KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits 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, 2020. 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, 2020 to the consolidated financial statements, we considered the assessment of goodwill impairment 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.15.

Valuation of Derivative Instruments

The Company and its subsidiaries invest in different types of derivative instrument assets and liabilities. As of December 31, 2020, 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 revaluate 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 771,365 thousand dollars and NT 4,842,834 thousand dollars, constituting 0.19% and 1.45% of consolidated total assets as of December 31, 2020 and 2019, respectively; income before income tax of NT 199,279 thousand dollars and NT 149,126 thousand dollars, constituting 2.10% and 2.40% of consolidated income before income tax for the years ended December 31, 2020 and 2019, respectively; and other comprehensive income of NT 346 thousand dollars and NT 3,369 thousand dollars, constituting 0.03% and 0.07% of consolidated other comprehensive income for the years ended December, 2020 and 2019, 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.

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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 its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of consolidated financial statements for the year ended December 31, 2020 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, 2020 and 2019.

Huang, Chien-Che
Fuh, Wen-Fun
Ernst & Young, Taiwan
March 19, 2021

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, 2020 and 2019

(Expressed in New Taiwan Thousand Dollars)

ASSETS	12/31/2020	12/31/2019
CURRENT ASSETS		
Cash and cash equivalents (Note IV, VI.1, VI.26 and VII)	$10,587,163	$16,650,427
Financial assets measured at fair value through profit or loss-current (Note IV, VI.2, VI.19, VII and VIII)	78,725,438	81,817,301
Financial assets measured at fair value through other comprehensive income-current (Note IV, VI.3, VI.26, VII and VIII)	24,856,225	20,981,470
Investment in bonds with reverse repurchase agreements (Note IV, VI.4 and VI.26)	13,610,026	18,188,175
Securities margin loans receivable (Note IV, VI.5, VI.26 and VII)	37,026,137	24,155,864
Refinancing margin	22,596	1,717
Refinancing deposits receivable	18,589	1,431
Trading securities receivable (Note IV and VI.26)	4,361,303	5,365,066
Customer margin accounts (Note IV, VI.6, VI.26 and VII)	54,510,397	37,535,640
Futures commission merchant receivable (Note IV, VI.7 and VI.26)	1,436	6,906
Stock borrowing collateral price	317,962	126,169
Security lending deposits	42,151,143	16,655,194
Notes receivable	96	3,350
Accounts receivable (Note IV, VI.8, VI.26 and VII)	47,617,599	27,579,474
Prepayments	112,465	118,910
Other financial assets-current (Note IV, VI.1 and VII)	5,431,740	3,126,037
Current tax assets	16,576	17,228
Other current assets (Note IV, VI.26, VII and VIII)	34,932,577	37,507,177
Total Current Assets	354,299,468	289,837,536
NON-CURRENT ASSETS		
Financial assets measured at fair value through profit or loss-non-current (Note IV and VI.2)	3,014,463	3,091,790
Financial assets measured at fair value through other comprehensive income-non-current (Note IV, VI.3 and VI.26)	6,887,144	8,058,407
Investments accounted for using the equity method (Note IV, VI.9 and VIII)	19,251,480	16,385,894
Property and equipment (Note IV, VI.10, VII and VIII)	5,402,788	5,617,126
Right-of-use assets (Note IV, VI.11 and VII)	993,893	1,175,913
Investment property (Note IV, VI.12, VII and VIII)	379,872	495,848
Intangible assets (Note IV, VI.13 and VI.15)	7,337,043	7,618,349
Deferred tax assets (Note IV and VI.28)	420,720	210,068
Other non-current assets (Note IV, VI.14, VI.26 and VII)	2,908,758	2,621,531
Total Non-Current Assets	46,596,161	45,274,926
TOTAL ASSETS	$400,895,629	$335,112,462

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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, 2020 and 2019

