
Appropriations and distribution of 2017 retained earnings:											
Legal reserve	-	-	800,316	-	(800,316)	-	-	-	-	-	-
Special reserve	-	-	-	2,772,536	(2,772,536)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,000,000)	-	-	-	(2,000,000)	-	(2,000,000)
Stock dividends	2,430,309	-	-	-	(2,430,309)	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	3,764,825	-	-	-	3,764,825	64,595	3,829,420
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(21,928)	362,569	(3,322,635)	-	(2,981,994)	(66)	(2,982,060)
Total comprehensive income	-	-	-	-	3,742,897	362,569	(3,322,635)	-	782,831	64,529	847,360
Purchase of subsidiary stock	-	-	-	-	-	-	-	-	-	(20)	(20)
Shared-based payment transaction	-	1,468	-	-	-	-	-	-	1,468	-	1,468
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,376)	(7,376)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(102,518)	-	102,518	-	-	-	-
Other	-	-	-	-	10,094	-	-	-	10,094	-	10,094
Balance, December 31, 2018	32,418,432	8,648,158	4,888,610	11,338,931	5,016,370	(588,187)	(3,303,578)	-	58,418,736	3,355,546	61,774,282
Appropriations and distribution of 2018 retained earnings:											
Legal reserve	-	-	376,483	-	(376,483)	-	-	-	-	-	-
Special reserve	-	-	-	3,531,666	(3,531,666)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,108,221)	-	-	-	(1,108,221)	-	(1,108,221)
Changes in equity of associates and joint ventures accounted for using the equity method	-	-	-	-	(527,185)	-	7,074	-	(520,111)	-	(520,111)
Net income for the year ended December 31, 2019	-	-	-	-	6,052,557	-	-	-	6,052,557	20,992	6,073,549
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(54,216)	(166,488)	4,778,259	-	4,557,555	29	4,557,584
Total comprehensive income	-	-	-	-	5,998,341	(166,488)	4,778,259	-	10,610,112	21,021	10,631,133
Changes in ownership interests in subsidiaries	-	-	-	-	(24)	-	-	-	(24)	(15,600)	(15,624)
Shared-based payment transaction	-	409	-	-	-	-	-	-	409	-	409
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(47,716)	(47,716)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(177,209)	-	177,209	-	-	-	-
Other	-	-	-	-	(911)	-	-	-	(911)	-	(911)
Balance, December 31, 2019	$32,418,432	$8,648,567	$5,265,093	$14,870,597	$5,293,012	$(754,675)	$1,658,964	$-	$67,399,990	$3,313,251	$70,713,241

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	$6,216,111	$4,341,282
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	792,529	292,686
Amortization	266,610	259,548
Expected credit losses/(gains)	(6,102)	111,815
Interest expense	2,518,960	1,548,398
Interest income	(5,727,897)	(4,467,948)
Dividend income	(460,135)	(649,117)
Share-based payment transactions	409	1,468
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(1,318,107)	(1,110,137)
(Gains)/losses on disposal of property and equipment	(44,642)	(62,391)
(Gains)/losses on disposal of investments	(15,440)	-
(Gains)/losses on disposal of investments accounted for using the equity method	(139,318)	-
Impairment loss on non-financial assets	163,886	-
Others	231	(523)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(25,309,989)	10,955,092
Financial assets measured at fair value through other comprehensive income-current	(7,654,585)	(11,831,641)
Investment in bonds with reverse repurchase agreements	1,260,663	1,680,290
Securities margin loans receivable	(2,976,259)	13,326,793
Refinancing margin	(1,717)	723
Refinancing deposits receivable	(1,431)	648
Trading securities receivable	2,665,570	(571,220)
Customer margin accounts	(3,412,721)	(11,061,846)
Futures commission merchant receivable	5,337	(102,473)
Stock borrowing collateral price	1,031,413	(959,001)
Security lending deposits	(5,876,425)	(8,448,342)
Notes receivable	(2,182)	(399)
Accounts receivable	(2,728,609)	(3,395,028)
Prepayments	(11,669)	50,301
Other financial assets-current	261,890	(767,142)
Other current assets	(4,742,820)	11,021,393
Financial assets measured at fair value through profit or loss-non-current	(309,398)	(36,972)
Financial assets measured at fair value through other comprehensive income-non-current	(3,290,388)	(4,172,717)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	4,554,789	(521,059)
Liabilities for bonds with repurchase agreements	12,212,272	10,442,405
Short sale margins	(348,167)	(424,342)
Payables for short sale collateral received	(3,114,367)	1,955,870
Guarantee deposit received from security lending	5,399,729	5,389,359
Futures customers' equity	4,264,475	9,099,001
Accounts payable	641,939	(10,162,429)
Amounts received in advance	70,550	154,489
Amounts collected for other parties	8,748,524	(308,245)
Other payables	603,639	(224,841)
Other financial liabilities-current	2,655,005	(1,865,882)
Other current liabilities	(10,294)	6,755
Liabilities reserve-non-current	(6,858)	6,485
Other non-current liabilities	(52,288)	(142,690)
Cash provided by/(used in) operating activities	(13,227,277)	9,358,416
Interest received	5,616,716	4,212,535
Dividend received	251,702	353,809
Interest paid	(2,401,632)	(1,451,071)
Income tax received/(paid)	430,801	(154,462)
Net cash provided by/(used in) operating activities	(9,329,690)	12,319,227

(Continue on next page)

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

(Continue from previous page)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through other comprehensive income	$638,763	$570,393
Disposal of financial assets measured at amortized cost	911,615	-
Disposal of investments accounted for using the equity method	-	7,994
Purchase of property and equipment	(241,118)	(117,196)
Disposal of property and equipment	125,926	108,632
Operation gurantee deposits	248,780	683
Clearing and settlement fund	(56,532)	(12,633)
Guarantee deposits paid	74,497	28,476
Purchase of intangible assets	(76,600)	(50,575)
Other non-current assets	(37,331)	(41,440)
Dividends received	461,865	793,154
Net cash provided by/(used in) investing activities	2,049,865	1,287,488
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	4,006,987	(5,254,269)
Commercial papers payable	3,585,556	(6,168,052)
Issuance of bonds	4,200,000	-
Redemption of bonds	-	(2,200,000)
Lease principal paid	(507,679)	-
Cash dividends	(1,155,937)	(2,007,377)
Purchase of subsidiary stock	-	(20)
Changes in non-controlling interests	(15,624)	-
Net cash provided by/(used in) financing activities	10,113,303	(15,629,718)
EFFECTS OF EXCHANGE RATE CHANGES	(31,587)	170,315
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,801,891	(1,852,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	13,848,536	15,701,224
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$16,650,427	$13,848,536

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

KGI SECURITIES CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended, December 31, 2019 and 2018
(Expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Organization and Operations

KGI Securities Co. Ltd. (the Company) was established under the Company Law of the Republic of China ("ROC") on September 14, 1988 to operate as a securities underwriter, dealer, broker, future trading, future dealer, trust, offshore securities and commenced its operations since December 10, 1988.

The Company acquired and merged Taishin Securities Co., Ltd. on December 19, 2009. Therefore, the Company assumed all assets, liabilities, rights and obligations of Taishin Securities Co., Ltd.

China Development Financial Holding Corporation ("CDFH") announced the commencement of a tender offer for 1 share of the Company for NT 5.5 in cash and 1.2 CDFH share on May 3, 2012. CDFH had acquired 81.73% shares of the Company through the public tender offer period, from May 7 to May 28, 2012. The Board of Directors set January 18, 2013 as the record date for stock conversion on December 17, 2012. The Company converted 1 share of the Company's common stock to 1.2 shares of CDFH's common stock and NT 5.1 in cash, becoming 100% owned subsidiary of CDFH. Meanwhile, the Company's stock trading via OTC was suspended.

The Company merged Grand Cathay Securities Corporation ("GCSC") on June 22, 2013. Therefore, the Company assumed all assets, liabilities, rights and obligations of GCSC.

The Company set up the Offshore Securities Unit ("OSU") on April 16, 2014 which was approved by the Board of Directors and the authorities.

The Company's registered address is 3F, No. 698 and 3F, No. 700, Mingshui Road, Taipei City. As of December 31, 2019, the Company had 76 branches including headquarter.

II. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and subsidiaries were authorized for issue in accordance with a resolution of the Board of Directors on March 26, 2020.

III. Newly Issued or Revised Standards and Interpretations

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

   The Company and subsidiaries applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The first-time adoption has no material effect on the Company and subsidiaries except the following:

IFRS 16 "Leases"

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

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

A. Please refer to Note IV for the accounting policies.

B. For the definition of a lease, the Company and subsidiaries elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Company and subsidiaries were permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 . For contracts entered into (or changed) on or after January 1, 2019, the Company and subsidiaries need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

C. The Company and subsidiaries are lessees and elect not to restate comparative information in accordance with the transition provision in IFRS 16.

(a) For leases that were previously classified as operating leases applying IAS 17, the Company and subsidiaries measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; the Company and subsidiaries chose an amount equal to the lease liability, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company and subsidiaries' right-of-use asset and lease liability increased by 1,553,129 thousand dollars and 1,553,129 thousand dollars, respectively.

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

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Elect to account in the same way as short-term leases to leases for which the lease terms end within 12 months of January 1, 2019.
iii. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note IV and Note VI for additional disclosure of lessee which required by IFRS 16.

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

i. The lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 0.73%-9.79%.
ii. The explanation for the difference between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$1,644,565
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(9,977)
Less: adjustment to leases that meet and elect the underlying asset of low value	(5,051)
Undiscounted total amount as of January 1, 2019	$1,629,537
Discounted using the incremental borrowing rate as of January 1, 2019	$1,553,129
The carrying value of lease liabilities recognized as of January 1, 2019	$1,553,129

(d) The Company and subsidiaries are lessors and has not made any adjustments. Please refer to Note IV and Note VI for the information relating to the lessor.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company and subsidiaries are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
Definition of a Business (Amendments to IFRS 3 "Business Combinations")	January 1, 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

The potential effects of the standards or interpretations on the Company and subsidiaries' consolidated financial statements are summarized as below:

(1) Definition of a Business (Amendments to IFRS 3 "Business Combinations")

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

(2) Definition of Material (Amendments to IAS 1 and IAS 8)

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

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

3. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, but not yet adopted by the Company and subsidiaries as at the end of the reporting period are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

The potential effects of the standards or interpretations on the Company and subsidiaries' financial statements are summarized as below:

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company and subsidiaries' financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company and subsidiaries are still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Company and subsidiaries at this point in time.

IV. Summary of Significant Accounting Policies

1. Statement of Compliance

The consolidated financial statements of the Company and subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms ("the Regulations"), Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee as endorsed and became effective by FSC of the ROC.

2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

3. General Description of Reporting Entities

Preparation principle of consolidated financial statement

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

(1) Power over the investee, i.e. the Company has existing right that gives the ability to direct the relevant activities;
(2) Exposure or rights to variable returns from its involvement with the investee; and
(3) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Company holds voting rights or similar rights less than majority, it considers all relevant factors and situations to evaluate whether it has power over the investee, including:

(1) Contractual arrangements with other investors that holds voting rights over the investee;
(2) Rights arising from other contractual arrangements;
(3) Voting rights and potential voting rights.

The Company reassesses its control over an investee when change in one or more of the elements occurs.

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

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

Total comprehensive income of subsidiaries is attributed to the owners of the parent company and to non-controlling interests even the later having a deficit balance.

If the Company loses control of a subsidiary, it:

(1) derecognizes the assets (including goodwill) and liabilities of a subsidiary;
(2) derecognizes the carrying amount of any non-controlling interest;
(3) recognizes the fair value of the consideration received;
(4) recognizes the fair value of any investment retained;
(5) recognizes any surplus or deficit in profit or loss; and
(6) reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership 12/31/19	Percentage of ownership 12/31/18
KGI Securities Co. Ltd.	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00
〃	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting	100.00	100.00
〃	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00
〃	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00
〃	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	100.00	100.00
〃	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61
〃	Global Corporation (Note 1 and Note 2)	Investment consulting, Management consulting	22.07	21.99
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00
Richpoint Company Limited	KG Investments Holdings Limited	Investments holdings	100.00	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership 12/31/19	Percentage of ownership 12/31/18
〃	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment consulting	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00
KGI International Holdings Limited	KGI Limited	Investments holdings	100.00	100.00
〃	Supersonic Services Inc.	Investments holdings	100.00	100.00
〃	KGI International Limited	Investments holdings	100.00	100.00
〃	Bauhinia 88 Ltd.	Investments holdings	100.00	100.00
KGI Limited	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00
〃	Global Treasure Investments Limited	Investment services	100.00	100.00
〃	KGI Investments Management Limited	Insurance brokerage	100.00	100.00
〃	KGI International Finance Limited	Investment and financing services	100.00	100.00
〃	KGI Hong Kong Limited	Management consulting services	100.00	100.00
〃	KGI Asia Limited	Securities investment services	100.00	100.00
〃	KGI Capital Asia Limited	Securities investment services	100.00	100.00
〃	KGI Asset Management Limited	Asset management	100.00	100.00
〃	TG Holborn (HK) Limited	Insurance brokerage	-	100.00
〃	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00
Supersonic Services Inc.	KGI Korea Limited	Investments holdings	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00
〃	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00
〃	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00
〃	KGI Finance Limited	Investment and financing services	100.00	100.00
〃	PT KGI Sekuritas Indonesia	Securities investment services	99.00	99.00
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00

Note 1: The Company acquired over half voting rights of Global Corporation Ltd.'s Board of Directors and the chairman is assigned by the Company. According to IFRS, it can be determined that the Company have control over Global Corporation.

Note 2: The former Global Securities Finance Corporation held the special shareholder's meeting on November 29, 2019 to resolve termination of being securities finance enterprises, ceasing its status as a public company and changed its name to Global Corporation. It was approved by the authorities on December 13, 2019 and the change of company registration was completed on December 25, 2019.

(1) The detail information of the scope of subsidiaries:

A. TG Holborn (HK) Limited was dissolved on June 26, 2019.
B. Grand Cathy Capital (Hong Kong) Limited was dissolved on October 23, 2018.

(2) The name of each subsidiary not included in the consolidated financial statements, percentage of ownership, and the reason for its exclusion from the consolidated financial statements: not applicable.

4. Foreign Currency Transactions and Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation

(1) The Company and subsidiaries' consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity under the consolidated financial statements determines its own functional currency.

(2) Transactions in foreign currencies are initially recorded by the subsidiaries at their respective local functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of the reporting date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the initial transactions.

(3) The assets and liabilities of foreign operations and OSU are translated into NTD at the exchange rate on the reporting date and their gains and losses are translated at an average rate within the period. The exchange differences arising from the translations are recognized in other comprehensive income. On the disposal of a foreign operation or cessation of OSU business, the total cumulative amount of the exchange differences relating to that foreign operation should be reclassified from equity to profit or loss. Also accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, or when the retained interest after the partial disposal of an interest in a joint arrangement or in an associate containing a foreign operation is a financial asset that includes foreign operation.

(4) On the partial disposal of a subsidiary that includes a foreign operation without loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in the other comprehensive income is re-attributed to the non-controlling interests. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not lose significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profits or losses.

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

5. Current or Non-current Distinction

An asset is classified as current when:

(1) The assets are expected to be realized, or intended to be sold or consumed it in normal operating cycle;
(2) The assets are held primarily for the purpose of trading;
(3) The assets are expected to be realized within twelve months after the reporting period; and
(4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(1) The liabilities are expected to be settled in normal operating cycle;
(2) The liabilities are held primarily for the purpose of trading;
(3) The liabilities are due to be settled within twelve months after the reporting period; and
(4) The liabilities do not have an unconditional right to be deferred the settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

6. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the certificate of deposits within three month periods). Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are also included as a component of cash and cash equivalents.

7. **Financial Instruments**

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

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

(1) Financial assets: Recognition and Measurement

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

The Company and subsidiaries classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

A. the Company and subsidiaries' business model for managing the financial assets; and
B. the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

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

A. The Company and subsidiaries' business model for managing the financial assets: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
B. The contractual cash flow characteristics of financial assets: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at amortized cost, the carrying amount of which are determined by the effective interest method and minus any impairment loss after initial recognition.

Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

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

A. The Company and subsidiaries' business model for managing the financial assets: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
B. The contractual cash flow characteristics of financial assets: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:

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

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

Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Except for the amortized cost measurement or measured at fair value through other comprehensive income which are accordance with the aforementioned specific conditions, financial assets are measured at fair value through profit or loss, and recognized as financial assets measured at fair value through profit or loss to present on the balance sheet.

This kind of financial assets are measured at fair value, and the benefit or loss which also includes any dividend or interest received on the financial assets should be recognized as profit or loss.

Impairment of financial assets

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

The Company and subsidiaries measure expected credit losses of a financial instrument in a way that reflects:

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

The loss allowance is measures as follows:

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

At each reporting date, the Company and subsidiaries need to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for the information about credit risk.

Derecognition of financial assets

A financial asset is derecognized when:

A. the rights to receive cash flows from the asset have expired;
B. transferred assets and substantially all the risks and rewards of the assets have been transferred; or
C. the Company and subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

If the transferred asset is a larger part of the financial asset and qualifies for derecognition in its entirety, the Company and subsidiaries allocate the previous carrying amount in two parts based on the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, the sum of the consideration received and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated based on the relative fair values.

(2) Financial liabilities and equity instruments

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Financial liabilities

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

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on the fair value basis to the key management personnel.

Gains or losses on the remeasurement of this kind of financial liabilities including interest paid are recognized in profit or loss.

For the financial liabilities designated as measured at fair value through profit or loss, unless the treatment would create or enlarge an accounting mismatch in profit or loss, the amount of change in the fair value of the mentioned financial liabilities that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income; the remaining amount shall be presented in profit or loss.

A. Warrants liabilities and warrents redeemed

Warrants issued are accrued in the account of “Liabilities for warrants issued” and recorded by the fair value method on the gross basis. The repurchase of warrants issued, according to the full disclosure principle, is recorded in the account of “Repurchased warrants”, which is served as a contra item to the account of “Liabilities for warrants issued”.

B. Settlement coverage bonds payable of short sale

It represents liability to purchase government bonds to fulfill the obligation to deliver the bonds to third parties at a future date according to a short sell contract. When the deal was made, the Company received the sales consideration from the buyer and such money received was recorded in the revenue account. In addition, the market value of such bonds was recorded in both the cost of revenue account and the account of “Liability for purchase of government bonds”. At the balance sheet date, the account of “Liability for purchase of government bonds” was revalued using the fair value method and the difference between the cost and market value was recognized as the current period gain or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

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

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

(3) Derivative instruments

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(4) Offsetting of financial instruments

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

8. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company and subsidiaries.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company and subsidiaries use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Collateralized Securities Transactions

(1) Collateralized securities transactions are recorded at cost. Under the financing method, securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded at the amount of cash paid or received at the time of the transaction under "Investment in bonds with reverse repurchase agreements" or "Liabilities for bonds with repurchase agreements" accounts. The difference between the recorded cost and the amount, at which the securities will be resold or reacquired, as specified in the respective agreements, is accrued as interest expense or income.