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	12/31/2020	12/31/2019
CURRENT LIABILITIES		
Short-term borrowings (Note VI.16 and VII)	$20,632,053	$18,789,210
Commercial papers payable (Note VI.17)	3,661,296	6,043,308
Financial liabilities measured at fair value through profit or loss-current (Note IV, VI.18, VI.19 and VII)	37,307,533	16,096,307
Liabilities for bonds with repurchase agreements (Note IV and VI.20)	75,577,488	77,387,490
Short sale margins	2,859,295	2,357,168
Payables for short sale collateral received	10,281,198	11,351,628
Guarantee deposit received from security lending	40,810,352	23,218,189
Futures customers' equity (Note IV and VII)	52,663,335	36,405,424
Accounts payable (Note VI.21 and VII)	61,927,983	40,935,136
Amounts received in advance	352,118	226,789
Amounts collected for other parties	4,613,580	10,154,141
Other payables (Note IV and VII)	4,821,669	3,259,011
Other financial liabilities-current	4,152,114	4,888,724
Current tax liabilities (Note IV and VII)	1,571,369	900,858
Long-term liabilities-current portion (Note IV and VI.22)	-	4,800,000
Lease liabilities-current (Note IV, VI.11 and VII)	457,926	473,433
Other current liabilities	285,419	61,509
Total Current Liabilities	321,974,728	257,348,325
NON-CURRENT LIABILITIES		
Bonds payable (Note IV and VI.22)	4,200,000	4,200,000
Liabilities reserve-non-current (Note IV and VI.24)	212,712	220,210
Lease liabilities-non-current (Note IV, VI.11 and VII)	558,490	723,048
Deferred tax liabilities (Note IV and VI.28)	1,169,779	1,153,916
Other non-current liabilities (Note IV and VI.23)	901,098	753,722
Total Non-Current Liabilities	7,042,079	7,050,896
Total Liabilities	329,016,807	264,399,221
EQUITY		
Capital stock abstract (Note VI.25)		
Common stock	34,363,397	32,418,432
Capital reserve (Note VI.25)	8,648,583	8,648,567
Retained earnings (Note VI.25)		
Legal reserve	5,794,394	5,265,093
Special reserve	12,189,344	14,870,597
Unappropriated earnings	7,975,162	5,293,012
Other equity		
Exchange differences resulting from translating the financial statements of a foreign operation	(1,569,375)	(754,675)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	4,458,603	1,658,964
Equity attributable to owners of the parent company	71,860,108	67,399,990
Non-controlling interests (Note VI.25 and VI.30)	18,714	3,313,251
Total Equity	71,878,822	70,713,241
TOTAL LIABILITIES AND EQUITY	$400,895,629	$335,112,462

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, 2020 and 2019

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

	For the Years Ended December 31	
	2020	2019
REVENUES (Note IV)		
Brokerage handling fee revenue (Note VI.26 and VII)	$12,362,090	$7,919,776
Revenue from borrowed securities	808,424	875,906
Revenue from underwriting business (Note VI.26 and VII)	755,937	478,027
Revenue from wealth management services-net	201,160	149,692
Gains/(losses) on disposal of trading securities-net (Note VI.26 and VII)	5,407,321	2,119,193
Revenue from providing agency service for stock affairs (Note VII)	210,886	206,961
Interest income (Note VI.26 and VII)	3,671,705	4,365,760
Dividend income (Note VI.3)	192,290	257,166
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.26 and VII)	1,232,163	1,577,331
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.26)	910,074	9,818
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchaes agreements measured at fair value through profit or loss-net	(2,150,231)	(611,215)
Realised gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	1,068,284	842,029
Gains/(losses) on warrants issued-net (Note VI.19)	292,191	155,490
Gains/(losses) on derivative financial product-futures-net (Note VI.19)	1,199,567	(629,304)
Gains/(losses) on derivative financial product-GTSM-net (Note VI.19 and VII)	(3,960,250)	(620,054)
Expected credit impairment (losses) or gains on reversal (Note VI.26)	(17,582)	6,102
Other operating revenue (Note VI.26 and VII)	2,209,939	1,869,790
Total Revenues	24,393,968	18,972,468
COSTS AND EXPENSES (Note IV)		
Brokerage handling fee expenses	(1,515,317)	(1,042,539)
Dealing handling fee expenses	(49,489)	(49,474)
Refinancing handling fee expenses	(1,265)	(184)
Financial costs (Note VI.26 and VII)	(1,235,242)	(2,518,960)
Losses on trading of borrowed securities	(78,220)	(37,536)
Futures commission expenses	(141,038)	(107,711)
Settlement and clearing service expenditures	(387,218)	(254,276)
Other operating costs	(1,534,437)	(1,260,177)
Employee benefits expenses (Note VI.23, VI.26 and VII)	(8,063,341)	(6,452,792)
Depreciation and amortization (Note VI.26 and VII)	(1,048,984)	(1,059,139)
Other operating expenses (Note VI.26 and VII)	(4,022,505)	(3,740,009)
Total Costs and Expenses	(18,077,056)	(16,522,797)
INCOME FROM OPERATIONS	6,316,912	2,449,671
NON-OPERATING INCOME OR COSTS		
Share of the profit or loss of associates and joint ventures accounted for using the equity method (Note IV)	1,294,017	1,318,107
Other income and costs (Note VI.12, VI.15, VI.26 and VII)	1,863,453	2,448,333
Total Non-Operating Income or Costs	3,157,470	3,766,440
INCOME BEFORE INCOME TAX	9,474,382	6,216,111
INCOME TAX (EXPENSES)/BENEFITS (Note IV and VI.28)	(752,141)	(142,562)
NET INCOME	8,722,241	6,073,549
OTHER COMPREHENSIVE INCOME (Note IV and VI.27)		
Not to be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(169,785)	(43,789)
Unrealized valuation gains/(losses) from equity instrument investments measured at fair value through other comprehensive income	(38,924)	15,998
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	657,001	141,877
Income tax relating to components that will not be reclassified (Note VI.28)	26,213	(4,157)
To be reclassified subsequently to profit or loss		
Exchange differences resulting from translating the financial statements of a foreign operation	(814,441)	(160,844)
Unrealized valuation gains/(losses) from debt instrument investments measured at fair value through other comprehensive income	58,644	322,722
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,515,500	4,285,777
Total Other Comprehensive Income-Net of Tax	1,234,208	4,557,584
TOTAL COMPREHENSIVE INCOME	$9,956,449	$10,631,133
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$8,725,325	$6,052,557
Non-controlling interests (Note VI.25 and VI.30)	$(3,084)	$20,992
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$9,959,729	$10,610,112
Non-controlling interests (Note VI.25 and VI.30)	$(3,280)	$21,021
EARNINGS PER SHARE (Note VI.29)		
Net income attributable to owners of the parent company	$2.54	$1.76

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, 2020 and 2019

(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	Total	Non-controlling Interests	Total Equity
Balance, January 1, 2019	$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 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
Appropriations and distribution of 2019 retained earnings:										
Legal reserve	-	-	529,301	-	(529,301)	-	-	-	-	-
Special reserve	-	-	-	1,210,512	(1,210,512)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,500,000)	-	-	(5,500,000)	-	(5,500,000)
Stock dividends	1,944,965	-	-	-	(1,944,965)	-	-	-	-	-
Reversal of special reserve	-	-	-	(3,891,765)	3,891,765	-	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	8,725,325	-	-	8,725,325	(3,084)	8,722,241
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(145,990)	(814,700)	2,195,094	1,234,404	(196)	1,234,208
Total comprehensive income	-	-	-	-	8,579,335	(814,700)	2,195,094	9,959,729	(3,280)	9,956,449
Shared-based payment transaction	-	16	-	-	-	-	-	16	-	16
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(3,291,257)	(3,291,257)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(604,545)	-	604,545	-	-	-
Other	-	-	-	-	373	-	-	373	-	373
Balance, December 31, 2020	$34,363,397	$8,648,583	$5,794,394	$12,189,344	$7,975,162	$(1,569,375)	$4,458,603	$71,860,108	$18,714	$71,878,822