(2) When bonds purchased under resale agreements are short sold to third party for financing purpose, they are recorded in the account of "Investment in bonds with reverse repurchase agreements-short sales", which is grouped under current liabilities in the balance sheet. At the balance sheet date, such items are recorded by the fair value method on the gross basis. When such items are covered, the resulting gains or losses are recorded in the account of "Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net".

10.Customer Margin Accounts and Futures Customers' Equity

Customer margin accounts

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customer margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet.

Futures customers' equity

Margin deposits received from customers for futures transactions and futures customers' equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures customers' equity cannot be offset unless these accounts pertain to the same customers. The debit balance of "futures customers' equity", which results from losses on futures transactions in excess of the margin deposits, is recorded as "futures commission merchant receivable."

11.Securities Borrowing Transactions

When the Company enters into securities borrowing transactions, the amount of sales of borrowed securities are recorded in the account of "Liabilities on sale of borrowed securities", which are adjusted to market value at the balance sheet date. "Market value" refers to the closing price at the balance sheet date. When the borrowed securities are returned, the resulting difference between actual cost of securities returned and the amount of "Liabilities on sale of borrowed securities" is recorded as "Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net".

12.Futures Transactions

These represent margins paid for the trading in futures and options by cash or securities are recognized as futures trading margins-proprietary funds/securities through evaluating day by day; options premium paid to the Taiwan Future Exchange upon purchase of options for trading is recognized as "purchase of options-futures"; options premium received upon sale of options is recognized as "liability on sale of options-futures".

Realized gains or losses are recognized when the futures and options contracts are fulfilled. The difference between the average cost and market value is evaluated on the balance sheet date, and the unrealized gains and losses are recognized as "gains/(losses) on derivative financial product- futures".

Margins paid for the futures over the original ones are recognized as "cash and cash equivalents".

13.Investments accounted for using the Equity Method

The Company and subsidiaries' investment in their associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company and subsidiaries have significant influence. A joint venture is a joint arrangement whereby the Company and subsidiaries have rights to the net assets of the arrangement.

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

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

When the associate or joint venture issues new stock, and the Company and subsidiaries' interest in an associate or a joint venture is reduced or increased as the Company and subsidiaries fail to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company and subsidiaries dispose the associate or joint venture.

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

The Company and subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company and subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over an associate or a joint venture, the Company and subsidiaries measure and recognize any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Also, when the Company and subsidiaries' investment in an associate switches to investment in a joint venture, the Company and subsidiaries continue applying the equity method and do not revalue their retained earnings, and vice versa.

14. Property and Equipment

(1) Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When (a) significant parts of property and equipment that are replaced is derecognized and (b) the new parts' cost increase the carrying amount of the assets, the expense can be capitalized. All other repair and maintenance costs are expensed as incurred. Disposal gain or loss is recognized as current period's other income and costs.

(2) Depreciation is calculated on a straight-line basis over the estimated economic lives (not including land). The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. If the expected values differ from the initial estimation, the change regards as changes in accounting estimation. The asset life for building is 55 years, and others are 4 to 10 years.

15. Investment Property

Investment properties are measured initially at cost, including transaction costs, and not holding as operating rental or idle properties for rent income or capital increasing purpose. Assets are transferred to or from investment properties when there is a change in use, including transaction costs.

The asset lives for building is 55 years, calculated on a straight-line basis over the estimated economic lives. Current depreciation is expensed.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

16. Lease

The accounting policy from January 1, 2019 are as follows:

(1) The company and subsidiaries as lessees

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) The company and subsidiaries as lessors

At inception of a contract, the Company and subsidiaries classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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

The accounting policy before January 1, 2019 are as follows:

(1) The company and subsidiaries as lessees

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

(2) The company and subsidiaries as lessors

Leases in which the Company and subsidiaries do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

17.Intangible Asset

Intangible assets include goodwill, customer's relation, computer software costs and other intangible assets. Intangible assets are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any.

Except for goodwill, the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Depreciable amount is the cost of an asset less its accumulated depreciation.

Gain or loss arising from derecognization of intangible assets is recognized as current period's gains or losses.

18.Impairment of non-Financial Asset

The Company and subsidiaries assess regularly whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company and subsidiaries should test the assets individually or the cash-generating unit ("CGU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of its fair value or its value in use.

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

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

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

19.Provision

Provisions are recognized when the Company and subsidiaries have a present obligation (legal or constructive) as a result of a past event. It is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

Provisions shall be reviewed periodically, and adjusted to reflect the most appropriate estimation currently. If the obligation of repayment is probably, the provisions shall be reversed.

If a obligation happens during a period, the provisions should be recognised gradually.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a properties and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a financial cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

20. Revenue Recognition

The Company and subsidiaries' recognition criteria of revenues are as follows:

(1) Brokerage handling fee revenue/expenses are recognized on the transaction date.
(2) Gains/ (losses) on disposal of trading securities and related transaction costs are recognized on the transaction date.
(3) Interest income/expense on margin loans and short sales of securities and bonds purchased under resale agreements, bonds sold under repurchase agreements are recognized respectively over the loan period on an accrual basis.
(4) Consulting and financial advisory, revenue from underwriting business and related service charges are recognized according to the contracts or agreements on accrual basis.
(5) Royalty revenues are recognized according to the substantial contracts based on accrual basis. If the royalty revenues are recorded on time basis, the revenues shall be recognized within the agreement period under straight-line method. However, if the royalty revenues are recorded on other bases, it should according to relevant agreements.
(6) Revenue from providing agency service for stock affairs is recognized according to the contracts based on the accrual basis.
(7) Futures commission revenue is recognized on the transaction date and the Company assists in futures transactions and fees collection. Recognized according to the trading period based on the accrual basis.
(8) Gain (losses) on futures contracts: The margin of futures transactions is recognized as cost. Gain (losses) on future contracts resulted from fair value measurement, reversing trade, or delivery is recognized daily. Costs and expenses are recognized as incurred.
(9) Options transaction income (loss): The premium of options transaction is recognized as cost. The options are evaluated monthly based on the market value. Options transaction gains or losses arising from settlement are recognized in current period.
(10) Dividends income is recognized when the Company's right to receive the payment is established.

21. Post-employment Benefit Plan

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) comprise returns on plan assets, changes in the effect of the asset ceiling, less net interest on net defined benefit liability (asset) and actuarial gains and losses. It is recognized under other comprehensive income and also immediately in retained earnings. Past service cost is the change in the present value of defined benefit obligation arising as a result of plan amendment or curtailment. Past service cost is recognized at the earlier of the following dates:

(1) the date when a plan amendment or curtailment occurs; and
(2) the date when an entity recognizes restructuring-related costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both determined at the start of annual reporting period, taking into account the changes arising as a result of contributions or payments.

22. Shared-based Payment Transaction

This plan is measured at the fair value of the stocks on the given date. This stock-based equity settlement plan recognized the wage expenses and the increase of equity during the vested period on the straight-line basis of the fair value mentioned above and the best estimate number of expected vested equity. The recognized wage expenses is adjusted with the expected service criteria accordance and the prize quantity of non-fair value vested criteria; the final recognized amount is based on the vested quantity on the vesting date.

23. Income Tax

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

Current income tax

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

On the date of an earnings distribution approved by the shareholders' meeting of the Company and domestic subsidiaries, an income tax on undistributed earnings should then be recognized.

Pursuant to Alternative Minimum Tax Act ("AMT Act"), the higher of the amount of income tax payable determined pursuant to the Income Tax Act or the minimum amount prescribed under the AMT Act is provided by the Company and domestic subsidiaries as income tax payable.

Since 2014, the Company adopted the linked tax system to file the income tax returns. The calculation of income tax still follows the principle stated above. The tax receipts and tax payments arising from the consolidated income tax returns are used to adjust current period's deferred income tax assets (liabilities), income tax liability (asset) or income tax expense (income).

Deferred tax

Deferred income tax is temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

If the temporary difference arises from the goodwill or other assets and liabilities on initial recognition (not including business combination), and the transaction do not affect the taxation income and accounting profit, it is not recognized as deferred tax assets and liabilities.

The taxable temporary difference arising from subsidiaries, associates, and the joint ventures shall be recognized as deferred tax liabilities, except the Company can control and probably will not reverse the taxable temporary difference in foreseeable future. Deferred tax assets arising from the deductible temporary difference of these kinds of investment and equity, and will reverse in foreseeable future, shall be recognized.

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

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

24. Business Combinations and Goodwill

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

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

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

Besides, Accounting Research and Development Foundation released the frequently asked question for IFRS 3 on October 26, 2018, and explained no specific rules for joint control of business combination in IFRS 3. Therefore, the rules for joint control of business combination still applied to interpretations released by Accounting Research and Development Foundations, R.O.C.

The business combination between Company and its affiliates is classified as a reorganization in accordance with EITF 100-390 of the Accounting Research and Development Foundation, R.O.C., and is recognized based on the carrying amount of the Company's Investments accounted for using the equity method (the amount after impairment loss); the long-term investments should be reclassified as assets and liabilities when its affiliates are eliminated. Further, according to EITF 95-141 and EITF 101-301, the prior years' consolidated financial statements were restated. Additionally, the prior interest in the dissolved company held by parent company was presented as "prior interest under joint control" in the consolidated financial statements.

V. Significant Accounting Judgments, Estimates and Assumptions

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

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

1. The Fair Value of Financial Instruments

Where the fair value of financial assets and liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example: the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII.6.

2. Goodwill

The Company and subsidiaries evaluate whether the goodwill impairs annually. Adopting appropriate discount rate to estimate the CGU’s recoverable value of goodwill, and execute the impaired evaluation tests for goodwill. Please refer to Note VI.17.

3. Income Taxes

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

VI. Contents of Significant Accounts

1. Cash and Cash Equivalents

	12/31/19	12/31/18
Cash on hand	$3,071	$3,942
Cash in banks	13,757,919	11,236,986
Cash equivalents		
Short-term commercial papers and bonds	2,046,283	1,271,282
Excess Margin	843,154	1,336,326
Total	$16,650,427	$13,848,536

(1) Interest rates of the above short-term commercial papers and bonds are as follows:

	12/31/19	12/31/18
Interest rates	0.42%-0.56%	0.42%-0.65%

(2) As of December 31, 2019 and 2018, the certificate of deposits over three months from the original due date were classified as other financial assets-current, the amount of which were 3,126,037 thousand dollars and 3,387,927 thousand dollars, respectively.

(3) Please refer to Note VI.28 for information related to impairment of cash and cash equivalents and Note XII for information related to credit risk management.

(4) No pledged was made for the cash and cash equivalents mentioned above.

2. Financial Assets Measured at Fair Value through Profit or Loss

	12/31/19	12/31/18
Current		
Mandatorily measured at FVTPL		
Lent securities	$1,291,917	$826,971
Open-ended funds, monetary market instruments and other securities	1,895,759	1,760,478
Trading securities-dealing-net	60,008,436	46,163,288
Trading securities-underwriting-net	1,319,131	533,279
Trading securities-hedging-net	13,149,723	4,431,749
Long options	13,675	76,617
Futures trading margins-proprietary funds	907,767	541,956
Derivative instrument assets	3,206,002	2,164,742
Others	24,891	8,232
Total	$81,817,301	$56,507,312
Non-current		
Mandatorily measured at FVTPL		
Others	$3,091,790	$2,782,424

Financial assets measured at fair value through profit or loss-current are as follows:

(1) Lent securities

	12/31/19	12/31/18
Listed/OTC company stock	$1,114,099	$1,479,975
Valuation adjustments	177,818	(653,004)
Market value	$1,291,917	$826,971

(2) Open-ended funds, monetary market instruments and other securities

	12/31/19	12/31/18
Funds	$575,000	$465,000
Others	1,317,125	1,294,521
Subtotal	1,892,125	1,759,521
Valuation adjustments	3,634	957
Market value	$1,895,759	$1,760,478

(3) Trading securities-dealing

	12/31/19	12/31/18
Listed/OTC/ESM company stock	$5,016,470	$2,213,555
Index Fund	2,619,485	1,344,821
Listed/OTC company warrants	1,711	12,220
Domestic bonds	18,721,044	16,522,985
Foreign securities	33,489,482	26,130,061
Others	47,942	5,085
Subtotal	59,896,134	46,228,727
Valuation adjustments	112,302	(65,439)
Market value	$60,008,436	$46,163,288

(4) Trading securities-underwriting

	12/31/19	12/31/18
Listed/OTC/ESM company stock	$278,259	$43,718
Domestic bonds	934,124	472,107
Subtotal	1,212,383	515,825
Valuation adjustments	106,748	17,454
Market value	$1,319,131	$533,279

(5) Trading securities-hedging

	12/31/19	12/31/18
Listed/OTC/ESM company stock	$3,696,692	$2,249,013
Index Fund	193,322	5,093
Listed/OTC company warrants	34,599	230,712
Foreign securities	106,463	14,691
Domestic bonds	3,602,547	-
Beneficiary certificate	5,347,171	2,217,928
Subtotal	12,980,794	4,717,437
Valuation adjustments	168,929	(285,688)
Market value	$13,149,723	$4,431,749

(6) Long options

	12/31/19	12/31/18
Index options	$14,331	$67,631
Stock options	369	9,303
Subtotal	14,700	76,934
Open interest	(1,025)	(317)
Market value	$13,675	$76,617

(7) Futures trading margins-proprietary funds

	12/31/19	12/31/18
Account balance	$1,132,436	$515,593
Open interest	(224,669)	26,363
Account value	$907,767	$541,956

(8) Please refer to Note VI.21 for details of derivative instrument assets.

(9) Others

	12/31/19	12/31/18
Listed/OTC/ESM company stock	$21,966	$-
Domestic bonds	8,956	8,956
Subtotal	30,922	8,956
Valuation adjustments	(6,031)	(724)
Market value	$24,891	$8,232

Financial assets measured at fair value through profit or loss-non-current are as follows:

	12/31/19	12/31/18
Listed/OTC/ESM company stock	$311,936	$338,361
Foreign securities	31,163	31,145
Non-Listed/OTC/ESM company stock	988,990	954,731
Subtotal	1,332,089	1,324,237
Valuation adjustments	1,759,701	1,458,187
Market value	$3,091,790	$2,782,424

Please refer to Note VIII for details on financial assets measured at fair value through profit or loss pledged as collaterals.

3. Financial Assets Measured at Fair Value through Other Comprehensive Income

	12/31/19	12/31/18
Current		
Debt instrument investments-current		
Government bonds	$-	$2,296,818
Foreign securities	19,204,326	9,674,678
Subtotal	19,204,326	11,971,496
Equity instrument investments-current		
Listed/OTC company stock	1,777,144	2,399,876
Total	$20,981,470	$14,371,372
Non-current		
Debt instrument investments-non-current		
Foreign securities	$7,984,889	$4,216,102
Equity instrument investments-non-current		
Non-Listed/OTC company stock	2,016	2,049
Foreign securities	71,502	-
Subtotal	73,518	2,049
Total	$8,058,407	$4,218,151

(1) Please refer to Note VI.28 for details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note XII for details on credit risk.

(2) The Company entered into a trust agreement with CTBC bank in September 2018. All the CDFH (the parent company) shares the Company held were entrusted to CTBC bank. CTBC bank will dispose of the shares pursuant to the terms and conditions of the trust agreement.

(3) According to requests from the authorities, all the stocks of CDFH should be sold before expiry date. For the years ended December 31, 2019 and 2018, the Company sold 64,255 thousand shares and 54,885 thousand shares of stocks of CDFH (recognized in financial assets measured at fair value through other comprehensive income-equity instruments), respectively. Upon derecognition, the fair value of that sold shares was 638,763 thousand dollars and 570,393 thousand dollars respectively. The Company transferred the cumulative disposal loss of 186,176 thousand dollars and 133,782 thousand dollars from other equity to retained earnings, respectively.

(4) The Company and subsidiaries' dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are as follow:

	12/31/19	12/31/18
Related to investments held at the end of the reporting period	$54,794	$148,140
Related to investments derecognized during the period	10,120	21,411
Dividends recognized during the period	$64,914	$169,551

(5) Please refer to Note VIII for details on financial assets measured at fair value through other comprehensive income pledged as collaterals.

4. Financial Assets Measured at Amortized Cost

	12/31/19	12/31/18
Non-Current		
Bank Debentures	$-	$500,000
Less: loss allowance	-	(3,293)
Total	$-	$496,707

(1) Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

(2) No pledged was made for financial assets measured at amortized cost mentioned above.

5. Investment in Bonds with Reverse Repurchase Agreements

	12/31/19	12/31/18
Government bonds	$6,532,924	$5,389,163
Corporate bonds	7,266,229	7,569,712
Bank Debentures	4,389,022	6,489,947
Total	$18,188,175	$19,448,822
Resold amount as specified in respective agreements plus accrued interest	$18,221,682	$19,494,037
Resold date as specified in respective agreements	1/2/20-3/18/20	1/3/19-1/29/19

Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

6. Securities Margin Loans Receivable, Short Sale Margins and Payables for Short Sale Collateral Received

Securities margin loans receivable are stocks pledged as collaterals that clients purchased by loans. Annual interest rates on the loans for general investors as of December 31, 2019 and 2018 are as follows:

	12/31/19	12/31/18
The Company	6.45%	6.45%
Subsidiaries	None	6.30%

The Company and subsidiaries collect short sale margins or equivalent collaterals proportionally in accordance with the regulations from the Securities and Future Bureau when providing the service of securities financing, and the interest accrued from payables for short sale collateral received and short sale margins as of December 31, 2019 and 2018 is calculated by the following annual interest rates:

	12/31/19	12/31/18
The Company	0.20%	0.20%
Subsidiaries	None	0.10%

Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

7. Trading Securities Receivable

The securities lending business operated by the Company and subsidiaries, are guaranteed by the securities purchased or held by clients as collaterals. According to the related regulations, the collateral coverage ratio as of December 31, 2019 and 2018 are as follows:

	12/31/19	12/31/18
The Company	130%	130%
Subsidiaries	None	140%

Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

8. Customer Margin Accounts

	12/31/19	12/31/18
Cash in banks	$14,968,977	$14,064,494
Marking to market from the clearing house	2,909,770	1,996,295
Marking to market from the other futures brokers	2,080,182	1,668,667
Securities	8,653	114
Foreign customer margin accounts	17,568,058	16,393,695
Total	$37,535,640	$34,123,265

Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

9. Futures Commission Merchant Receivable

	12/31/19	12/31/18
Futures commission merchant receivable	$167,493	$188,951
Less: loss allowance	(160,587)	(176,333)
Net amount	$6,906	$12,618

Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

10. Accounts Receivable

	12/31/19	12/31/18
Exchange clearing receivable	$3,045,497	$6,525,869
Accounts receivable for settlement	22,931,837	16,500,620
Interest receivable	1,015,573	933,635
Others	588,017	804,521
Subtotal	27,580,924	24,764,645
Less: loss allowance	(1,450)	(1,113)
Total	$27,579,474	$24,763,532

(1) Aging analysis of accounts receivable are as follows:

	12/31/19	12/31/18
Non-past due	$27,409,134	$24,470,147
Past due		
Less than 30 days	166,678	280,219
30 to 60 days	569	3,865
61 to 120 days	2,764	4,778
More than 121 days	1,779	5,636
Total	$27,580,924	$24,764,645

(2) Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

11. Investments accounted for using the Equity Method

	12/31/19		12/31/18	
Investee	Amount	Percentage	Amount	Percentage
Investments in associates				
KGI Securities (Thailand) Public Company Limited	$2,600,839	34.97	$2,414,682	34.97
CDIB Bioscience Ventures I, Inc.	1,927	1.20	2,029	1.20
China Life Insurance Co., Ltd.	13,783,128	8.66	8,754,133	9.63
Total	$16,385,894		$11,170,844	

(1) Information on associates significant to the Company

A. Name of associate: KGI Securities (Thailand) Public Company Limited

Nature of activities: the associate engages in securities related businesses

Principal place of business: Thailand

Fair value from quoted market price: KGI Securities (Thailand) Public Company Limited is listed on the Stock Exchange of Thailand. Its fair value is categorized as level 1 within the fair value hierarchy. The fair values of the Company's investment accounted for using the equity method are 3,137,969 thousand dollars and 2,803,009 thousand dollars as of December 31, 2019 and 2018, respectively.

Financial information on associate significant to the Company is as follows:

	12/31/19	12/31/18
Current assets	$10,462,940	$10,849,424
Non-current assets	938,972	902,515
Current liabilities	(4,877,301)	(5,815,738)
Non-current liabilities	(235,221)	(203,953)
Non-controlling interests	(3,911)	(3,089)
Attributed to controlling interests	$6,285,479	$5,729,159
Ownership ratio	34.97%	34.97%
Proportion of ownership	$2,198,032	$2,003,487
Goodwill	402,807	411,195
Carrying amount	$2,600,839	$2,414,682

	For the years ended December 31	
	2019	2018
Operating revenue	$3,260,013	$3,205,906
Profit or loss from continuing operations	$970,918	$1,012,240
Other comprehensive income	(12,487)	3,798
Total comprehensive income	$958,431	$1,016,038
Dividends received from associate	$258,896	$205,399

B. Name of associate: China Life Insurance Co., Ltd.

Nature of activities: the associate engages in insurance related businesses

Principal place of business: Taiwan

Fair value from quoted market price: China Life Insurance Company Limited is listed on the Stock Exchange of Taiwan. Its fair value is categorized as level 1. The fair value of the Company's investment accounted for using the equity method are 9,890,092 thousand dollars and 10,759,338 thousand dollars as of December 31, 2019 and 2018, respectively.

Financial information on associate significant to the company is as follows:

	12/31/19	12/31/18
Total assets	$2,000,237,920	$1,711,355,336
Total liabilities	(1,857,568,359)	(1,638,260,952)
Attributed to controlling interests	$142,669,561	$73,094,384
Ownership ratio	8.66%	9.63%
Proportion of ownership	$12,348,336	$7,035,773
Net stock equity difference	1,434,792	1,718,360
Carrying amount	$13,783,128	$8,754,133

	For the years ended December 31	
	2019	2018
Operating revenue	$339,115,451	$338,495,113
Profit or loss from continuing operations	$13,597,878	$10,177,987
Other comprehensive income	46,561,453	(35,428,214)
Total comprehensive income	$60,159,331	$(25,250,227)
Dividends received from associate	$-	$291,571

(2) The Company's investments in Trinitus Asset Management Limited and CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 1,927 thousand dollars and 2,029 thousand dollars as of December 31, 2019 and 2018 respectively, and the proportionate aggregate financial information of investments is as follows:

	For the years ended December 31	
	2019	2018
Profit or loss from continuing operations	$(111)	$(3,073)
Other comprehensive income	9	5
Total comprehensive income	$(102)	$(3,068)

(3) Since the shares of CDIB Bioscience Venture I, Inc held by the Company and affiliate company, CDIB Capital Group, is over 20%, the investment is measured under the equity method.

(4) Since the shares of China Life Insurance Company held by the Company and parent company, China Development Financial Holding Corp., is over 20%, the investment is measured under the equity method.

(5) The Company's subsidiary sold the investment in associate, Trinitus Asset Management Limited, at the price of HKD 2,051 thousand dollars as of July 29, 2018, and the settlement was completed as of July 31, 2018.

(6) Please refer to Note VIII for investments accounted for using the equity method pledged as collaterals.

12. Property and Equipment

(1) Changes in property and equipment are as follows:

	Land	Buildings	Equipment	Leasehold improvement	Total
Cost					
January 1, 2019	$3,926,002	$2,076,559	$2,503,261	$401,988	$8,907,810
Additions	-	-	210,322	30,796	241,118
Disposals	(54,501)	(42,926)	(357,639)	(66,286)	(521,352)
Transfers	-	-	14,057	12,546	26,603
Exchange differences	-	-	(17,394)	(4,923)	(22,317)
December 31, 2019	$3,871,501	$2,033,633	$2,352,607	$374,121	$8,631,862
January 1, 2018	$3,954,044	$2,102,086	$2,658,733	$394,897	$9,109,760
Additions	-	-	96,690	20,506	117,196
Disposals	(27,093)	(25,620)	(287,068)	(22,268)	(362,049)
Transfers	(949)	93	12,834	1,781	13,759
Exchange differences	-	-	22,072	7,072	29,144
December 31, 2018	$3,926,002	$2,076,559	$2,503,261	$401,988	$8,907,810
Depreciation and Impairment					
January 1, 2019	$-	$816,878	$2,049,603	$344,832	$3,211,313
Depreciation	-	38,177	195,731	28,496	262,404
Disposals	-	(19,184)	(355,297)	(65,587)	(440,068)
Exchange differences	-	-	(14,195)	(4,718)	(18,913)
December 31, 2019	$-	$835,871	$1,875,842	$303,023	$3,014,736
January 1, 2018	$-	$785,040	$2,110,293	$320,547	$3,215,880
Depreciation	-	38,848	207,177	42,826	288,851
Disposals	-	(7,156)	(286,463)	(22,189)	(315,808)
Transfers	-	146	-	-	146
Exchange differences	-	-	18,596	3,648	22,244
December 31, 2018	$-	$816,878	$2,049,603	$344,832	$3,211,313
Net carrying amount as of					
December 31, 2019	$3,871,501	$1,197,762	$476,765	$71,098	$5,617,126
December 31, 2018	$3,926,002	$1,259,681	$453,658	$57,156	$5,696,497

(2) The above items of property and equipment are depreciated on a straight line basis over their estimated useful lives; the estimated useful lives of buildings are 55 years, while the others are 2 to 10 years.

(3) Please refer to Note VIII for property and equipment pledged as collaterals.

13. Lease

The Company and subsidiaries adopted IFRS 16 since January 1, 2019. In accordance with the transition provision in IFRS 16, the Company and subsidiaries elected not to restate prior periods at the date of initial application.

The Company and subsidiaries lease various properties, including real estate such as buildings, transportation equipment and other equipment. The lease terms range from 1 to 6 years. The Company and subsidiaries' leases effect on the financial position, financial performance and cash flows are as follows:

(1) Amounts recognized in the balance sheets

A. The carrying amount of right-of-use assets

	12/31/19
Buildings	$1,162,035
Transportation equipment	13,728
Other equipment	150
Total	$1,175,913

During the year ended December 31, 2019, the Company and subsidiaries' additions to right-of-use assets amounting to 164,635 thousand dollars.

B. Lease liabilities

	12/31/19
Lease liabilities	
Current	$473,433
Non-current	723,048
Total	$1,196,481

Please refer to Note VI.28 for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note XII.4 for the maturity analysis for lease liabilities as of December 31, 2019.

(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	For the year ended December 31,2019
Buildings	$513,591
Transportation equipment	12,557
Other equipment	151
Total	$526,299

(3) Income and costs relating to leasing activities

	For the year ended December 31,2019
The expenses relating to short-term leases	$22,589
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	1,842

(4) Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company and subsidiaries' total cash outflows for leases amounting to 563,649 thousand dollars.

14. Investment Property

(1) Changes in investment property are as follows

	Land	Buildings	Total
Cost			
January 1, 2019	$379,446	$191,713	$571,159
Transfers	-	-	-
December 31, 2019	$379,446	$191,713	$571,159
January 1, 2018	$378,497	$191,806	$570,303
Transfers	949	(93)	856
December 31, 2018	$379,446	$191,713	$571,159
Depreciation and Impairment			
January 1, 2019	$-	$71,485	$71,485
Depreciation	-	3,826	3,826
December 31, 2019	$-	$75,311	$75,311
January 1, 2018	$-	$67,796	$67,796
Depreciation	-	3,835	3,835
Transfers	-	(146)	(146)
December 31, 2018	$-	$71,485	$71,485
Net carrying amount as of			
December 31, 2019	$379,446	$116,402	$495,848
December 31, 2018	$379,446	$120,228	$499,674

(2) Leases relating to investment property

The Company and subsidiaries adopted IFRS 16 since January 1, 2019. In accordance with the transition provision in IFRS 16, the Company and subsidiaries elected not to restate prior periods at the date of initial application.

The Company and subsidiaries' investment properties include owned investment properties. The Company and subsidiaries have entered into commercial property leases on its owned investment properties with lease terms of between 1 and 3 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

A. Lease income for operating leases are as follows:

	For the years ended December 31	
	2019	2018
Rental income from the lease of investment property	$29,248	$21,014

B. The undiscounted lease payments to be received and total amounts for the remaining years as of December 31, 2019 are as follows:

	12/31/19
Not later than one year	$25,876
Later than one year but not later than two years	9,548
Total	$35,424

(3) The investment properties are not measured at fair value but at cost. Its fair value is categorized as level 3 and it is only used for disclosure. The fair value of investment property held by the Company and subsidiaries is 980,348 thousand dollars and 1,008,628 thousand dollars as of December 31, 2019 and 2018, respectively. The management refers outside appraisal report and adopts the market valuation model to evaluate the fair value.

(4) The investment properties are depreciated on a straight-line basis over estimated 55 years useful life.

(5) Please refer to Note VIII for investment property pledged as collaterals.

15. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Software	Other intangible assets	Total
January 1, 2019	$6,774,975	$140,915	$1,069,304	$7,985,194
Additions	-	76,600	-	76,600
Impairment losses	(163,886)	-	-	(163,886)
Amortizations	-	(76,159)	(189,016)	(265,175)
Exchange differences	(14,384)	-	-	(14,384)
December 31, 2019	$6,596,705	$141,356	$880,288	$7,618,349
January 1, 2018	$6,753,531	$160,101	$1,258,319	$8,171,951
Additions	-	50,575	-	50,575
Amortizations	-	(69,761)	(189,015)	(258,776)
Exchange differences	21,444	-	-	21,444
December 31, 2018	$6,774,975	$140,915	$1,069,304	$7,985,194

(2) The amortized lives for other intangible assets and software of the Company and subsidiaries are between 3 and 15 years.

16.Other Non-Current Assets

	12/31/19	12/31/18
Operation guarantee deposits	$1,176,900	$1,425,680
Clearing and settlement fund	612,008	555,476
Guarantee deposits	572,197	1,045,827
Others	260,426	245,221
Total	$2,621,531	$3,272,204

(1) Please refer to Note VI.28 for details on accumulated impairment and Note XII for details on credit risk.

(2) Please refer to Note VIII for other non-current assets pledged as collaterals.

17.Impairment Test of Goodwill

Goodwill acquired by the Company and subsidiaries in business combinations is allocated to the brokerage business as the cash-generating unit. The recoverable amount of cash-generating unit from brokerage business is estimated based on value in use. The value in use is calculated by discounting projected cash flows over the next five years and cash flows generated beyond the five-year period are projected based on growth rate in perpetuity.

(1) Key assumptions used in the calculation of value in use

The value in use of the brokerage business cash-generating unit is most sensitive to the following assumptions:

(a) Market trading volume
(b) Discount rate

Market trading volume-revenue of the brokerage business mainly comes from brokerage handling fee, which is closely related to the performance of the stock market. The company and subsidiaries comprehensively takes factors into account, such as Taiwan’s economy and international economic development to predict market trading volume over the next five years.

Discount rate-the Company and subsidiaries use required rate of return or weighted average cost of capital as discount rate, calculated by Capital Asset Pricing Model or Weighted-Average Cost of Capital Model. Capital Asset Pricing Model assumes that the required rate of return is risk-free rate plus Beta adjusted equity market risk premium plus size premium and firm-specific risk premium. The factors mentioned such as risk-free rate and risk premium are assessed annually based on publicly available market information and information of comparable firms. The Weighted-Average Cost of Capital Model is the calculation of the company’s cost of long-term capital in which each category of capital is proportionately weighted.

	The Company	Subsidiaries
2019		
Growth rate	1.71%	2.57%-5.29%
Discount rate	9.59%	7.86%-12.57%
2018		
Growth rate	1.68%	2.73%-5.10%
Discount rate	10.41%	8.26%-12.50%

(2) Variability of the assumptions

In terms of the value in use of the brokerage business cash generating unit, the management believes that the likelihood that the key assumptions will change is too low to lead to the excess of the book value of the cash generating unit over its recoverable amount.

(3) The details of recognition of goodwill impairment as of December 31, 2019 are as follows:

Upon acquisition of KGI Securities (Singapore) Pte. Ltd. (KSSPL) (Note 1) , the stock value analysis information, which the Company used to decide the acquisition price, is based on the company's financial forecast from 2014 to 2019. Since the average stock trading volume for Singapore and the revenue of KSSPL do not meet the expectation, per the evaluation, the recoverable amount as of December 31, 2019 is 3,116,003 thousand dollars. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 7.86% and cash flows beyond the five-year period are extrapolated using a 2.57% growth rate that is the same as the long-term average growth rate for Singapore's GDP. As a result of this analysis, management has recognized an impairment loss of 163,886 thousand dollars.

Note 1: On October 2, 2017, KGI Securities (Singapore) Pte. Ltd. was merged with KGI Futures (Singapore) Pte .Ltd. and the KGI Asia (Holdings) Pte. Ltd. is the surviving company.

(4) According to the result of the Company and subsidiaries' impairment test of goodwill for the year ended December 31, 2018, the recoverable amount is higher than the carrying amount.
No impairment was recorded as of December 31, 2018.

18.Short-Term Borrowings

	12/31/19	12/31/18
Interbank loans	$1,595,618	$1,075,655
Credit loans	12,933,046	9,549,360
Secured loans	4,260,546	4,114,666
Bank overdraft	-	42,542
Total	$18,789,210	$14,782,223
Interest rate	1.00%-5.95%	1.70%-8.55%

Please refer to Note VIII for collaterals for short-term borrowings.

19. Commercial Papers Payable

	12/31/19	12/31/18
Commercial papers payable	$6,044,085	$2,459,859
Less: discount	(777)	(2,107)
Net amount	$6,043,308	$2,457,752
Interest rate	0.67%-1.78%	0.60%-2.59%

20. Financial Liabilities Measured at Fair Value Through Profit or Loss

	12/31/19	12/31/18
Financial liabilities held for trading		
Investment in bonds with reverse repurchase agreements - short sale	$156,947	$323,429
Warrants liabilities	18,359,407	13,218,370
Warrants redeemed	(17,784,403)	(12,546,289)
Settlement coverage bonds payable of short sale	-	78,856
Short options	13,858	73,275
Liabilities for securities and bonds borrowed	2,535,693	4,339,043
Derivative instruments liabilities	6,297,339	2,899,593
Financial liabilities designated at fair value through profit or loss	6,517,466	3,155,241
Total	$16,096,307	$11,541,518

(1) Investment in bonds with reverse repurchase agreements-short sale

	12/31/19	12/31/18
Government bonds	$-	$234,994
Foreign securities	156,947	88,435
Total	$156,947	$323,429

(2) Warrants liabilities and warrants redeemed

A. Details on liabilities for warrants issued and warrants redeemed are as follows:

	12/31/19	12/31/18
Warrants liabilities	$24,191,363	$24,615,441
Gains/(losses) on value change	(5,831,956)	(11,397,071)
Market value	18,359,407	13,218,370
Warrants redeemed	21,234,863	19,902,475
Gains/(losses) on value change	(3,450,460)	(7,356,186)
Market value	17,784,403	12,546,289
Net value	$575,004	$672,081

B. All warrants issued by the Company are American and European style options. The Company can settle the warrants with either cash or the underlying stock.

(3) Settlement coverage bonds payable of short sale

	12/31/19	12/31/18
Foreign securities	$-	$78,856

(4) Short options

	12/31/19	12/31/18
Index options	$18,853	$103,999
Stock options	216	8,819
Subtotal	19,069	112,818
Open interest	(5,211)	(39,543)
Market value	$13,858	$73,275

(5) Liabilities for securities and bonds borrowed

	12/31/19	12/31/18
Listed/OTC company stock	$249,615	$2,321,453
Index funds	1,913,497	1,016,551
Foreign securities	281,182	1,524,845
Subtotal	2,444,294	4,862,849
Valuation adjustments	91,399	(523,806)
Market value	$2,535,693	$4,339,043

(6) Please refer to Note VI.21 for details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

21. Derivative Instruments

(1) Nominal amounts

Financial Instruments	12/31/19	12/31/18
Options and futures contract	$31,585,002	$18,778,795
Foreign futures and options	23,841,106	29,606,039
Interest rate swap (IRS)	143,752,023	154,961,856
Convertible bond asset swap (CBAS)-interest	22,703,730	27,130,627
CBAS-long option	22,664,030	19,536,843
CBAS-short option	13,222,800	12,114,300
Structured notes	13,104,718	7,205,434
Equity derivative instruments	34,023	123,291
Credit derivative instruments	2,509,323	2,959,775
Exchange rate derivative instruments	36,496,757	46,101,595
Others	-	7,739
Total	$309,913,512	$318,526,294

(2) Derivative instruments assets/liabilities

Financial Instruments	12/31/19	12/31/18
Derivative instrument assets		
Contract value		
IRS	$547,022	$501,685
CBAS-interest	94,722	92,473
Long options		
CBAS	2,057,922	797,602
Structured notes	346	52,401
Credit derivative instruments	7,627	7,409
Exchange rate derivative instruments	187,523	393,799
Foreign futures and options	310,840	318,089
Others	-	1,284
Total	$3,206,002	$2,164,742
Derivative instrument liabilities		
Contract value		
IRS	$623,977	$460,399
CBAS-interest	402,411	484,491
Short options		
CBAS	1,356,185	778,760
Structured notes	2,458,874	594,924
Equity derivative instruments	10,068	31,870
Credit derivative instruments	42,725	52,795
Exchange rate derivative instruments	308,293	159,554
Foreign futures and options	1,094,806	335,516
Others	-	1,284
Total	$6,297,339	$2,899,593
Financial liabilities designated at fair value through profit or loss		
Structured notes	$5,715,467	$3,155,241
Others	801,999	-
Total	$6,517,466	$3,155,241

Please refer to Note VI.2 and Note VI.20 for details on financial assets or liabilities of option and futures contracts.