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, 2020 and 2019

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	$9,474,382	$6,216,111
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	789,984	792,529
Amortization	259,000	266,610
Expected credit impairment (losses) or gains on reversal	17,582	(6,102)
Interest expense	1,235,242	2,518,960
Interest income	(4,534,524)	(5,727,897)
Dividend income	(403,974)	(460,135)
Share-based payment transactions	16	409
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(1,294,017)	(1,318,107)
(Gains)/losses on disposal of property and equipment	(172)	(44,642)
(Gains)/losses on disposal of investments	-	(15,440)
(Gains)/losses on disposal of investments accounted for using the equity method	15,648	(139,318)
Impairment loss on non-financial assets	-	163,886
Others	(725)	231
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	3,091,863	(25,309,989)
Financial assets measured at fair value through other comprehensive income-current	(5,641,501)	(7,654,585)
Investment in bonds with reverse repurchase agreements	4,578,149	1,260,663
Securities margin loans receivable	(12,869,769)	(2,976,259)
Refinancing margin	(20,879)	(1,717)
Refinancing deposits receivable	(17,158)	(1,431)
Trading securities receivable	1,004,034	2,665,570
Customer margin accounts	(16,975,371)	(3,412,721)
Futures commission merchant receivable	(836)	5,337
Stock borrowing collateral price	(191,793)	1,031,413
Security lending deposits	(25,495,949)	(5,876,425)
Notes receivable	3,254	(2,182)
Accounts receivable	(20,381,564)	(2,728,609)
Prepayments	6,445	(11,669)
Other financial assets-current	(2,305,703)	261,890
Other current assets	2,971,880	(4,742,820)
Financial assets measured at fair value through profit or loss-non-current	77,156	(309,398)
Financial assets measured at fair value through other comprehensive income-non-current	710,621	(3,290,388)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	21,211,226	4,554,789
Liabilities for bonds with repurchase agreements	(1,810,002)	12,212,272
Short sale margins	502,127	(348,167)
Payables for short sale collateral received	(1,070,430)	(3,114,367)
Guarantee deposit received from security lending	17,592,163	5,399,729
Futures customers’ equity	16,257,911	4,264,475
Accounts payable	21,210,088	641,939
Amounts received in advance	125,329	70,550
Amounts collected for other parties	(5,540,561)	8,748,524
Other payables	1,608,407	603,639
Other financial liabilities-current	(736,610)	2,655,005
Other current liabilities	223,910	(10,294)
Liabilities reserve-non-current	(7,498)	(6,858)
Other non-current liabilities	(22,409)	(52,288)
Cash provided by/(used in) operating activities	3,644,972	(13,227,277)
Interest received	4,881,333	5,616,716
Dividend received	193,820	251,702
Interest paid	(1,498,232)	(2,401,632)
Income tax received/(paid)	(215,714)	430,801
Net cash provided by/(used in) operating activities	7,006,179	(9,329,690)

(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, 2020 and 2019

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through other comprehensive income	$1,655,287	$638,763
Disposal of financial assets measured at amortized cost	-	911,615
Purchase of property and equipment	(193,761)	(241,118)
Disposal of property and equipment	1,880	125,926
Operation gurantee deposits	50,000	248,780
Clearing and settlement fund	(35,498)	(56,532)
Guarantee deposits	(282,302)	74,497
Purchase of intangible assets	(63,926)	(76,600)
Other non-current assets	(16,029)	1,437
Prepayments for purchase of equipment	(61,165)	(38,768)
Dividends received	670,490	461,865
Net cash provided by/(used in) investing activities	1,724,976	2,049,865
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	1,842,843	4,006,987
Commercial papers payable	(2,382,012)	3,585,556
Issuance of bonds	-	4,200,000
Repayment of bonds	(4,800,000)	-
Lease principal paid	(519,404)	(507,679)
Cash dividends	(5,500,000)	(1,155,937)
Changes in non-controlling interests	(3,291,257)	(15,624)
Net cash provided by/(used in) financing activities	(14,649,830)	10,113,303
EFFECTS OF EXCHANGE RATE CHANGES	(144,589)	(31,587)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(6,063,264)	2,801,891
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	16,650,427	13,848,536
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$10,587,163	$16,650,427

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

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, wealth management, 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, 2020, the Company had 74 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 19, 2021.

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, 2020. The first-time adoption has no material effect on the Company and subsidiaries.

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 as at the end of the reporting period are listed below:**

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(1) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January1, 2021 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, and 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, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

The potential effects of the standards or interpretations on the Company and subsidiaries' consolidated 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.

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

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

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

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

Amendment to IFRS 9 "Financial Instruments"
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 "Leases"
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

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

(4) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

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

(5) Definition of Accounting Estimates – Amendments to IAS 8

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

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 12/31/20	Percentage of ownership 12/31/19
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
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00
〃	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
〃	KGI International Limited	Investments holdings	100.00	100.00
〃	Bauhinia 88 Ltd.	Investments holdings	-	100.00
	KGI Korea Limited	Investments holdings	-	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
〃	KGI Nominees (Hong Kong) Limited	Trust agent	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
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	-	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership 12/31/20	12/31/19
KGI Capital Asia Limited	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'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. The shareholder's meeting on June 5, 2020 resolved to start liquidation on July 1, 2020. The company lost control of Global Corporation from the date of liquidation.

A. Analysis of assets and liabilities of Global Corporation as of the date losing control

	7/1/20
Current assets (including cash and cash equivalents NT 54,661 thousand dollars)	$360,154
Non-current assets	42,808
Total assets	402,962
Current liabilities	568
Non-current liabilities	780
Total liabilities	1,348
Net assets of Global Corporation	401,614
Carrying amount of non-controlling interests	(312,981)
Difference in investment held and net assets	33,388
Net disposal assets	$122,021

B. Gain/loss on disposal of subsidiary

	From January 1, 2020 to July 1, 2020
Fair value of remaining investment as of the date losing control	$623,794
Net disposal assets	(122,021)
Non-controlling interest as of the date losing control	(486,125)
Gain on disposal of subsidiary	$15,648

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

A. TG Holborn (HK) Limited was dissolved on June 26, 2019.
B. Supersonic Services Inc. was dissolved on May 25, 2020.
C. KGI Alliance Corporation was dissolved on June 10, 2020.
D. Bauhinia 88 Ltd. was dissolved on June 30, 2020.
E. KGI Capital (Singapore) Pte. Ltd. was dissolved on September 23, 2020.
F. KGI Korea Limited was dissolved on November 30, 2020.
G. Resolution of annual general meeting on June 5, 2020 resolved that Global Corporation will start liquidation on July 1, 2020. The company lost control of Global Corporation from the date of liquidation.

(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 and subsidiaries' 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, 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 warrants 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:

(1) In the principal market for the asset or liability, or
(2) 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 2 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

(1) The company and subsidiaries as lessees

At the inception of a contract, 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 separately 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.

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 an obligation happens during a period, the provisions should be recognized 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.

1. Judgements

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

De facto control without a majority of the voting rights in subsidiaries

The Company and subsidiaries hold less than 50% of the invested company's shares and are the largest shareholder, who are judged to have no control and only have significant influence. Please refer to Note VI.9.

2. Estimates and Assumptions

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

(1) 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.5.

(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.15.

(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

	12/31/20	12/31/19
Cash on hand	$3,276	$3,071
Cash in banks	6,287,873	13,757,919
Cash equivalents		
Short-term commercial papers and bonds	2,015,557	2,046,283
Futures excess margin	2,280,457	843,154
Total	$10,587,163	$16,650,427

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

	12/31/20	12/31/19
Interest rates	0.12%-0.42%	0.42%-0.56%

(2) As of December 31, 2020 and 2019, the certificate of deposits over three months from the original due date were classified as other financial assets-current, the amount of which are 5,431,740 thousand dollars and 3,126,037 thousand dollars, respectively.

(3) Please refer to Note VI.26 for information related to impairment of cash and cash equivalents and Note XII for details on credit risk.