(3) Presentation of derivative instruments on the financial statements

A. The details of net gains/(losses) on liabilities for warrants issued are as follows:

	For the years ended December 31	
	2019	2018
Warrants liabilities:		
Gains on value change	$59,836,835	$45,657,449
Gains on exercising warrants before maturity	3,849	18,705
Warrants redeemed:		
Losses on resale of warrants	(6,966,361)	(8,281,459)
Losses on value change	(52,493,009)	(36,346,830)
Expense for warrant	(225,824)	(167,421)
Gains/(losses) on warrants issued	$155,490	$880,444

B. The details of net gains/(losses) on derivative instruments-futures are as follows:

	For the years ended December 31	
	2019	2018
Futures contracts	$(623,591)	$1,161,799
Options	(5,713)	215,674
Total	$(629,304)	$1,377,473

C. The details of net gains/(losses) on derivative instruments-OTC are as follows:

	For the years ended December 31	
	2019	2018
IRS	$(187,512)	$9,640
CBAS	529,114	(637,318)
Options	(734,454)	465,909
Structured notes	(309,703)	44,877
Equity derivative instruments	9,147	58,711
Credit derivative instruments	(108,404)	(19,699)
Exchange rate derivative instruments	181,758	628,319
Total	$(620,054)	$550,439

D. The details of futures and options transaction contract of the Company and subsidiaries are as follows:

12/31/19

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Brent Oil Futures	Long	2	$786	$795	
Futures Contracts	Brent Oil Futures	Short	57	22,779	23,473	
Futures Contracts	Elec-Sector Index Futures	Short	137	290,328	288,933	
Futures Contracts	Foreign Futures	Long	2,225	1,635,142	1,646,991	
Futures Contracts	Foreign Futures	Short	925	2,052,208	2,060,537	
Futures Contracts	Finance Sector Index Futures	Short	51	69,462	69,278	
Futures Contracts	Gold Futures	Short	25	11,362	11,515	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	41	51,252	51,574	
Futures Contracts	TPEx 200 Index	Long	31	9,610	9,635	
Futures Contracts	Mini-TaiEx Futures	Long	1,276	751,223	763,851	
Futures Contracts	Mini-TaiEx Futures	Short	1,474	883,646	882,264	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	4	2,403	2,400	
Futures Contracts	USD/CNT FX Futures	Long	30	18,183	18,074	
Futures Contracts	USD/CNT FX Futures	Short	102	62,484	61,809	
Futures Contracts	USA S&P 500 Futures	Long	1	650	645	
Futures Contracts	USA S&P 500 Futures	Short	31	20,152	20,008	
Futures Contracts	Stock Futures	Long	1,464	615,868	674,141	
Futures Contracts	Stock Futures	Short	8,366	3,215,894	3,530,978	
Futures Contracts	TWD/Gold Futures	Long	25	13,636	13,794	
Futures Contracts	MSCI Taiwan Index Futures	Long	2,494	3,475,319	3,451,336	
Futures Contracts	TOPIX Futures	Long	13	4,456	4,426	
Futures Contracts	TOPIX Futures	Short	7	2,429	2,384	
Futures Contracts	TaiEx Futures	Long	2,931	7,046,492	7,024,475	
Futures Contracts	TaiEx Futures	Short	4,601	11,071,492	11,029,920	
Futures Contracts	Taiwan 50 Index futures	Long	20	18,949	18,740	
Futures Contracts	HK-HSI Futures	Short	18	98,522	98,363	
Futures Contracts	Mini-HK-HSI Futures Index	Long	90	98,732	98,363	
Futures Contracts	Dow Jones Futures	Long	1	573	569	
Futures Contracts	Dow Jones Futures	Short	1	574	569	
Futures Contracts	Nasdaq-100 Index	Long	14	6,186	6,133	
Futures Contracts	Nasdaq-100 Index	Short	1	440	438	
Options Contracts	Index Options-Call	Long	12,627	7,610	4,559	
Options Contracts	Index Options-Put	Long	1,932	6,722	8,898	
Options Contracts	Index Options-Call	Short	12,320	(9,821)	5,541	
Options Contracts	Index Options-Put	Short	3,249	(9,032)	8,125	
Options Contracts	Stock Options-Call	Long	68	291	179	
Options Contracts	Stock Options-Put	Long	92	78	39	
Options Contracts	Stock Options-Call	Short	79	(176)	155	
Options Contracts	Stock Options-Put	Short	16	(40)	37	

12/31/18

Item	Type of trading	Open interest position: Long/ Short	Open interest position: Lots	Contract Amount/ Premium Paid (received)	Fair Value	Note
Futures Contracts	Elec-Sector Index Futures	Long	53	$81,015	$81,567	
Futures Contracts	Elec-Sector Index Futures	Short	335	511,414	515,458	
Futures Contracts	Foreign Futures	Long	1,759	654,733	655,877	
Futures Contracts	Foreign Futures	Short	313	510,141	515,519	
Futures Contracts	Finance Sector Index Futures	Long	44	52,627	51,553	
Futures Contracts	Finance Sector Index Futures	Short	6	7,723	7,064	
Futures Contracts	Gold Futures	Long	255	98,164	100,470	
Futures Contracts	GreTai Futures	Long	127	62,367	62,738	
Futures Contracts	GreTai Futures	Short	6	2,947	2,967	
Futures Contracts	Indian Nifty Index Futures	Long	4	2,187	2,182	
Futures Contracts	Indian Nifty Index Futures	Short	2	1,097	1,096	
Futures Contracts	Mini-TaiEx Futures	Long	467	224,268	225,078	
Futures Contracts	Mini-TaiEx Futures	Short	3,430	1,652,145	1,656,019	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	13	6,242	6,297	
Futures Contracts	USD/CNH FX Futures	Long	13	40,169	40,004	
Futures Contracts	USD/CNH FX Futures	Short	68	210,569	209,173	
Futures Contracts	USD/CNT FX Futures	Long	263	162,975	161,884	
Futures Contracts	USD/CNT FX Futures	Short	112	69,140	68,893	
Futures Contracts	USA S&P 500 Futures	Long	7	3,464	3,496	
Futures Contracts	USA S&P 500 Futures	Short	7	3,288	3,502	
Futures Contracts	Stock Futures	Long	9,035	1,450,985	1,413,897	
Futures Contracts	Stock Futures	Short	9,304	1,796,884	1,760,475	
Futures Contracts	TWD/Gold Futures	Long	15	7,093	7,132	
Futures Contracts	TOPIX Futures	Long	22	6,562	6,531	
Futures Contracts	TOPIX Futures	Short	16	4,773	4,754	
Futures Contracts	TaiEx Futures	Long	3,100	5,936,026	5,989,798	
Futures Contracts	TaiEx Futures	Short	2,459	4,735,159	4,753,341	
Futures Contracts	Taiwan 50 Index futures	Long	60	43,361	44,238	
Futures Contracts	Taiwan 50 Index futures	Short	10	7,183	7,380	
Futures Contracts	Dow Jones Futures	Long	2	912	927	
Futures Contracts	Dow Jones Futures	Short	2	911	927	
Futures Contracts	AUD/USD FX Futures	Long	20	10,946	10,844	
Futures Contracts	AUD/USD FX Futures	Short	20	10,958	10,858	
Futures Contracts	EUR/USD FX Futures	Long	1	705	709	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	26	30,176	30,306	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	12	13,917	13,967	
Futures Contracts	USD/JPY FX Futures	Long	48	29,364	29,332	
Futures Contracts	Brent Oil Futures	Long	94	31,082	30,840	
Futures Contracts	Brent Oil Futures	Short	1	321	333	
Futures Contracts	Yuanta ETF Futures	Short	154	115,050	115,808	
Options Contracts	Index Options-Call	Long	15,960	28,060	28,631	
Options Contracts	Index Options-Put	Long	3,575	39,571	35,618	
Options Contracts	Index Options-Call	Short	21,863	(63,210)	32,322	
Options Contracts	Index Options-Put	Short	9,399	(40,789)	33,830	
Options Contracts	Stock Options-Call	Long	797	2,557	1,461	
Options Contracts	Stock Options-Put	Long	415	6,746	10,907	
Options Contracts	Stock Options-Call	Short	1,414	(4,993)	3,340	
Options Contracts	Stock Options-Put	Short	819	(3,826)	3,783	

E. Credit risk valuation adjustment

The Company and subsidiaries' credit risk valuation adjustments could be mainly divided into two parts: Credit Value Adjustments, "CVA", and Debit Value Adjustments, "DVA", which are adjustments on credit risk valuation of derivative instruments traded at OTC. The purpose for the adjustments are to reflect the possibility of an opponent (CVA) or the Company and subsidiaries' (DVA) delay in payment and failure of receiving full amount of transactions' market value.

The Company and subsidiaries take an opponent's Probability of Default, "PD" (given the Company and subsidiaries do not default) and Loss Given Default, "LGD" into account, then calculate CVA with the opponent's Exposure at Default, "EAD". Contrarily, the Company and subsidiaries take their PD (given the opponent do not default) and LGD into account, calculate DVA with their EAD.

To take credit risk valuation adjustment into consideration for fair value of financial instruments and to reflect separately credit risk of the opponent and of the Company and subsidiaries, the Company and subsidiaries refer to Standard & Poor's, "S&P", historical probability of default for PD; base LGD on past experiences, scholars' suggestions, and foreign financial institutions' experiences; and adopt evaluated market price of derivative instruments as EAD.

22. Liabilities for Bonds with Repurchase Agreements

	12/31/19	12/31/18
Government bonds	$15,048,976	$14,595,805
Bank debentures	27,128,259	21,488,240
Convertible bonds	513,373	288,043
Corporate bonds	34,696,882	28,803,130
Total	$77,387,490	$65,175,218
Repurchased amount as specified in respective agreements plus accrued interest	$77,526,773	$65,299,255
Repurchased date as specified in respective agreements	1/2/20-3/18/20	1/2/19-3/6/19

23. Accounts Payable

	12/31/19	12/31/18
Exchange clearing payable	$4,354,972	$4,838,810
Accounts payable for settlement	36,045,392	34,322,587
Others	534,772	1,019,402
Total	$40,935,136	$40,180,799

24.Bonds Payable

	12/31/19	12/31/18
104-1 Unsecured Corporation Bonds Payable	$4,800,000	$4,800,000
108-1 Unsecured Corporation Bonds Payable	4,200,000	-
Subtotal	9,000,000	4,800,000
Less: due within one year	(4,800,000)	-
Net amount	$4,200,000	$4,800,000

(1) The Company had issued 104-1 unsecured corporate bonds (hereinafter called "the Bonds-104-1") amounted to 7,000,000 thousand dollars on June 8, 2015. The Bonds-104-1 were issued in two types: Bonds A were issued with three years maturities, amounted to 2,200,000 thousand dollars; Bonds B were issued with five years maturities, amounted to 4,800,000 thousand dollars, both at par value of 10,000 thousand dollars per bond. Other terms are listed below:

A. Term to Maturity: Bonds A were issued on June 8, 2015 and will be redeemed on June 8, 2018; Bonds B were issued on June 8, 2015 and will be redeemed on June 8, 2020.
B. Coupon rate: the coupon rate of Bonds A is 1.20% annually; of Bonds B is 1.42% annually.
C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
D. The Bonds-104-1 were issued without collaterals.
E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

(2) The Company had issued 108-1 unsecured corporate bonds (hereinafter called "the Bonds-108-1") amounted to 4,200,000 thousand dollars on November 22, 2019. The Bonds-108-1 were issued in three types: Bonds A were issued with three years maturities, amounted to 300,000 thousand dollars; Bonds B were issued with five years maturities, amounted to 2,600,000 thousand dollars; Bonds C were issued with seven years maturities, amounted to 1,300,000 thousand dollars, all of them at par value of 10,000 thousand dollars per bond. Other terms are listed below:

A. Term to Maturity: Bonds A were issued on November 22, 2019 and will be redeemed on November 22, 2022; Bonds B were issued on November 22, 2019 and will be redeemed on November 22, 2024; Bonds C were issued on November 22, 2019 and will be redeemed on November 22, 2026.
B. Coupon rate: the coupon rate of Bonds A is 0.73% annually; of Bonds B is 0.78% annually; of Bonds C is 0.83% annually.
C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
D. The Bonds-108-1 were issued without collaterals.
E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

25.Post-Employment Benefits

(1) Description of labor pension:

Defined contribution plan

The Company and domestic subsidiaries established the employee retirement method that is defined contribution plan in accordance with The Labor Pension Act of the R.O.C. and the percentage of contribution burden by the Company and domestic subsidiaries are not less than 6% of employee's monthly wages and Salaries. The Company and domestic subsidiaries contributes monthly an amount equal to 6% of employee's wages and salaries to the employee's individual pension fund accounts at the Bureau of Labor Insurance.

Foreign subsidiaries make contribution to the business related to pension management in compliance with local regulation.

Defined benefit plan

The Company and domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. In addition, the Company and subsidiaries will assess the balance in pension fund at the end of the year; if the balance is not enough to pay the pension in the following year, the difference will be contributed before March in the next year.

Pension fund deposited in the Bank of Taiwan is utilized by Ministry of Labor in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment strategy of the fund is to be managed by the Ministry itself or outsourcing, actively or passively in the medium or long term. Considering market, credit, liquidity risk, the Ministry of Labor set controlling plan and the limit for fund risk, allowing it to achieve its expected return without taking too much risk. Every year, the minimum return resolved to be allocated should not be lower than the return resulting from the interest of certificate deposits for two years. If it is not enough, it should be made up by National Treasury with the approval of authority. Since the Company and domestic subsidiaries do not have right to participate in the operation of the fund, we cannot disclose the fair value classification of the planed asset according to IAS 19.142. On December 31, 2019, the defined benefit plan of the Company and domestic subsidiaries plan to contribute 82,236 thousand dollars in the following year.

The maturities of the Company and subsidiaries' defined benefit obligation are as follows:

	12/31/19	12/31/18
Average maturities of defined benefit obligation	12-25 years	13-16 years

(2) The total expense recognized in the comprehensive income statement according to proportion stipulated in the plan are as follows:

	For the years ended December 31	
	2019	2018
Defines contribution plan	$217,308	$226,085
Defined benefit plan	16,913	31,702
Total	$234,221	$257,787

The expenses recognized defined benefit plans in profit or loss are as follows:

	For the years ended December 31	
	2019	2018
Current service cost	$8,100	$11,340
Net interest on net defined benefit liability (assets)	8,813	10,789
Past service cost and settlement	-	9,573
Total	$16,913	$31,702

(3) Reconciliation of present value of defined benefit obligation and plan assets at fair value are as follows:

	12/31/19	12/31/18
Present value of the defined benefit obligation	$1,141,345	$1,117,437
Plans assets at fair value	(425,461)	(377,714)
Carrying amount of net defined benefit obligation	$715,884	$739,723

Reconciliation of net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit libility (asset)
January 1, 2019	$1,117,437	$(377,714)	$739,723
Current service cost	8,100	-	8,100
Interest expense(revenue)	13,278	(4,465)	8,813
Past service cost	-	-	-
Recognized in profit or loss	21,378	(4,465)	16,913
Remeasurement of defined liability/asset:			
The actuarial gain/loss on the change of demographic assumptions	11,904	-	11,904
The actuarial gain/loss on the change of financial assumptions	62,843	-	62,843
Adjustment based on experience	(19,716)	(11,242)	(30,958)
Exchange difference	-	-	-
Recognized in OCI	55,031	(11,242)	43,789
Benefit paid	(52,508)	52,508	-
Employer contributions	-	(84,548)	(84,548)
Exchange difference	7	-	7
December 31, 2019	$1,141,345	$(425,461)	$715,884

	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit libility (asset)
January 1, 2018	$1,199,583	$(427,081)	$772,502
Current service cost	11,340	-	11,340
Interest expense(revenue)	16,728	(5,939)	10,789
Past service cost	9,573	-	9,573
Recognized in profit or loss	37,641	(5,939)	31,702
Remeasurement of defined liability/asset:			
The actuarial gain/loss on the change of demographic assumptions	2,007	-	2,007
The actuarial gain/loss on the change of financial assumptions	31,254	-	31,254
Adjustment based on experience	18,535	(9,663)	8,872
Exchange difference	(106)	-	(106)
Recognized in OCI	51,690	(9,663)	42,027
Benefit paid	(172,262)	172,262	-
Employer contributions	-	(107,293)	(107,293)
Exchange difference	110	-	110
Others	675	-	675
December 31, 2018	$1,117,437	$(377,714)	$739,723

(4) A. The assumptions for defined benefit plan used by the Company and domestic subsidiaries are as follows：

	12/31/19	12/31/18
Discount rate	0.78%-0.94%	1.18%-1.25%
Expected Salary Growth Rate	2.00%	2.00%

Under the circumstance that all the other assumptions remain the same, if the material actuarial assumptions change reasonably and possibly, increase or decrease on the present value of defined benefit obligation will be as following:

	12/31/19	12/31/18
Discount rate		
Increase 0.5%	$(78,314)	$(67,602)
Decrease 0.5%	$85,365	$87,354
Expected Salary Growth Rate		
Increase 0.5%	$83,872	$86,181
Decrease 0.5%	$(77,784)	$(67,415)

B. The assumptions for defined benefit plan used by the Company's foreign subsidiaries are as follows:

	12/31/19	12/31/18
Discount rate	7.75%	8.25%
Expected Salary Growth Rate	4.00%	4.00%

Under the circumstance that all the other assumptions remain the same, if the material actuarial assumptions change reasonably and possibly, increase or decrease on the present value of defined benefit obligation will be as following:

	12/31/19	12/31/18
Discount rate		
Increase 1.0%	$(166)	$(86)
Decrease 1.0%	$188	$98
Expected Salary Growth Rate		
Increase 1.0%	$197	$103
Derease 1.0%	$(176)	$(92)

C. When conducting sensitivity analysis, we analyze the possible effect of reasonably possible change of actuarial assumption (such as discount rate or expected salary growth rate) on defined benefit obligation assuming that all the other assumptions will remain the same. Since actuarial assumptions mutually relate to each other, it is rare that only one actuarial assumption changes. Therefore, there is limitation to this analysis.

D. The method and assumptions used in current period's sensitivity analysis have no difference from the one in previous period.

26.Provision

	12/31/19	12/31/18
Litigation provision	$130,727	$138,902
Decommissioning liabilities	89,483	88,166
Total	$220,210	$227,068

27.Equity

(1) Common stock

	12/31/19	12/31/18
Authorized shares (thousand shares)	4,600,000	4,600,000
Authorized capital	$46,000,000	$46,000,000

The Company's authorized and issued capital was 32,418,432 thousand dollars as of December 31, 2019 and 2018, each at a par value of NT$10. The Company has issued 3,241,843 thousand common shares as of December 31, 2019 and 2018.

The Company's Board of Directors acting on behalf of shareholders decided the case of capital increase of 2,430,309 thousand dollars from distributable earnings of 2017 by issuing 243,031 thousand common shares, at par value of NT$10 on May 25, 2018. The case of capital increase was approved by the authorities and the record date was June 29, 2018.

(2) Capital reserve

	12/31/19	12/31/18
Additional paid-in capital	$2,603,148	$2,603,148
Treasury share transactions	364,435	364,435
Surplus from business combination	5,665,969	5,665,969
Employee share options	14,758	14,379
Employee share options expired	257	227
Total	$8,648,567	$8,648,158

Capital reserve from excess over par value of stocks issued (including additional paid-in capital, treasury share transactions, and surplus from business combination) and donations received can be used to make up the company's deficiencies. Under the circumstances without deficiencies, capital reserve can be used to distribute to shareholders by cash or be capitalized. Nevertheless, the amount of capital reserve that can be capitalized is limited to prescribed percentage of authorized and issued capital.

(3) Distribution of earnings and dividend policy

A. The Articles of Incorporation of earnings distribution are as following:

For the operation and benefits of shareholders, the Company adopted surplus dividend policy in compliance with related regulations. The Company distributes cash dividends, and these cash dividends should not less than 10% of all dividends.

The Company should pay applicable income tax, offset accumulated losses, set aside legal reserve, and appropriate or reverse special reserve under relevant regulations before distribution of current net income. Appropriation of the remains along with the beginning balance of undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company held the annual meeting of shareholders (represented by the board of directors) on May 24, 2019 and May 25, 2018 respectively and resolved the distribution of annual net income for 2018 and 2017 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2018	2017	2018	2017
Legal reserve	$376,483	$800,316	-	-
Special reserve	3,531,666	2,772,536	-	-
Cash dividends	1,108,221	2,000,000	0.342	0.667
Stock dividends	-	2,430,309	-	0.810
Total	$5,016,370	$8,003,161		

C. According to the Rule No. 1010028514 issued by FSC on June 29, 2012, when the Company distributes earnings, it must set aside (from current profit or loss and undistributed earnings from the preceding period) special reserves equal in amounts to other net deductions from shareholders equity arising during that same year. Any other net deductions from shareholders equity items accumulated from the preceding year must not be distributed; instead, an equivalent amount must be set aside from undistributed earnings to special reserves. Thereafter, when other shareholders equity deductions are shifted back, the company may distribute earnings in an amount equal to the amount shifted back.

D. As required by the Company Act, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals its paid-in capital. Except for covering accumulated deficit, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

(4) Non-controlling interests

	For the years ended December 31	
	2019	2018
Beginning balance	$3,355,546	$3,300,090
Effect of retrospective application	-	(1,677)
Subtotal	3,355,546	3,298,413
Profit attributable to non-controlling interests	20,992	64,595
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurement of defined benefit plans	(7)	-
Exchange differences resulting from translating the financial statements of a foreign operation	36	(66)
Purchase of subsidiary stock	-	(20)
Changes in non-controlling interests	(15,600)	-
Cash dividend issued from subsidiaries	(47,716)	(7,376)
Ending balance	$3,313,251	$3,355,546

28. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenue

	For the years ended December 31	
	2019	2018
Brokerage handling fee revenue	$5,085,810	$5,942,075
Foreign brokerage fee	2,358,832	2,863,873
Handling revenue of short sale	33,447	59,283
Handling fee revenue of securities borrowed	60,520	55,925
Foreign sub-brokerage revenue	381,167	194,866
Total	$7,919,776	$9,116,022

(2) Revenue from underwriting business

	For the years ended December 31	
	2019	2018
Revenue from underwriting of securities	$182,323	$235,398
Revenue from underwriting proceeding fee	129,545	133,515
Revenue from underwriting and counseling	32,942	30,192
Others	133,217	157,348
Total	$478,027	$556,453

(3) Gains/(losses) on disposal of trading securities-net

	For the years ended December 31	
	2019	2018
Dealing	$1,608,766	$(702,200)
Underwriting	140,787	(6,802)
Hedging	369,640	(693,987)
Total	$2,119,193	$(1,402,989)

(4) Interest income

	For the years ended December 31	
	2019	2018
Margin loans	$1,460,979	$1,903,220
Bonds	2,561,471	1,251,822
Others	343,310	229,747
Total	$4,365,760	$3,384,789

(5) Gains/(losses) on trading securities measured at fair value through profit and loss-net

	For the years ended December 31	
	2019	2018
Dealing	$1,080,123	$(542,667)
Underwriting	89,295	37,576
Hedging	407,891	(166,694)
Settlement coverage bonds payable of short sale	22	(826)
Total	$1,577,331	$(672,611)

(6) Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net

	For the years ended December 31	
	2019	2018
Gains	$366,357	$326,744
Losses	(356,539)	(107,587)
Total	$9,818	$219,157

(7) Please refer to Note VI.21 for details of profit and loss on derivative instruments.

(8) Expected credit (losses)/gains

A. Details of expected credit (losses)/gains are as follows:

	For the years ended December 31	
	2019	2018
Financial assets measured at FVOCI	$(5,732)	$(5,086)
Financial assets measured at amortized cost		
Receivables (Note 1)	(134)	(88,202)
Others (Note 2)	11,968	(18,527)
Total	$6,102	$(111,815)

Note 1: Receivables include securities margin loans receivable, trading securities receivable, futures commission merchant receivable and accounts receivable.

Note 2: Others include cash and cash equivalents, customer margin accounts, financial assets measured at amortized cost, investment in bonds with reverse repurchase agreements, other current assets and other non-current assets.

B. The Company and subsidiaries' total carrying amount and impairment loss as of December 31, 2019 and 2018 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

The carrying amount of financial assets measured at fair value through other comprehensive income-debt instrument investments are 26,859,655 thousand dollars and 16,110,773 thousand dollars, respectively. The accumulated impairement loss recognized are 10,992 thousand dollars and 5,447 thousand dollars, respectively.

(b) Receivables and others

As of December 31, 2019:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	$16,640,481	$(54)	$16,640,427
Investment in bonds with reverse repurchase agreements	18,188,175	(0)	18,188,175
Securities margin loans receivable	24,157,751	(1,887)	24,155,864
Trading securities receivable	5,365,585	(519)	5,365,066
Customer margin accounts	37,536,024	(384)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,580,924	(1,450)	27,579,474
Other current assets	37,512,606	(5,429)	37,507,177
Other non-current assets	4,374,460	(1,752,929)	2,621,531
Total	$171,523,499	$(1,923,239)	$169,600,260

As of December 31, 2018:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	$13,849,068	$(532)	$13,848,536
Investment in bonds with reverse repurchase agreements	19,448,839	(17)	19,448,822
Securities margin loans receivable	21,181,502	(1,871)	21,179,631
Trading securities receivable	8,031,155	(1,223)	8,029,932
Customer margin accounts	34,123,313	(48)	34,123,265
Futures commission merchant receivable	188,951	(176,333)	12,618
Accounts receivable	24,764,645	(1,113)	24,763,532
Other current assets	32,774,799	(12,958)	32,761,841
Financial assets measured at amortized cost-non-current	500,000	(3,293)	496,707
Other non-current assets	5,069,492	(1,797,288)	3,272,204
Total	$159,931,764	$(1,994,676)	$157,937,088

C. The Company and subsidiaries' movements of accumulated impairment for the years ended December 31, 2019 and 2018 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

Item	12-month expected credit losses
Balance as of January 1, 2019	$(5,447)
(Increase)/ decrease	(5,732)
Exchange differences	187
Balance as of December 31, 2019	$(10,992)
Balance as of January 1, 2018 (under IAS 39)	$-
Adjustments	(293)
Balance as of January 1, 2018 (under IFRS 9)	(293)
(Increase)/ decrease	(5,086)
Exchange differences	(68)
Balance as of December 31, 2018	$(5,447)

Due to the increasing in financial assets measured at fair value through other comprehensive income-debt instrument investments during the years ended of December 31, 2019 and 2018, the related 12-month expected credit losses increase.

(b) Receivables and others

Item	12-month expected credit losses	Lifetime expected credit losses (collective assessment)	Lifetime expected credit losses (credit impaired financial assets)	Lifetime expected credit losses (simplified approach)	Total
Balance as of January 1, 2019	$(15,875)	$(217)	$(1,975,004)	$(3,580)	$(1,994,676)
(Increase)/decrease	7,028	286	4,279	241	11,834
Financial assets derecognized in the current period	3,426	-	40,227	-	43,653
Bad loans write-offs	-	-	6,808	-	6,808
Exchange differences	158	(471)	9,455	-	9,142
Balance as of December 31, 2019	$(5,263)	$(402)	$(1,914,235)	$(3,339)	$(1,923,239)
Balance as of January 1, 2018 (under IAS 39)	$-	$-	$(1,842,138)	$(806)	$(1,842,944)
Adjustments	(13,036)	(2)	(13)	(3,003)	(16,054)
Balance as of January 1, 2018 (under IFRS 9)	(13,036)	(2)	(1,842,151)	(3,809)	(1,858,998)
(Increase)/decrease	(2,531)	(211)	(104,216)	229	(106,729)
Financial assets derecognized in the current period	-	-	11,096	-	11,096
Bad loans write-offs	-	-	1,929	-	1,929
Exchange differences	(308)	(4)	(41,662)	-	(41,974)
Balance as of December 31, 2018	$(15,875)	$(217)	$(1,975,004)	$(3,580)	$(1,994,676)

There were no significant changes in the carrying amounts of abovementioned receivables and others. In February, 2018, a futures trader of subsidiary defaulted due to the shortage of margin, The Company and subsidiaries recognized impairment loss of 89,771 thousand dollars for the unrecovered futures commission merchant receivable.

D. Please refer to Note XII.3 for details on measurement of expected credit losses.

(9) Other operating income

	For the years ended December 31	
	2019	2018
Commission income	$639,536	$546,597
Investment trust and fund management income	625,735	231,533
Exchange gain/(loss)	98,657	(197,696)
Others	505,862	278,315
Total	$1,869,790	$858,749

(10) Financial cost

	For the years ended December 31	
	2019	2018
Bonds	$1,685,543	$897,779
Bank borrowing	459,933	373,683
Corporate bonds	71,689	79,588
Lease liabilities	31,387	-
Securities leading refundable deposits	155,154	76,840
Others	115,254	120,508
Total	$2,518,960	$1,548,398

(11) Employee benefits expenses, depreciation and amortization

	For the years ended December 31	
Item	2019	2018
Employee benefit expenses		
Salary expenses	$6,779,406	$6,452,805
Insurance expenses	323,174	321,473
Pension expenses	234,221	257,787
Others	170,529	163,220
Total	$7,507,330	$7,195,285
Depreciations and amortizations		
Depreciations	$792,529	$292,686
Amortizations	266,610	259,548
Total	$1,059,139	$552,234

A. Due to the specialty of industry of the Company and subsidiaries, the employee benefit expenses and the depreciation and amortization expenses were classified as operating expenses.

B. The Company appropriates at least 0.1% of income before tax and before distributing earnings to employees as employees' bonus income. The employees' bonus of 37,500 thousand dollars were recognized under salary expenses based on the current year profit for the year ended December 31, 2019. The Company held the Board of Directors' meeting on March 26, 2020 and resolved the distribution of employees' bonus of 37,500 thousand dollars by cash.

C. The Company distributed the employees' bonus of 29,000 thousand dollars for the year ended December 31, 2018, which have no significant difference from the expenses recognized in 2018.

D. The related information about employees' bonus from the earnings distribution plan adopted by the Company's Board of Directors' meeting can be inquired at Market Observation Post System.

(12) Other operating expenses

	For the years ended December 31	
	2019	2018
Postage and telephone expenses	$269,176	$242,781
Tax	633,700	852,554
Rental expenses	24,431	651,314
Computer information expenses	469,523	519,324
Professional fee	230,417	211,038
Securities borrowed expenses	448,979	386,170
Handling fee	321,978	500,908
Maintenance and repairs	241,490	237,013
Operation expense	288,232	159,220
Other expenses	812,083	696,725
Total	$3,740,009	$4,457,047

(13) Other income and costs

	For the years ended December 31	
	2019	2018
Interest income	$1,362,137	$1,083,159
Gains/(losses) from disposal of investment	214,987	71,217
Non-operating financial assets measured at FVTPL	205,512	130,417
Dividend income	202,969	296,184
Management service income	378,348	347,352
Impairment loss	(163,886)	-
Others	248,266	160,477
Total	$2,448,333	$2,088,806

29.Components of Other Comprehensive Income

For the year ended December 31, 2019

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(43,789)	$-	$(43,789)	$(4,157)	$(47,946)
Unrealized gains/(losses) from equity instrument investments measured at FVOCI	15,998	-	15,998	-	15,998
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	141,877	-	141,877	-	141,877
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(160,844)	-	(160,844)	-	(160,844)
Unrealized gains/(losses) from debt instrument investmants measured at FVOCI	1,164,751	(842,029)	322,722	-	322,722
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	4,285,777	-	4,285,777	-	4,285,777
Total	$5,403,770	$(842,029)	$4,561,741	$(4,157)	$4,557,584

For the year ended December 31, 2018

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$(42,027)	$-	$(42,027)	$21,736	$(20,291)
Unrealized gains/(losses) from equity instrument investments measured at FVOCI	(93,046)	-	(93,046)	-	(93,046)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(396,176)	-	(396,176)	-	(396,176)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	363,055	-	363,055	-	363,055
Unrealized gains/(losses) from debt instrument investmants measured at FVOCI	109,616	(29,009)	80,607	-	80,607
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,916,209)	-	(2,916,209)	-	(2,916,209)
Total	$(2,974,787)	$(29,009)	$(3,003,796)	$21,736	$(2,982,060)

30. Income Tax

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

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2019	2018
Current income tax expense (benefit)		
Current period	$399,937	$686,718
Adjustments of prior periods	(287,387)	(310,316)
Deferred income tax expense (benefit)		
Current period	30,012	(43,583)
Deferred tax expense related to changes in tax rates	-	179,043
Income tax expense (benefit)	$142,562	$511,862

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2019	2018
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plan	$4,157	$(21,736)

(2) Reconciliation of accounting income and income tax expense is as follows:

	For the years ended December 31	
	2019	2018
Income before income tax	$6,216,111	$4,341,282
Tax at the rate applicable to profits	$1,243,222	$868,257
Tax effect of revenues exempt from taxation	(641,669)	(202,056)
Tax effect of expenses not deductible for tax purposes	38,533	39,624
Tax effect of deferred income tax assets/liabilities	(45,323)	14,534
Corporate income surtax on undistributed retained earnings	26,309	-
Tax effect of different tax rate for subsidiaries	(256,362)	(121,012)
Alternative minimum tax expense	65,239	75,491
Deferred tax expense related to change of tax rate	-	179,043
Adjustments of prior periods	(287,387)	(310,316)
Others	-	(31,703)
Total income tax expense	$142,562	$511,862

(3) Balances of deferred income tax assets and liabilities resulting from the temporary differences:

	12/31/19	12/31/18
Deferred income tax assets		
Bad debts	$10,040	$55,869
Unrealized exchange loss	1,612	-
Unrealized loss of warrants issued and repurchase warrants	-	30,995
Unrealized loss of financial instruments	9,237	56,396
Net actuarial gain or loss and pension	143,188	147,005
Unused tax losses	44,156	55,960
Others	1,835	2,191
Total	210,068	348,416
Deferred income tax liabilities		
Unrealized gain of financial instruments	(68,027)	(117,209)
Unrealized exchange gain	(70,497)	(60,265)
Unrealized gain of company warrants	(8,886)	-
Goodwill	(986,154)	(1,069,814)
Land value increment tax liabilities	(9,252)	(9,252)
Others	(11,100)	(1,555)
Total	(1,153,916)	(1,258,095)
Net amount of deferred income tax assets (liabilities)	$(943,848)	$(909,679)

(4) Movement of deferred income tax assets (liabilities):

	For the years ended December 31	
	2019	2018
Beginning balance	$(909,679)	$(779,482)
Effect of retrospective restatement and retrospective application	-	(16,473)
Subtotal	(909,679)	(795,955)
Recognized in profit or loss	(30,012)	(135,460)
Recognized in other comprehensive income	(4,157)	21,736
Ending balance	$(943,848)	$(909,679)

(5) Unrecognized deferred income tax assets

The Company and subsidiaries have no assets that may be used to reduce any subsequent periods' income tax expense but not be recognized as deferred income tax assets.

(6) Unrecognized deferred income tax liabilities

The Company and subsidiaries have no liabilities that may be used to increase any subsequent periods' income tax expense but not be recognized as deferred income tax liabilities.

(7) Income tax return assessed

	Assessment information
The Company	Assessed through 2014
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2017
KGI Insurance Brokers Co. Ltd.	Assessed through 2017
KGI Venture Capital Co. Ltd.	Assessed through 2017
KGI Securities Investment Trust Co. Ltd.	Assessed through 2017
KGI Futures	Assessed through 2017
Global Corporation	Assessed through 2017
KGI Information Technology Co. Ltd.	Assessed through 2017

31. Earnings Per Share

Basic earnings per share ("EPS") amounts are calculated by dividing net income for the year attributable to common stock holders of the Company by the weighted average number of shares outstanding during the year.

	For the years ended December 31	
	2019	2018
Basic EPS		
Attributable to the Company	$6,052,557	$3,764,825
Weighted average number of shares outstanding	3,241,843,251 shares	3,241,843,251 shares
Basic EPS (NT$)	$1.87	$1.16

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

32. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 3,313,251 thousand dollars and 3,355,546 thousand dollars as of December 31, 2019 and 2018, respectively. Proportions held by non-controlling interests are as follows:

Subsidiary Company	Country	12/31/19	12/31/18
KGI Futures	Taiwan	0.39%	0.39%
Global Corporation	Taiwan	77.93%	78.01%
KGI Indonesia	Indonesia	1.00%	1.00%

Information of subsidiaries that has material non-controlling interests is provided below:

Subsidiary Company	12/31/19	12/31/18
Global Corporation	$3,296,820	$3,339,857

Financial information of subsidiaries that have material non-controlling interests are provided below:

(1) Summarized information of comprehensive income for Global Corporation Ltd.

	For the years ended December 31	
	2019	2018
Revenue	$113,086	$220,388
Net profit from continuing operations	$23,913	$79,563
Other comprehensive income	-	-
Comprehensive income	$23,913	$79,563
Net profit allocated to non-controlling interests	$18,659	$62,066
Dividends paid to non-controlling interests	$46,097	$6,332

(2) Summarized information of financial position for Global Corporation Ltd.

	12/31/19	12/31/18
Current assets	$3,887,489	$5,839,999
Non-current assets	347,498	1,462,922
Current liabilities	3,768	3,020,842
Non-current liabilities	780	780

(3) Summarized cash flow information for Global Corporation Ltd.

	For the years ended December 31	
	2019	2018
Operating activities	$4,927,658	$3,940,336
Investing activities	1,105,776	31,939
Financing activities	(2,414,268)	(3,817,455)
Net increase/(decrease) in cash and cash equivalents	$3,619,166	$154,820

The above summarized financial information is based on amounts before offsetting transactions between companies.