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

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

	12/31/20	12/31/19
Current		
Mandatorily measured at FVTPL		
Lent securities	$244,854	$1,291,917
Open-ended funds, monetary market instruments and other securities	1,475,988	1,895,759
Trading securities-dealing-net	47,872,249	54,826,843
Trading securities-underwriting-net	942,768	1,319,131
Trading securities-hedging-net	23,000,460	18,331,316
Long options	18,200	13,675
Futures trading margins-proprietary funds	1,400,183	907,767
Derivative instrument assets	3,571,037	3,206,002
Others	199,699	24,891
Total	$78,725,438	$81,817,301
Non-current		
Mandatorily measured at FVTPL		
Others	$3,014,463	$3,091,790

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

(1) Lent securities

	12/31/20	12/31/19
Listed/OTC company stock	$203,879	$1,114,099
Valuation adjustments	40,975	177,818
Market value	$244,854	$1,291,917

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

	12/31/20	12/31/19
Funds	$575,000	$575,000
Others	894,990	1,317,125
Subtotal	1,469,990	1,892,125
Valuation adjustments	5,998	3,634
Market value	$1,475,988	$1,895,759

(3) Trading securities-dealing-net

	12/31/20	12/31/19
Listed/OTC/ESM company stock	$5,463,087	$5,016,470
Index fund	2,209,078	2,619,485
Domestic bonds	17,910,401	18,721,044
Foreign securities	20,979,988	28,307,889
Others	54	49,653
Subtotal	46,562,608	54,714,541
Valuation adjustments	1,309,641	112,302
Market value	$47,872,249	$54,826,843

(4) Trading securities-underwriting-net

	12/31/20	12/31/19
Listed/OTC/ESM company stock	$185,084	$278,259
Domestic bonds	636,235	934,124
Other	46,800	-
Subtotal	868,119	1,212,383
Valuation adjustments	74,649	106,748
Market value	$942,768	$1,319,131

(5) Trading securities-hedging-net

	12/31/20	12/31/19
Listed/OTC/ESM company stock	$3,392,984	$3,696,692
Domestic bonds	8,170,583	3,602,547
Beneficiary certificate	5,592,440	5,347,171
Foreign securities	5,442,253	5,288,056
Others	91,434	227,921
Subtotal	22,689,694	18,162,387
Valuation adjustments	310,766	168,929
Market value	$23,000,460	$18,331,316

(6) Long options

	12/31/20	12/31/19
Index options	$16,904	$14,331
Stock options	3,416	369
Subtotal	20,320	14,700
Open interest	(2,120)	(1,025)
Market value	$18,200	$13,675

(7) Futures trading margins-proprietary funds

	12/31/20	12/31/19
Account balance	$836,013	$1,132,436
Open interest	564,170	(224,669)
Account value	$1,400,183	$907,767

(8) Please refer to Note VI.19 for details of derivative instrument assets.

(9) Others

	12/31/20	12/31/19
Listed/OTC/ESM company stock	$198,248	$21,966
Domestic bonds	-	8,956
Subtotal	198,248	30,922
Valuation adjustments	1,451	(6,031)
Market value	$199,699	$24,891

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

	12/31/20	12/31/19
Listed/OTC/ESM company stock	$278,255	$311,936
Foreign securities	30,089	31,163
Non-listed/OTC/ESM company stock	960,541	988,990
Subtotal	1,268,885	1,332,089
Valuation adjustments	1,745,578	1,759,701
Market value	$3,014,463	$3,091,790

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**

	12/31/20	12/31/19
Current		
Debt instrument investments-current		
Foreign securities	$24,856,225	$19,204,326
Equity instrument investments-current		
Listed/OTC company stock	-	1,777,144
Total	$24,856,225	$20,981,470
Non-current		
Debt instrument investments-non-current		
Foreign securities	$6,816,271	$7,984,889
Equity instrument investments-non-current		
Non-listed/OTC company stock	2,162	2,016
Foreign securities	68,711	71,502
Subtotal	70,873	73,518
Total	$6,887,144	$8,058,407

(1) Please refer to Note VI.26 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. The trust agreement expired in September 2020.

(3) According to requests from the authorities, all the stocks of CDFH should be sold before expiry date. All the stocks have been sold as of December 31, 2020. For the years ended December 31, 2020 and 2019, the Company sold 182,646 thousand shares and 64,255 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 1,655,287 thousand dollars and 638,763 thousand dollars, respectively. The Company transferred the cumulative disposal loss of 689,892 thousand dollars and 186,176 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, 2020 and 2019 are as follow:

	For the years ended December 31	
	2020	2019
Related to investments held at the end of the reporting period	$-	$54,794
Related to investments derecognized during the period	104,082	10,120
Dividends recognized during the period	$104,082	$64,914

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

4. Investment in Bonds with Reverse Repurchase Agreements

	12/31/20	12/31/19
Government bonds	$7,143,642	$6,532,924
Corporate bonds	4,594,073	7,266,229
Bank Debentures	1,872,311	4,389,022
Total	$13,610,026	$18,188,175
Resold amount as specified in respective agreements plus accrued interest	$13,612,920	$18,221,682
Resold date as specified in respective agreements	1/4/21-2/25/21	1/2/20-3/18/20

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

5. Securities Margin Loans Receivable

	12/31/20	12/31/19
Securities margin loans receivable	$37,027,504	$24,157,751
Less: loss allowance	(1,367)	(1,887)
Net amount	$37,026,137	$24,155,864

Securities margin loans receivable are loans that secured by stocks pledged as collaterals that clients purchased by loans. Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

6. Customer Margin Accounts

	12/31/20	12/31/19
Cash in banks	$22,477,780	$14,968,977
Marking to market from the clearing house	5,785,316	2,909,770
Marking to market from the other futures brokers	3,174,396	2,080,182
Securities	642	8,653
Foreign customer margin accounts	23,072,263	17,568,058
Total	$54,510,397	$37,535,640

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

7. Futures Commission Merchant Receivable

	12/31/20	12/31/19
Futures commission merchant receivable	$168,217	$167,493
Less: loss allowance	(166,781)	(160,587)
Net amount	$1,436	$6,906

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

8. Accounts Receivable

	12/31/20	12/31/19
Exchange clearing receivable	$8,302,502	$3,045,497
Accounts receivable for settlement	38,101,032	22,931,948
Interest receivable	674,710	1,015,573
Others	540,857	588,017
Subtotal	47,619,101	27,581,035
Less: loss allowance	(1,502)	(1,561)
Total	$47,617,599	$27,579,474

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

	12/31/20	12/31/19
Non-past due	$47,428,753	$27,409,245
Past due		
Less than 30 days	184,331	166,678
30 to 60 days	1,630	569
61 to 120 days	2,871	2,764
More than 121 days	1,516	1,779
Total	$47,619,101	$27,581,035

(2) Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

9. Investments accounted for using the Equity Method

	12/31/20		12/31/19	
Investee	Amount	Percentage	Amount	Percentage
Investments in associates				
KGI Securities (Thailand) Public Company Limited	$2,422,459	34.97	$2,600,839	34.97
CDIB Bioscience Ventures I, Inc.	1,992	1.20	1,927	1.20
China Life Insurance Co., Ltd.	16,827,029	8.65	13,783,128	8.65
Total	$19,251,480		$16,385,894	

(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 2,520,072 thousand dollars and 3,137,969 thousand dollars as of December 31, 2020 and 2019, respectively.