VII. Significant Related Parties Transaction

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

The following is summary of transactions between the Company and subsidiaries and related parties during the financial reporting periods:

1. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
China Development Financial Holding Corp. (CDFH)	The parent company
KGI Securities (Thailand) Public Company Limited (KGITH)	The associate
Trinitus Asset Management Limited	The associate (Note 1)
KGI Bank Co., Ltd. (KGI Bank)	Other related party
China Life Insurance Co., Ltd. (China Life)	Other related party
CDIB Capital Group (CDIB Capital)	Other related party
CDIB Venture Capital Corp.	Other related party
CDIB Capital Management Inc. (CDIB Capital Management)	Other related party
China Development Asset Management Corp.	Other related party
CDIB Capital Growth Partners L.P.	Other related party
CDIB Capital International Corp. (CDIB Capital International)	Other related party
CDIB CME Fund Ltd.	Other related party
CDIB Partners Investment Holding Corp.	Other related party
CDIB Capital Investment I Ltd.	Other related party
CDIB Capital Investment II Ltd.	Other related party
CDIB & Partners Investment Holding Pte. Ltd.	Other related party
CDC Finance & Leasing Corp.	Other related party
KGI Charity Foundation	Other related party
Fund managed by KGI Securities Investment Trust Co. Ltd. (KGI Investment Trust Fund)	Other related party
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	Other related party (Note 2)
GuoHen Chemistry Co., Ltd	Other related party
XingWen Investment Ltd. (XingWen Investment)	Other related party (Note 3)
JingHuei Investment Ltd. (JingHuei Investment)	Other related party
Others	Other related parties

Note 1: Trinitus Asset Management Limited was not related from July 29, 2018.
Note 2: Bank of Taiwan was not related from June 14, 2019.
Note 3: XingWen Investment was not related from June 14, 2019.

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	For the years ended December 31	
	2019	2018
A. Brokerage handling fee revenue		
Other related parties		
KGI Bank	$5,150	$14,001
China Life	67,370	73,176
Others	10,923	16,984
Total	$83,443	$104,161
B. Revenue from underwriting business		
Parent company		
CDFH	$6,000	$-
Other related parties		
KGI Bank	1,550	3,094
CDIB Capital Mangement	750	1,500
CDIB Capital International	8,458	465
Others	600	-
Total	$17,358	$5,059
C. Revenue from providing agency service for stock affairs		
Parent company		
CDFH	$15,951	$17,078
Other related parties		
China Life	3,643	1,310
Others	252	252
Total	$19,846	$18,640
D. Dividend income		
Other related parties		
China Life	$-	$13
KGI Investment Trust Fund	757	-
Total	$757	$13
E. Gains/(losses) on derivative financial product-GTSM-net		
Other related parties		
KGI Bank	$17,610	$27,686
Others	(2,065)	-
Total	$15,545	$27,686

	For the years ended December 31	
	2019	2018
F. Other operating revenue		
Parent company		
CDFH	$7,321	$8,900
Associates	-	154
Other related parties		
China Life	399,496	337,512
Others	1,280	40
Total	$408,097	$346,606

	2019	2018
G. Financial costs		
Other related parties		
KGI Bank	$6,958	$4,826
Bank of Taiwan	3,926	8,621
Others	124	221
Total	$11,008	$13,668

The above transactions were under general trading condition.

(2) Due from banks (recognized as cash and cash equivalents, other current financial assets and other current assets):

	12/31/19	12/31/18
Other related parties		
KGI Bank	$2,483,216	$2,830,664
Bank of Taiwan	-	66,855
Total	$2,483,216	$2,897,519

(3) Financial assets/liabilities measured at fair value through profit or loss-current:

	12/31/19	12/31/18
A. Open-ended funds and monetary market instruments		
Other related parties		
KGI Investment Trust Fund	$578,634	$465,958

	12/31/19	12/31/18
	Notional Amount	Notional Amount
B. Outstanding derivative instruments		
a.FX Swap		
Other related parties		
KGI Bank	$620,424	$-
b.IRS		
Other related parties		
KGI Bank	$-	$636,173
c.CBAS-interest		
Other related parties		
KGI Bank	$190,000	$602,120
d.CBAS-long option		
Other related parties		
KGI Bank	$190,000	$5,900
e.CBAS-short option		
Other related parties		
KGI Bank	$-	$596,220
f.Structure notes liabilities		
Other related parties		
Others	$30,133	$-

	12/31/19	12/31/18
C. Trading Securities		
Other related parties		
KGI Investment Trust Fund	$1,089,190	$26,311

(4) Financial assets measured at fair value through other comprehensive income-current-equity instruments:

	12/31/19	12/31/18
Stocks		
Parent company		
CDFH	$1,777,144	$2,399,876

Please refer to Note VI.3 for information of sale of CDFH stock for the years ended December 31, 2019 and 2018.

(5) Securities margin loans receivable:

	12/31/19	12/31/18
Other related parties		
Others	$28,999	$15,935

(6) Customer margin accounts:

	12/31/19	12/31/18
Associates	$920	$-
Other related parties		
KGI Bank	208,032	919,916
Total	$208,952	$919,916

(7) Account receivables:

	12/31/19	12/31/18
Associates		
KGI TH	$8,750	$15,614
Other related parties		
China Life	13,681	13,457
XingWen Investment	-	20,888
KGI Investment Trust Fund	8,960	3,387
Others	3,001	4,075
Total	$34,392	$57,421

(8) Other receivables (recognized as other current assets):

	12/31/19	12/31/18
Associates		
KGI TH	$2,668	$1,128
Other related parties		
KGI Bank	8,443	8,042
Others	357	375
Total	$11,468	$9,545

(9) Temporary payments (recognized as other current assets):

	12/31/19	12/31/18
Other related parties		
KGI Investment Trust Fund	$140,000	$-
Others	-	2
Total	$140,000	$2

(10) Other restricted assets (recognized as other current assets):

	12/31/19	12/31/18
Other related parties		
KGI Bank	$9,775,316	$1,202,572

(11) Right-of-use assets:

	12/31/19
Other related parties	
China Life	$3,586

(12) Short-term borrowings:

	12/31/19	12/31/18
Other related parties		
KGI Bank	$903,180	$-

(13) Futures customers' equity:

	12/31/19	12/31/18
Other related parties		
KGI Bank	$182,705	$394,377
KGI Investment Trust Fund	6,801	8,723
Total	$189,506	$403,100

(14) Accounts payable:

	12/31/19	12/31/18
Associates		
KGI TH	$-	$696
Other related parties		
China Life	644,738	-
CDIB Capital	28,326	13,791
CDIB Capital Investment I Ltd.	905	34,475
KGI Investment Trust Fund	22,168	9,895
KGI Bank	10,534	4,508
Others	70,943	3,532
Total	$777,614	$66,897

(15) Other accounts payable:

	12/31/19	12/31/18
Other related parties		
China Life	$23,456	$20,548
Others	1,929	308
Total	$25,385	$20,856

(16) Current income tax liabilities:

Detail of income tax refundable/payable resulting from the consolidated income tax return:

	12/31/19	12/31/18
Due to CDFH (the parent company)	$737,608	$740,985

(17) Bonds transactions with related parties are as follows:

Purchase and sale of bonds

	For the year ended December 31, 2019	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	$712,331	$456,294
China Life	2,452,192	12,850,991
Bank of Taiwan	49,636	739,213
Total	$3,214,159	$14,046,498

	For the year ended December 31, 2018	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	$2,733,358	$5,330,933
China Life	2,544,662	10,529,502
Bank of Taiwan	400,420	1,942,918
Total	$5,678,440	$17,803,353

(18) Significant leases with related parties are as follows:

Lease liabilities

	12/31/19
Current	
Other related parties	
China Life	$1,944
Non-Current	
Other related parties	
China Life	$1,652

Rental income (recognized as other income and costs)

	For the years ended December 31	
	2019	2018
Other related parties		
KGI Bank	$13,000	$12,938
Others	340	340
Total	$13,340	$13,278

The above lease prices were determined by market and received monthly.

Rental expenses (recognized as other operating expenses)

	For the years ended December 31	
	2019	2018
Other related parties		
China Life	$-	$3,738
Bank of Taiwan	-	1,836
Others	-	119
Total	$-	$5,693

The above lease prices were determined by market and paid monthly

Refundable deposits (recognized as other non-current assets)

	12/31/19	12/31/18
Other related parties		
China Life	$934	$915
Bank of Taiwan	-	306
Total	$934	$1,221

(19) Employee benefit expenses

	For the years ended December 31,	
	2019	2018
Other related parties		
China Life	$19,966	$15,372
Bank of Taiwan	114	223
Total	$20,080	$15,595

(20) Other operating expenses

	For the years ended December 31	
	2019	2018
Other related parties		
China Life	$209,187	$126,520
Others	18,667	19,574
Total	$227,854	$146,094

(21) Other income and costs

	For the years ended December 31	
	2019	2018
Parent company		
CDFH	$64,914	$169,551
Associates		
KGI TH	15,795	11,541
Other related parties		
KGI Bank	104,718	118,653
Others	26,377	83
Total	$211,804	$299,828

(22) Information about key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefit	$336,475	$221,168
Post-employment benefits	3,917	3,139
Share-based payment transaction	332	976
Total	$340,724	$225,283

(23) For business need, the Company requested the bank guarantees from other related parties for the amount are as follows:

	12/31/19	12/31/18
Other related parties		
Bank of Taiwan	$-	$540,000

(24) The following assets serve as guarantee for short-term loan to KGI Bank (other related parties):

	12/31/19	12/31/18
Property and equipment and investment property	$268,981	$271,050

VIII. Assets Pledged

The following assets have been pledged to financial institutions to serve as guarantees for loans or financial instruments:

Description of the Assets	12/31/19	12/31/18
Financial assets measured at FVTPL- current		
Trading securities-dealing	$450,653	$200,339
Open-ended funds, monetary market instruments and other securities	241,718	-
Financial assets measured at FVOCI-current		
Foreign securities	891,533	-
Other current assets- restricted	1,554,519	1,277,613
Investment accounted for using the equity method	3,157,680	2,005,410
Property and equipment	4,354,567	4,608,352
Investment property	354,515	475,180
Total	$11,005,185	$8,566,894

IX. Significant Contingent Liabilities and Unrecognized Commitments

1. One of the executive vice president of the merged entities, Jen-Hsin Securities Co., Ltd., claimed the ownership of stocks of Jen-Hsin Securities Co., Ltd. while certain clients of Jen-Hsin Securities Co., Ltd. also claimed ownership of the same lot of securities. The executive vice president declined to surrender the shares; hence, Jen-Hsin Securities Co., Ltd. petitioned a motion with the Taipei District Court on November 6, 2002 in order to repossess such shares. Because Jen-Hsin Securities Co., Ltd. has been merged into the Company, such case is taken over by the Company as a result. Also, in July, 2004, the certain clients has requested to the Court for the repossession of such shares from the Company, the Company can pay cash of 90,379 thousand dollars and assumed interest in lieu. During the process of litigation, the certain client change his claim to require the Company as first class debtor to pay 90,379 thousand dollars and assumed interest and executive vice president as secondary debtor to pay 2,000 thousand stocks of Jen-Hsin Securities Co., Ltd. and 73,946 thousand dollars and assumed interest because the confirm of original judgment and the Company is unable to retrieve the stocks. On May 21, 2019, the case was remanded by the Supreme Court back to the High Court with the decision. It was decided that the Company has been given the right to retrieve the stocks from the former executive vice president and the right to bring a claim against the former executive vice president on the embezzlement of client’s properties. The 90,379 thousand dollars claimed by the certain clients are to be paid by the Company. Other cases brought by the certain clients are dismissed. The Company has appealed to the Supreme Court. This case is currently being processed by the Supreme Court.

2. Securities and Futures Investors Protection Center sued the Company and claimed that due to the fact that the Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, the Company must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds. Against the article 20 and 32 of Securities and Exchange Act and the article 184 and 185 of Civil Code. The plaintiffs sued the Company and Taiwan Kolin Co., Ltd. with jointly liability amounted to 133,308 thousand dollars plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.

3. For the need of securities borrowing margin, the Company requested the bank guarantees for 2,500,000 thousand dollars.

4. The case of loan recovery between Global Treasure Investments Limited and Minda Consultancy Limited:

   According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) lent Minda Consultancy Limited (Minda) HKD 10,000 thousand dollars. However, Minda reneged on the contract and GT appealed to the Court against Minda for returning HKD 9,192 thousand dollars and additional interests. This case is currently in the process of Hong Kong court.

5. The contention about pledged stocks between Digital Imaging Solution Global Ltd., Minda Consultancy Limited, KGI Limited, and Global Treasure Investments Limited:

   The plaintiffs, Digital Imaging Solution Global Ltd. (Digital) and Minda Consultancy Limited ("Minda") claimed that Global Treasure Investments Limited (GT) broke the pledged contract since GT and its fund manager including KGI Limited disposed 2,000 thousand shares of eCyberChina without the agreement of Digital and Minda based on the pledged stock derived from the loan, HKD 10,000 thousand dollars, between Minda and indirectly obtained the pledged stock 35,000 thousand shares of eCyberChina. Digital and Minda appealed to the Court and claimed HKD 119,130 thousand dollars and relevant expenses and interests against GT in November 2007. In February 2008, the plaintiffs also sued KGI Limited but the Hong Kong Court rejected the case on July 21, 2008. The plaintiffs appealed to the Court of Appeal and the Court of Appeal rejected Digital's appeal in December 2008. This case of Minda's part is currently proceeded by Court of Appeal.

X. **Significant Disaster Losses**

None.

XI. **Significant Subsequent Events**

None.

XII. Others

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

2. Financial risk management objectives and policies

(1) Financial risk management objectives

The Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of the Company and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, the Company uses risk appetite as a base according to venture capital allocation. While setting risk appetite, the Company takes the amount of circulating capital, finance and operational goal into consideration.

(2) Risk management organization

The organization structure of risk management includes the Board of Directors, risk management department, business departments and other related departments in charge, which is built to monitor, plan and execute risk management. The Company's business departments and back offices should comply with risk management regulations and report all anomalies and effects to Risk Management Committee ("RMC") and Investment Review Committee ("IRC") in time. The function and responsibility of risk management organizations are as follows:

The Board of Directors is the principal decision making unit for risk management. It undertakes ultimate responsibility for risk management and monitors the overall execution of the risk management system.

The primary function and responsibility of committees are as follows: RMC carries out decisions made by the Board of Directors; examines the Company and each department's risk budgets, risk-based limits, and related management mechanism; considers risk management policies; and reviews risk reports submitted by each department to determine or adjust strategies accordingly. IRC examines securities underwriting, underwriting counseling cases, and general long-term investment cases. Merchandise Review Committee ("MRC") establishes merchandise evaluation mechanism and reviews financial instruments before the Company makes transactions.

The Company's business departments engage in formulating risk management mechanism, perform daily risk management and submit reports, and conduct internal control procedures in compliance with legal and risk management regulations.

Risk management department ensures risk management policies approved by the Board of Directors are executed; develops various risk management standards and guidelines, and measures and monitors daily risks in compliance with them; produces and submits risk management reports periodically (by day, week, or month) to key management; and constructs or assists in constructing risk management information system.

Legal affair department is responsible for providing legal consultations, drafting contracts, reviewing and preserving major contracts and monitoring litigation cases.

Legal compliance department is responsible for conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible for making sure that all operations and management guidelines are up-to-date as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department handles all the requests and needs for funds from all departments and maintains loan commitments with financial institutions to lower capital cost and to manage capital liquidity risk.

Internal audit department inspects periodically how risk management guidelines are implemented in the Company and how business departments are operating and provide suggestions when necessary. It reports deficiencies or anomalies to the Board of Directors and follow up improvements.

Financial department, settlement department, information department, and other related departments should comply with risk management regulations, understand the risks originated from their activities, and take necessary risk management mechanism into account when establishing operation guidelines, and manage their delegated field, evaluation, price affirmation, profit or loss statement preparation, transaction process and confirmation, settlement activity, account affirmation, asset management, information security, and information maintenance.

(3) Risk management system

The content of the Company’s structure of risk management system covers major risks faced by the Company which includes market risk, credit risk, liquidity risk, operating risk and legal risk.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for the advice, constructs policies according to the parent company's regulations, then submits the proposal to RMC for approval.

(4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. And the evaluation and the measurement of important risk are as follows:

A. Market risk

The Company restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraints risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

The Company implemented the MSCI Risk Manager, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce control of risk appetite.

To establish estimation effectiveness of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to understand the risk tolerance level of the Company.

B. Credit risk

The Company sets proper credit limits by considering the Company's net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. The Company would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

To properly manage the Company’s credit risk, the risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the whole company, single level, or single firm, etc. Also, set Pre-settlement Risk (PSR) limits and different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine the Company’s credit risk exposure and the use of various credit risk limitation amount.

C. Liquidity risk

The liquidity risk could be divided into two categories: market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of the Company and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, according to the anticipation of the future cash need as well as the fund transferring ability of the Company to establish the fund-flow simulation analysis mechanism. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

D. Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

Each unit is responsible to examine and control its own business operating risk. In addition to the compliance of law and regulation, the internal audit department would implement control by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

(5) Risk hedge and mitigation strategy

The Company has set up hedge instruments and hedge operating mechanisms in all operations based on the Company's capital scale and risk tolerance. Such measures include: risk acceptance, risk averse, risk transfer and risk control. Reasonable risk avoidance mechanisms effectively limit the company's risk as approval. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

3. Analyses of credit Risk

(1) Source of credit risk

The credit risks that the Company and subsidiaries are exposed to during financial transactions include issuer's credit risk and counterparties' credit risk, etc.

A. Issuer's credit risk refers to the risk of financial loss that the Company and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

B. Counterparties' credit risk refers to the risk of financial loss that the Company and subsidiaries face when counterparty in derivative financial instrument transaction does not complete a transaction or fulfill a payment obligation on the appointed date.

(2) Credit risk management

The credit risk management of the Company and subsidiaries' investments, fixed-income securities and other financial assets and counterparties are managed by each business unit subject to the internal control procedures and relevant specifications. As most of the investments and counterparties reach an good external credit rating, credit risk is extremely low.

(3) Definition of default and credit impairment of financial assets

A. The Company and subsidiaries define default of financial assets, the same as impairment of financial assets. If there are any evidences indicating issuers or counterparties are not able to fulfill contractual obligations or they have financial difficulty, such as:

I. Issuers and counterparties have bankrupted or it is becoming probable that they will enter bankruptcy or other financial reorganisation;
II. A breach of contract of the issuers and counterparties' other financial instruments has occurred;
III. The disappearance of an active market for that fiancial asset because of financial difficulties; or
IV. The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

B. The above mentioned definition of default and credit impairment apply to all the financial assets held by the Company, which is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument.

C. When financial assets don't meet definition of default and impairment after assesment, they will not be recognized in credit-impaired financial assets any longer.

D. The Company and subsidiaries shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

(4) Description of credit risk on each financial asset

A. Cash and cash equivalents and other financial assets:

The Company mainly puts bank deposit and cash in the banks with good credit and deposits specific amount of cash as collateral in the customers' margin account designated by the future corporations. The Company regularly assesses finance, operating activities and credit risk situation of each financial institution and future corporation, which serves as the management of credit risk. Considering the result of assessment, the credit risk is under control.

B. Financial assets measured at fair value through profit or loss-current

The above mentioned financial assets include debentures, convertible bonds and CB Asset Swap. The debentures held by the Company were issued by large-scale listed corporations or financial institutions; the convertible bonds held by the Company were issued by domestic listed corporations and parts of them are backed by bank guarantees. As the Company transfers the credit risk through issuing CB Asset Swap and Credit Linked Note in order to reduce issuers' exposure to credit risk, the issuers' credit risk is under control.

C. Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

The above mentioned financial assets is mainly long-term bonds. The Company keeps a close eye on credit grade of each investment and issuer' (or credit rating agency) financial situation in order to minimize the credit risk.

D. Investment in bonds with reverse repurchase agreements

The counterparties with whom the Company do bond investments under resale agreement are mainly the financial institutions and corporations with good credit; The factor that counterparties' securities are held by the Company as collateral effectively reduces counterparties' exposure to credit risk.

E. Receivables

Receivables include securities margin loans receivable, trading securities receivable, futures trading margin receivable and accounts receivable. The main credit risk is Securities margin loans receivable and trading securities receivable. The Company and subsidiaries closely monitor market fluctuations and customers' credibility, and take measures to minimize the credit risk according to the regulations.

F. Customer margin accounts

As the specific accounts of customer margin are opened in the banks with good credit and financial institutions and corporations with investment grade, there is no significant credit risk.

G. Stock borrowing collateral price and security lending deposits

When the Company and subsidiaries borrow securities, the Company and subsidiaries should deposit margin in the specific financial institutions. The factor that securities are held by us reduces counterparties' amount of exposure to credit risk.

H. Financial assets measured at amortized cost

As of December 31, 2018, the subsidiaries hold subordinated debentures without collaterals of Sunny Bank, HuaTai Bank and BanXin Bank and assess the credibility of each financial institutions regularly, which serve as the management of credit risk.

I. Other non-current assets

Other non-current assets include operation guarantee deposits, clearing and settlement fund and guarantee deposits. The Company assesses counterparty based on the materiality of the amounts deposited. As there are many counterparties and the amount of that is not significant, the credit risk is effectively decentralized. Therefore, the credit risk is extremely low.

(5) Measurement of expected credit losses

A. Consideration of the forward-looking information

The Company and subsidiaries consider the forward-looking information to decide if there is a significant increase in credit risk and to measure expected credit losses.

The probability of default used for measuring impairment on debt instrument investments, excluding ones measured at fair value through profit or loss, is based on probability of default information including forward-looking macroeconomic information published regularly by international credit rating institutions.

Apart from debt instrument investments, analyses on financial instruments are performed using historical data. Economic factors relevant to expected credit loss of each portfolio have been identified with reference to optimal estimations published by authorities or academic institutions. Optimal estimations are reevaluated and corrected on every financial statement date.

B. Receivables and others

The Company and domestic subsidiaries

The Company and domestic subsidiaries measure the loss allowance by lifetime expected credit loss under IFRS 9. The lifetime expected credit loss is based on the historical experience, current information and forward-looking information and calculated by regression model. Considering the Company and subsidiaries’ historical experience, since no significant difference exists among different client groups, grouping analysis is not conducted.

The foreign subsidiaries

As the credit loss of financial assets recognized initially is not significantly increased, they are measured by 12-month expected credit loss. Otherwise, they are measured by lifetime expected credit loss. The measurement is based on customers’ past record of default, credibility, current information and prospective information. Since no significant difference exists among different client groups, grouping analysis is not conducted.

C. Debt instrument investments (excluding ones measured at fair value through profit or loss)

The above mentioned instruments are at low credit risk upon acquisition, and an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio.

In order to measure expected credit loss, The Company and subsidiaries calculated both 12-month and lifetime expected credit losses by considering the 12-month and lifetime probability of default, loss given default multiplied by exposure at default which is measured using amortized cost of financial assets, and taking into account the effect of time value of money.

The probability of default is the probability of breaching a contract by issuer or counterparty; the loss given default is the loss ratio when they breach a contract. Both of them are based on the information on probability of default and loss given default published regularly by international credit rating institutions.

The impairment assessment method for the aforementioned debt instrument investments and related indicators are described as follows:

Credit risk rating	Indicator	Measurement method for expected credit loss
Low credit risk	Debt instrument with credit grade BBB- or higher/ Counterparties with good credit	12-month expected credit losses
Credit risk significantly increased	Credit grade: BB+~C (Note)	Lifetime expected credit losses
Credit-impaired/default	Credit grade: D or lower/evidence of impairment	Lifetime expected credit losses

Note: the Company and subsidiaries consider all reasonable and supportable information including forward-looking information that indicates credit risk significantly increases since initial recognition. The main indicators include:

(a) External credit rating, past due information, the credit spread, other market information related to the borrower and significant increases in credit risk on other financial instruments of the same borrower, etc.
(b) Low credit risk: if financial assets have low credit risk on the reporting date, we assume there is no significant increase in credit risk since initial recognition.

(6) The assessment technique or significant assumption used to evaluate the expected credit loss by the Company and subsidiaries don’t change for the years ended December 31, 2019 and 2018.

4. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

12/31/19

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$5,696,868	$10,953,559	$-	$-	$-	$16,650,427
Financial assets measured at FVTPL-current	63,269,847	5,028,733	3,976,634	9,531,757	20,357	81,827,328
Financial assets measured at FVOCI-current	17,490,965	2,763,329	727,176	-	-	20,981,470
Investment in bonds with reverse repurchase agreements	-	18,221,682	-	-	-	18,221,682
Receivables	36,369,508	2,953,477	17,790,823	-	-	57,113,808
Customer margin accounts	37,535,640	-	-	-	-	37,535,640
Stock borrowing collateral price and security lending deposits	1,023,538	10,110,005	5,647,820	-	-	16,781,363
Other financial assets-current	-	-	3,126,037	-	-	3,126,037
Current tax assets	-	-	12,683	4,259	286	17,228
Other current assets	35,613,718	509,440	1,384,019	-	-	37,507,177
Financial assets measured at FVTPL-non-current	-	-	-	716,206	2,375,584	3,091,790
Financial assets measured at FVOCI-non-current	-	-	-	-	8,058,407	8,058,407
Investments accounted for using the equity method	-	-	-	-	16,385,894	16,385,894
Others non-current assets	-	-	-	329	2,578,969	2,579,298
Total	$197,000,084	$50,540,225	$32,665,192	$10,252,551	$29,419,497	$319,877,549
Percentage	61.59%	15.80%	10.21%	3.20%	9.20%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/19

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$-	$18,789,210	$-	$-	$-	$18,789,210
Commercial papers payable	-	6,043,308	-	-	-	6,043,308
Financial liabilities measured at FVTPL-current	3,882,975	1,334,940	4,227,440	5,771,703	1,057,325	16,274,383
Liabilities for bonds with repurchase agreements	-	77,526,773	-	-	-	77,526,773
Payables	48,220,935	2,258,885	4,164,112	-	-	54,643,932
Guarantee deposit received from security lending	-	8,145,992	15,072,197	-	-	23,218,189
Futures customers' equity	36,405,424	-	-	-	-	36,405,424
Amounts collected for others/ Other payable/ Other current liabilities	565,630	1,241,103	11,667,891	37	-	13,474,661
Other financial liabilities-current	-	4,888,051	187	1,457	860	4,890,555
Lease liabilities-current	-	130,877	361,339	-	-	492,216
Current tax liabilities	-	-	160,908	-	739,950	900,858
Long-term liabilities-current portion	-	-	4,800,000	-	-	4,800,000
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	24,753	195,457	220,210
Lease liabilities-non-current	-	-	-	752,538	-	752,538
Other non-current liabilities	-	-	609	685,100	68,013	753,722
Total	$89,074,964	$120,359,139	$40,454,683	$10,135,588	$3,361,605	$263,385,979
Percentage	33.82%	45.70%	15.36%	3.85%	1.27%	100.00%

Statement of capital liquidation gap

12/31/19

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$197,000,084	$50,540,225	$32,665,192	$10,252,551	$29,419,497	$319,877,549
Cash outflow	89,074,964	120,359,139	40,454,683	10,135,588	3,361,605	263,385,979
Amount of cash flow gap	$107,925,120	$(69,818,914)	$(7,789,491)	$116,963	$26,057,892	$56,491,570

Statement of cash flow analysis for financial assets

12/31/18

	Collection period					Total
Financial Assets	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$5,114,643	$8,733,893	$-	$-	$-	$13,848,536
Financial assets measured at FVTPL-current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVOCI-current	8,151,851	5,575,724	643,797	-	-	14,371,372
Investment in bonds with reverse repurchase agreements	-	19,494,037	-	-	-	19,494,037
Receivables	31,774,433	4,088,892	15,752,425	2,371,131	-	53,986,881
Customer margin accounts	34,123,265	-	-	-	-	34,123,265
Stock borrowing collateral price and security lending deposits	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets-current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	30,703,794	986,209	1,071,838	-	-	32,761,841
Financial assets measured at FVTPL-non-current	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVOCI-non-current	-	-	-	-	4,218,151	4,218,151
Financial assets measured at amortized cost-non-current	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others non-current assets	70,000	-	100,000	259,621	2,814,781	3,244,402
Total	$157,911,943	$42,916,752	$37,033,499	$3,868,360	$21,273,945	$263,004,499
Percentage	60.04%	16.32%	14.08%	1.47%	8.09%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/18

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$-	$14,782,223	$-	$-	$-	$14,782,223
Commercial papers payable	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL-current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Liabilities for bonds with repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	50,508,869	1,603,369	5,143,243	96,648	-	57,352,129
Guarantee deposit received from security lending	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	32,140,949	-	-	-	-	32,140,949
Amounts collected for others/ Other payable/ Other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities-current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve-non-current	-	-	-	21,840	205,228	227,068
Other non-current liabilities	-	-	-	694,628	67,593	762,221
Total	$86,797,623	$94,613,530	$25,372,653	$6,738,676	$1,080,647	$214,603,129
Percentage	40.45%	44.09%	11.82%	3.14%	0.50%	100.00%

Statement of capital liquidation gap

12/31/18

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$157,911,943	$42,916,752	$37,033,499	$3,868,360	$21,273,945	$263,004,499
Cash outflow	86,797,623	94,613,530	25,372,653	6,738,676	1,080,647	214,603,129
Amount of cash flow gap	$71,114,320	$(51,696,778)	$11,660,846	$(2,870,316)	$20,193,298	$48,401,370

The Company has established statement of capital liquidation gap to estimate the financial assets and liabilities in future cash flows which can affect the Company and subsidiaries when it comes to fund dispatching. The cash flow gap statements as of December 31, 2019 and 2018 show that the sums from deducting cash outflow from cash inflow are 56,491,570 thousand dollars and 48,401,370 thousand dollars, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that part of periods of the cash outflow exceeded cash inflow. Net cash inflow calculated from net spot financial assets are sufficient to cover the other periods of net cash outflows, an indicator of sufficient fund liquidity.

(2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by the Company takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

The Company also offers suggestions over a secure amount of reserve fund and reports it to the President. The department reviews the standard amount of reserve capital and will take the following action if available capitals (including cash, short-term investment and available financing credit) are below 120% of the safe reserve amount:

A. Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

B. Fund-dispatching department will hold a meeting with relevant departments to formulating emergency measures, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to the Company.

5. Market risk analysis

Market risk is the risk of potential economic value reduction for securities or financial contracts that the Company and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities, exchange rates and commodity risk.

The Company utilizes risk factor sensitivity and value at risk to measure and contain market risks. The Company also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

(1) Risk factor sensitivity

Using product identification and analysis procedure held by the Company, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. The Company and subsidiaries monitor the following risk factor sensitivities:

A. Interest rate risk sensitivity: measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

B. Equity securities risk sensitivity: measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (As the potential loss amount given that the TAIEX and stock of respective companies drop 1%).

C. Exchange rate risk sensitivity: measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (As the potential loss amount given that the foreign currencies depreciate 1% against NTD).

D. Commodity risk sensitivity: measured by the change of the fair value of related commodities with the fair value of other kinds of commodities (As the potential loss amount given that the fair value decrease 1%).

The risk sensitivities in the investment portfolio held by the Company and subsidiaries are as follows:

Comparisons of risk sensitive factors

Risk sensitivity	12/31/19	12/31/18
Interest rate risk	$6,516	$5,774
Equity securities risk	7,025,663	2,710,631
Exchange rate risk	4,587,344	957,905
Commodity risk sensitivity	2,694	10,758

(2) Risk value

Risk value ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. The Company and subsidiaries use parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading days might see the loss of the positions exceeding the value at risk estimated the day before. The Company and subsidiaries continue to conduct back testing daily to ensure the reliability of the estimations made by the risk value model.

The comparison of risk value in the investment portfolio held by the Company and subsidiaries are as follows:

Risk type	For the year ended December 31, 2019			12/31/19
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$97,014	$52,400	$178,336	$75,799
Interest rate	94,274	60,944	161,965	84,423
Exchange rate	24,821	6,749	41,791	22,203
Commodity	15,277	729	74,792	8,851

Risk type	For the year ended December 31, 2018			12/31/18
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$146,388	$65,496	$332,135	$159,003
Interest rate	118,562	61,188	249,690	126,778
Exchange rate	9,424	3,386	24,670	8,413
Commodity	5,501	146	17,873	3,037

(3) Stress test

Stress test is one of the risk management tools. It mainly measures the effects on profit/loss of extreme changes in market risk factors in an investment portfolio, helping a company's Board of Directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic and hypothetical scenario analysis. The test results are reported to Risk Management Committee and Board of Directors periodically.

6. Fair Value of Financial Instruments

(1) Types of financial instruments

Financial instruments	12/31/19	12/31/18
Financial assets		
Financial assets measured at fair value through profit or loss:		
Mandatorily Measured at fair value through profit or loss	$84,909,091	$59,289,736
Financial assets measured at fair value through other comprehensive income	29,039,877	18,589,523
Financial assets measured at amortized cost (Note 1)	189,478,855	173,227,090
Total	$303,427,823	$251,106,349
Financial liabilities		
Financial liabilities measured at amortized cost (Note 2)	$245,071,165	$200,902,965
Financial liabilities measured at fair value through profit or loss:		
Held for trading	9,578,841	8,386,277
Designated initially at fair value through profit or loss	6,517,466	3,155,241
Total	$261,167,472	$212,444,483

Note 1: Financial assets measured at amortized cost include cash and cash equivalents excluding cash on hand, investment in bonds with reverse repurchase agreements, notes receivable, accounts receivable, securities margin loans receivable, trading securities receivable, customer margin accounts, futures commission merchant receivable, stock borrowing collateral price, security lending deposits, other financial assets-current, other current assets, financial assets measured at amortized cost-non-current and other non-current assets are reclassified in financial assets measured at amortized cost.

Note 2: Financial liabilities measured at amortized cost include short-term borrowings, commercial papers payable, liabilities for bonds with repurchase agreements, short sale margins, payables for short sale collateral received, guarantee deposit received from security lending, futures customers’ equity, accounts payable, amount collected for other parties, other payable, other financial liabilities-current, other current liabilities, lease liabilities including current and non current, bonds payable including one due within one year and guarantee deposits received.

(2) Valuation techniques and assumptions in estimating fair value

The Company and subsidiaries adopt the following methods and assumptions in estimating the fair value of financial instruments:

A. Financial assets and financial liabilities measured at amortized cost of a short-term financial instrument is measured by its book value on the balance sheet. Short-term financial instruments usually expire soon and therefore it is reasonable to use their book value to estimate their fair value.

B. Financial assets measured at amortized cost: If an active market has public quote, then the market price will be the fair value; if there is no open quote available in active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the financial assets.

C. For financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, their market prices should be their fair values when there are standard conditions and open quotes available in an active market; if there is no open quote available in active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the financial assets. Discounted cash flow method is used to evaluate financial liability products when there is no quote available from an active market. The discount rate equals the return rate of the financial liability products with identical terms and characteristics in the market, including the debtor's credit record, interest frequency and the contract's remaining duration, etc.

D. Transactions of derivatives are evaluated using evaluation models while non-option derivatives are evaluated using discounted cash flow method. Options are evaluated using Black-Scholes Model. The market metrics used in such evaluations come from market price information in the centralized market and independent and trustworthy financial information institutions such as stock exchange, futures exchange, GreTai Securities Market, Reuters and Bloomberg. Prices are based on the market average price calculated from closing price, final settlement price and the quoted prices in active markets that is collected regularly.

E. Due to the uncertain duration, fair values of the guaranteed deposits of other non-current assets and liabilities are measured by its book value.

F. Fair value of bonds payable is measured by the discounted predicted cash flows. The discounted rate is based on the similar terms (similar due date).

(3) Financial assets measured at amortized cost

Excluding the following items, the book value of the Company and subsidiaries' financial instruments measured at amortized cost is the reasonable approximation of theirs fair value. The fair value of the other financial assets and liabilities measured at amortized cost is as follows:

	12/31/19		12/31/18	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at amortized cost	$-	$-	$496,707	$499,986
Operation guarantee deposits	-	-	199,780	200,097
Guarantee deposits	-	-	199,445	200,266
Financial liabilities				
Long-term liabilities-current portion	4,800,000	4,816,584	-	-
Bonds payable	4,200,000	4,162,632	4,800,000	4,846,090

(4) Hierarchy of financial instruments at fair value

A. Definitions of fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date. An active market is a market in which the instruments traded bears similar nature, and in which participants willing to enter into a transaction can be found at all times and price information can be accessed.

Level 2: inputs other than quoted prices included within level 1that are observable, either directly or indirectly, from an active market. For example:

(a) quoted price for similar financial instruments in active markets, that is, the fair value of the instrument is deduced from the recent trading price of similar financial instruments. Similar financial instruments are identified by their nature and specific terms. The fair value should be adjusted by considering factors include: time lag between latest transaction of similar financial instrument and the present transaction, difference in dealing terms, prices involving related-party transactions, relevancy between observable price for similar financial instrument and price of the financial instrument in question.

(b) quoted prices for identical or similar financial instruments in inactive markets.
(c) fair value measured with pricing model, using factors based on information accessible from an active market.
(d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: inputs that are not based on observable inputs from an active market.

For assets and liabilities measured at fair value on a recurring basis, the Company re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Hierarchy of financial instruments measured at fair value

The Company and subsidiaries do not have any financial assets measured at fair value on a non-recurring basis. Assets and liabilities measured at fair value on a recurring basis, presented by fair value hierarchy are as follows:

12/31/19

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Stocks	$11,863,343	$-	$2,403,670	$14,267,013
Bonds	23,673,423	24,229,566	-	47,902,989
Others	8,826,499	9,785,146	-	18,611,645
Financial assetss measured at FVOCI				
Stocks	1,777,144	71,502	2,016	1,850,662
Bonds	18,601,571	8,587,644	-	27,189,215
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	620,308	-	-	620,308
Bonds	156,947	800,688	-	957,635
Others	1,915,385	-	-	1,915,385
Derivative instruments				
Assets				
Financial assets measured at FVTPL	921,442	3,205,656	346	4,127,444
Liabilities				
Financial liabilities measured at FVTPL	590,173	9,547,069	2,465,737	12,602,979

12/31/18

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Stocks	$6,054,926	$-	$2,268,207	$8,323,133
Bonds	19,529,617	16,107,005	-	35,636,622
Others	4,097,289	8,449,377	-	12,546,666
Financial assetss measured at FVOCI				
Stocks	2,399,876	-	2,049	2,401,925
Bonds	9,030,882	7,156,716	-	16,187,598
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	2,012,985	-	-	2,012,985
Bonds	234,994	1,649,405	-	1,884,399
Others	843,944	-	-	843,944
Derivative instruments				
Assets				
Financial assets measured at FVTPL	637,974	2,125,028	20,313	2,783,315
Liabilities				
Financial liabilities measured at FVTPL	746,459	5,428,294	625,437	6,800,190

Note 1: The classification of the chart above is consistent with the one of the balanced sheet.

Note 2: While using valuation model to measure the fair value, if the inputs include observable market data and unobservable parameters, the Company and subsidiaries should determine if the inputs will have material effect on the measurement of fair value. If the unobservable inputs have material effect on the measurement, the fair value should be classified as level 3.

A. Transfers between Level 1 and Level 2 during the period

There are not transfers between Level 1 and Level 2 for the years ended of December 31, 2019 and 2018.

B. Reconciliation for level 3 fair value measured at recurring basis

The beginning balances and ending balances of financial assets and liabilities measured on a recurring basis at level 3 of fair value hierarchy are reconciled as follows:

a. Reconciliation for fair value assets measurements in Level 3 of the fair value hierarchy changes

For the year ended December 31, 2019

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3 (Note)	
Financial Assets								
Derivative instruments								
Financial assets measured at FVTPL-current	$20,313	$(6,280)	$-	$11,751	$-	$(25,438)	$-	$346
Non-derivative instruments								
Financial assets measured at FVTPL-non-current	2,268,207	209,503	-	220,326	-	(198,442)	(95,924)	2,403,670
Financial assets measured at FVOCI-non-current	2,049	-	(33)	-	-	-	-	2,016

Note: The fair value of securities change from self-evaluation to market quotation, so it transfer from level 3 to level 1.

For the year ended December 31, 2018

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3 (Note 2)	
Financial Assets								
Derivative instruments								
Financial assets measured at FVTPL-current	$6,005	$22,500	$-	$34,068	$-	$(42,260)	$-	$20,313
Non-derivative instruments								
Financial assets measured at FVTPL-non-current(Note1)	-	69,185	-	2,518,676	-	(122,193)	(197,461)	2,268,207
Financial assets measured at FVOCI (Note1)	-	-	(188)	2,237	-	-	-	2,049

Note 1: The acquisiton includes the adjusted amount of adopting IFRS 9.

Note 2: The fair value of securities change from self-evaluation to market quotation, so it transfer from level 3 to level 1.

b. Reconciliation for fair value liabilities measurements in Level 3 of the fair value hierarchy changes.

For the year ended December 31, 2019

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial Liabilities								
Derivative instruments								
Financial liabilities measured at FVTPL-current	$625,437	$103,736	$-	$2,080,880	$-	$(344,316)	$-	$2,465,737

For the year ended December 31, 2018

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial Liabilities								
Derivative instruments								
Financial liabilities measured at FVTPL-current	$308,547	$(222,969)	$-	$1,142,059	$-	$(602,200)	$-	$625,437

c. Total gains or losses from financial assets and liabilities still held by the Company and subsidiaries for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
Total gains or losses		
Recognized in profit or loss	$3,870	$240,333
Recognized in other comprehensive income	(33)	(188)

d. There are no significant changes in the Company and subsidiaries' valuation models or in levels of the fair value hierarchy between current and prior periods as of December 31, 2019 and 2018.

C. Significant unobservable input information of level 3 fair value measured on recurring basis

The following table presents the Company and subsidiaries' primary level 3 financial instruments measured on a recurring basis, the quantitative information of significant unobservable inputs, used to measure fair value, and the sensitivity analysis for variation of those inputs.

12/31/19

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL-equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-equity instrument	Market approach	Discount for lack of liquidity	23%~26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVOCI-equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	17.09%-45.71%	Depending on contract terms.
Financial liabilities:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.07%-17.16%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	15.12%-45.34%	Depending on contract terms.
Credit Default Swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.

12/31/18

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL-equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-equity instrument	Market approach	Discount for lack of liquidity	23%~26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVOCI-equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	24.93%-62.14%	Depending on contract terms.
Credit default swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt.
Financial liabilities:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	2.18%-14.04%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	21.32%-47.70%	Depending on contract terms.
Credit default swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.

The Company adopts equally weighted moving average historical volatility when applying Martingale Pricing Technique. Original contract is taken into account while determining reasonable days to sample: with expiration period less than 6 months, the sampled days will be 20~180 days; with expiration period between 6 months to 12 months, the sampled days will be 20~360 days; with expiration period longer than 12 months, the sampled days will be 20 days unto original expiration days.

The recovery rate adopted by the company in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25.The company set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

The Company and subsidiaries adopt in discreet the valuation models and inputs, the fair value measurements should be reasonable. The effect of possible changes of valuation inputs on the current profit or loss is shown below:

12/31/19

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Depreciation ratio	-1% / +1%	$104	$104
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	$249	$193
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	$-	$-
Equity derivative instruments－short option	Historical volatility	-25% / +25%	$15	$17

12/31/18

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Depreciation ratio	-1% / +1%	$359	$368
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	$2,173	$1,997
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	$-	$-
Equity derivative instruments－short option	Historical volatility	-25% / +25%	$(12)	$(12)

Evaluation process for level 3 fair value measurements

When fair value for a financial instrument is not accessible or does not have any active market, the Company and subsidiaries follows its "Asset valuation operation procedures". The risk management department evaluates whether the fair value is reasonable, and the accounting department recognizes the instrument according to their conclusion.

(5) The fair value hierarchy of assets not measured in, but required to disclose fair value

12/31/19

	Level 1	Level 2	Level 3	Total
Non-Financial assets:				
Investments accounted for using the equity method	$13,028,061	$-	$-	$13,028,061
Investment properties	-	-	980,348	980,348
Financial liabilities:				
Long-term liabilities-current portion	4,816,584	-	-	4,816,584
Bonds payable	4,162,632	-	-	4,162,632

12/31/18

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at amortized cost	$-	$499,986	$-	$499,986
Operation guarantee deposits	-	200,097	-	200,097
Guarantee deposits	-	200,266	-	200,266
Non-Financial assets:				
Investments accounted for using the equity method	13,562,347	-	-	13,562,347
Investment properties	-	-	1,008,628	1,008,628
Financial liabilities:				
Bonds payable	4,846,090	-	-	4,846,090

A. Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.11 and VI.14 for the fair value hierarchy of Investments accounted for using the Equity Method and investment properties mentioned above.

B. The methods of evaluation of financial assets and liabilities refer to Note XII.6(2).

7. Transfer of financial assets

(1) Transferred financial assets that are not derecognized in their entirety

In the Company and subsidiaries' daily operational transactions, most transferred financial assets that are not derecognized in their entirety are either liabilities for bonds with attached repurchase agreements to serve as pledge for opposing party, or lent securities based on securities lending agreements. Such transactions are pledged margin loans in their nature, securities are transferred to opponents when transactions occur. Therefore, cash flows from the securities are also transferred, the Company and subsidiaries recognize only the liabilities arising from the responsibilities of repurchasing those bonds at fixed or market price in the future. In the effective period of mentioned transactions, the Company and subsidiaries are not allowed to use, sell, or pledge those transferred financial assets, but still retain their interest rate risk, credit risk, and market risk, so they are not derecognized in their entirety.

Information on financial assets and related financial liabilities that are not derecognized in their entirety:

12/31/19					
Financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	$67,060,739	$64,889,744	$67,060,739	$64,889,744	$2,170,995
Securities borrowing transactions	1,291,917	1,808,684	1,291,917	1,808,684	(516,767)

12/31/18					
Financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	$52,973,046	$51,217,733	$52,973,046	$51,217,733	$1,755,313
Securities borrowing transactions	826,971	1,157,759	826,971	1,157,759	(330,788)

(2) Transferred financial assets that are derecognized in their entirety

The Company engages in asset swap transactions through trading convertible bonds, acquired through underwriting or dealing, sells them to opponent, and receives consideration. Within contract period, the Company swaps with opponent agreed interest return for interest and interest premium derived from the convertible bond. Also, the Company has the right to repurchase the convertible bond at any time before maturity date. The Company does not retain control on transferred asset because the transaction opponent can sell the financial asset to a third party, and there is no need to impose any restriction on the third party when such transfer occurs. The Company only retains the option to buy the trade object. The maximum exposure to loss is the book value of the asset.

The following table analyzes information of transferred financial assets that are derecognized in their entirety and related financial liabilities:

Period	Type of continuing involvement	Cash outflow of repurchasing transferred (derecognized) financial assets	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement		Maximum exposure to loss
			Financial asset measured at fair value through profit or loss	Asset	Liability	
12/31/19	Long call option	$11,705,100	$1,115,752	$1,115,752	$-	$1,115,752
12/31/18	Long call option	$11,074,500	$654,271	$654,271	$-	$654,271

The following table discloses a maturity analysis of the undiscounted cash outflows of repurchasing transferred (derecognized) financial assets. Information on cash flow is based on circumstances of each financial reporting date.

Period	Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
12/31/19	Long call option	$-	$318,000	$4,362,400	$7,024,700	$-	$11,705,100
12/31/18	Long call option	$-	$241,400	$1,875,100	$8,958,000	$-	$11,074,500

For the type of continuing involvement "long call option", the following table discloses the gain or loss recognized at the date of transfer of the assets, and income and expenses recognized, both in the reporting period and cumulatively, from the Company's continuing involvement in the derecognized financial assets.

Period	Type of continuing involvement	Gain or loss recognized at the date of transfer	Income and expenses recognized in the reporting period	Income and expenses recognized cumulatively
12/31/19	Long call option	$2,970	$(54,734)	$(51,764)
12/31/18	Long call option	$(12,172)	$(357,181)	$(369,353)

8. Offsetting financial assets and financial liabilities

The disclosure requirements in IFRS 7 for offsetting financial assets and financial liabilities do not apply to the Company and subsidiaries' transactions on derivative instrument assets and derivative instrument liabilities. The Company and subsidiaries are allowed to offset the mentioned instruments only in the event of default and insolvency or bankruptcy.

The Company and subsidiaries enter with opponent into collateralized liabilities for bonds with repurchase agreements, in which the Company and subsidiaries provide securities as collaterals. The Company and subsidiaries also enter with opponent into collateralized bond investments under resell agreements, in which the Company and subsidiaries receive securities as collaterals (that are not recognized in statement of financial position). Only in the event of default and insolvency or bankruptcy are these transactions allowed to set off, they do not meet the offsetting criterion in international accounting standards. Hence, the related liabilities for bonds with repurchase agreements and investments in bonds with reverse repurchase agreements are reported separately in the statement of financial position.

The following tables disclose information on offsetting of financial assets and financial liabilities mentioned above:

12/31/19						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$3,206,002	$-	$3,206,002	$-	$462,937	$2,743,065
Resell agreement	18,188,175	-	18,188,175	18,188,175	-	-
Total	$21,394,177	$-	$21,394,177	$18,188,175	$462,937	$2,743,065

12/31/19						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral in pledge	
Derivative	$6,297,339	$-	$6,297,339	$-	$1,579,943	$4,717,396
Repurchase agreement	77,387,490	-	77,387,490	77,387,490	-	-
Total	$83,684,829	$-	$83,684,829	$77,387,490	$1,579,943	$4,717,396

12/31/18						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$2,164,742	$-	$2,164,742	$-	$435,743	$1,728,999
Resell agreement	19,448,822	-	19,448,822	19,448,822	-	-
Total	$21,613,564	$-	$21,613,564	$19,448,822	$435,743	$1,728,999

12/31/18						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral in pledge	
Derivative	$2,899,593	$-	$2,899,593	$-	$676,921	$2,222,672
Repurchase agreement	65,175,218	-	65,175,218	65,175,218	-	-
Total	$68,074,811	$-	$68,074,811	$65,175,218	$676,921	$2,222,672

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

9. Capital management

The main objective of the Company and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the corporation's operation and maximize shareholders' interests. The Company and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

The company's Capital adequacy ratios as of December 31, 2019 and 2018 are disclosed as follows:

(1) Capital Adequacy Ratio

Item	12/31/19	12/31/18
Qualified net equity Capital	$23,161,337	$19,780,482
Equivalent amount of operating risk	6,897,344	6,054,596
Capital adequacy ratio	336%	327%

	For the years ended December 31	
Item	2019	2018
Average	330%	273%
Maximum	380%	327%
Minimum	305%	218%

(2) Equivalent amounts and percentages of operating risks

	12/31/19		12/31/18	
Item	Amount	Percentage	Amount	Percentage
Market risk	$3,434,022	49.79%	$2,395,211	39.56%
Credit risk	1,667,427	24.17%	1,884,721	31.13%
Operational risk	1,795,895	26.04%	1,774,664	29.31%
Total	$6,897,344	100.00%	$6,054,596	100.00%

10.Others

(1) The specific risk for futures dealer business

The futures dealer needs to maintain adequate liquidity in case its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment on deficiency.

(2) Restrictions and enforcement of the Company and subsidiaries' various financial ratios under ROC Futures Commission Merchant Laws.

Futures department of the Company

Article #	Calculation Formula	12/31/19		12/31/18		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity (Total liabilities－Futures customers' equity)	1,600,505 61,353	26.09	1,791,507 413,737	4.33	≧1	Satisfied
17	Current assets Current liabilities	1,898,585 60,759	31.25	2,330,195 412,737	5.65	≧1	〃
22	Stockholders' equity Minimum paid-in capital	1,600,505 400,000	400.13%	1,791,507 400,000	447.88%	≧60% ≧40%	〃
22	Net capital amount after adjustment The total amount of customer's margin required by the non-offset position for the futures dealer	1,373,156 240,585	570.76%	1,091,064 244,118	446.94%	≧20% ≧15%	〃

KGI Futures

Article #	Calculation Formula	12/31/19		12/31/18		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity (Total liabilities－Futures customers' equity)	3,476,758 481,786	7.22	3,416,097 387,747	8.81	≧1	Satisfied
17	Current assets Current liabilities	24,648,866 22,526,171	1.09	24,284,147 22,117,410	1.10	≧1	〃
22	Stockholders' equity Minimum paid-in capital	3,476,758 760,000	457.47%	3,416,097 760,000	449.49%	≧60% ≧40%	〃
22	Net capital amount after adjustment The total amount of customer's margin required by the non-offset position for the futures dealer	2,916,462 5,418,240	53.83%	3,005,408 5,059,084	59.41%	≧20% ≧15%	〃

(3) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet and the statement of income of trust business and trust property catalog of the Company are disclosed as follows:

As approved by the Jin-Guan-Zheng-Quan Letter No.0990066178, the Company engages in new business of wealth management by trust, which is to conduct trust business concerning specific and separate money management. In addition, with the approval of Jin-Guan-Zeng-Quan Letter No. 1000039836, the Company was permitted to engage in trust business concerning specific and separate securities management and separately managed securities trust (securities lending business) specified in the operating range or methods as designated by the clients

A. Balance sheet of trust business

	12/31/19	12/31/18
Cash in bank	$1,030,073	$1,043,226
Financial assets	28,466,294	21,051,505
Receivables	402,789	33,903
Total trusted assets	$29,899,156	$22,128,634

	12/31/19	12/31/18
Payables	$24,674	$11,274
Trust capital	26,212,975	21,967,226
Reserves and retained earnings	3,661,507	150,134
Total trusted liabilities	$29,899,156	$22,128,634

B. Income statement of trust business

	For the years ended December 31	
	2019	2018
Revenues	$4,301,782	$2,431,829
Expenses	(2,381,197)	(3,579,009)
Income before tax	1,920,585	(1,147,180)
Income tax	-	-
Net income	$1,920,585	$(1,147,180)

C. Trust Property catalog

	12/31/19	12/31/18
Cash in bank	$1,030,073	$1,043,226
Stocks	11,891,410	10,733,485
Funds	14,146,389	9,350,380
Structured notes	1,979,707	957,456
Bonds	448,788	10,184
Total	$29,496,367	$22,094,731

D. The trust capital consigned to the Company is set up as an independent account and prepared its own financial statements. The consigned assets and gains or losses of consigned assets are not included in the Company's financial statements.

(4) According to Zheng-Gre-Fu Letter NO.1030026386, disclose the information as following:

Offshore Securities Unit of the Company engaged in custody and investment of funds affairs on behalf of customers. Related bank deposits under such affairs on December 31, 2019 and 2018 are USD 1,310 thousand dollars and USD 2,160 thousand dollars respectively.

(5) Foreign currencies having significant effect on the Company and subsidiaries' financial assets and liabilities are as follows:

	12/31/19			12/31/18		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$2,526,736	30.09	$76,026,980	$1,554,985	30.78	$47,867,143
HKD	113,315	3.86	436,901	155,753	3.92	610,893
JPY	998,477	0.28	275,883	23,540,436	0.28	6,553,476
EUR	309,281	33.76	10,440,653	91,152	35.22	3,210,271
CNY	66,949	4.32	289,403	33,063	4.48	147,973
AUD	1,410	21.10	29,747	620	21.68	13,438
Non-monetary Items						
USD	1,862,991	30.11	56,087,221	1,315,358	30.73	40,424,903
HKD	-	3.86	-	12,231	3.92	47,994
JPY	65,968	0.28	18,280	88,886	0.28	24,746
EUR	10,783	33.76	364,023	4,156	35.22	146,367
CNY	1,333,592	4.32	5,765,119	301,685	4.48	1,350,220
AUD	36,172	21.10	763,236	13,460	21.68	291,811
Investments accounted for using the equity method						
USD	86,389	30.11	2,600,838	78,570	30.73	2,414,682
Financial liabilities						
Monetary Items						
USD	4,887,513	30.10	147,101,061	4,150,323	30.73	127,546,314
HKD	73,636	3.85	283,827	99,051	3.92	388,442
JPY	732,425	0.28	202,163	23,390,109	0.28	6,511,626
EUR	311,723	33.76	10,523,105	92,580	35.22	3,260,553
CNY	51,765	4.32	223,764	10,201	4.48	45,651
AUD	26,646	21.10	562,228	8,640	21.68	187,315
Non-monetary Items						
USD	279,293	30.11	8,408,404	183,398	30.73	5,636,356
JPY	65,968	0.28	18,280	88,886	0.28	24,746
EUR	111	33.76	3,760	10	35.22	350
CNY	26,862	4.32	116,126	27,442	4.48	122,818
AUD	8,594	21.10	181,324	4,511	21.68	97,804

Due to various types of functional currencies, it is inefficient for the Company and subsidiaries to disclose information on exchange differences by foreign currencies having significant effect on the Company and subsidiaries. Exchange differences (inclueding realized and unrealized) are 98,657 thousand dollars and (197,696) thousand dollars for the years ended December 31, 2019 and 2018, respectively.

(6) The reconciliation of liabilities from financing activities

The changes in the liabilities from financing activities arise from changes in the amount of cash and currency exchange rate for the years ended December 31, 2019 and 2018.

(7) Reclassifications

Certain reclassifications have been made to prior period financial statements to conform to current period presentation.