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

	12/31/20	12/31/19
Current assets	$13,820,118	$10,462,940
Non-current assets	1,168,260	938,972
Current liabilities	(8,643,249)	(4,877,301)
Non-current liabilities	(504,144)	(235,221)
Non-controlling interests	(4,458)	(3,911)
Attributed to controlling interests	$5,836,527	$6,285,479
Ownership percentage	34.97%	34.97%
Proportion of ownership	$2,041,033	$2,198,032
Goodwill and others	381,426	402,807
Carrying amount	$2,422,459	$2,600,839

	For the years ended December 31	
	2020	2019
Operating revenue	$2,607,370	$3,260,013
Profit or loss from continuing operations	$536,169	$970,918
Other comprehensive income	2,261	(12,487)
Total comprehensive income	$538,430	$958,431
Dividends received from associate	$227,007	$258,896

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 9,091,158 thousand dollars and 9,890,092 thousand dollars as of December 31, 2020 and 2019, respectively.

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

	12/31/20	12/31/19
Total assets	$2,219,711,848	$2,000,237,920
Total liabilities	(2,040,054,643)	(1,857,568,359)
Attributed to controlling interests	$179,657,205	$142,669,561
Ownership percentage	8.65%	8.65%
Proportion of ownership	$15,549,690	$12,348,336
Net stock equity difference	1,277,339	1,434,792
Carrying amount	$16,827,029	$13,783,128

	For the years ended December 31	
	2020	2019
Operating revenue	$323,248,432	$339,115,451
Profit or loss from continuing operations	$15,547,836	$13,597,878
Other comprehensive income	24,113,661	46,561,453
Total comprehensive income	$39,661,497	$60,159,331
Dividends received from associate	$231,799	$-

(2) The Company's investments in CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 1,992 thousand dollars and 1,927 thousand dollars as of December 31, 2020 and 2019, respectively, and the proportionate aggregate financial information of investments is as follows:

	For the years ended December 31	
	2020	2019
Profit or loss from continuing operations	$65	$(111)
Other comprehensive income	-	9
Total comprehensive income	$65	$(102)

(3) Since the shares of KGI Securities (Thailand) Public Company Limited (KGI Thailand) held by the Company and affiliate company is at 34.97%, which is below 50%, and does not hold over half of the seats on board of directors, the Company and affiliate company do not have control over KGI Thailand. The investment does not have to be included in the main body of consolidated financial statements.

(4) 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.

(5) 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.

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

10. Property and Equipment

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

	Land	Buildings	Equipment	Leasehold improvement	Total
Cost					
January 1, 2020	$3,871,501	$2,033,633	$2,352,607	$374,121	$8,631,862
Additions	-	-	179,658	14,103	193,761
Disposals	-	-	(295,907)	(54,982)	(350,889)
Transfers	-	(9,167)	71,269	(1,239)	60,863
Effects of changes on consolidated subsidiaries	(138,506)	(83,503)	(4,339)	-	(226,348)
Exchange differences	-	-	(51,540)	(12,589)	(64,129)
December 31, 2020	$3,732,995	$1,940,963	$2,251,748	$319,414	$8,245,120
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
Depreciation and Impairment					
January 1, 2020	$-	$835,871	$1,875,842	$303,023	$3,014,736
Depreciation	-	37,115	191,390	29,259	257,764
Disposals	-	-	(294,332)	(54,850)	(349,182)
Transfers	-	(5,359)	19,666	(3,574)	10,733
Effects of changes on consolidated subsidiaries	-	(37,403)	(2,502)	-	(39,905)
Exchange differences	-	-	(40,026)	(11,788)	(51,814)
December 31, 2020	$-	$830,224	$1,750,038	$262,070	$2,842,332
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
Net carrying amount as of					
December 31, 2020	$3,732,995	$1,110,739	$501,710	$57,344	$5,402,788
December 31, 2019	$3,871,501	$1,197,762	$476,765	$71,098	$5,617,126

(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.

11. Lease

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

	12/31/20	12/31/19
Buildings	$981,439	$1,162,035
Transportation equipment	12,091	13,728
Other equipment	363	150
Total	$993,893	$1,175,913

During the years ended December 31, 2020 and 2019, the Company and subsidiaries' additions to right-of-use assets amounting to 379,665 thousand dollars and 164,635 thousand dollars, respectively.

B. Lease liabilities

	12/31/20	12/31/19
Lease liabilities		
Current	$457,926	$473,433
Non-current	558,490	723,048
Total	$1,016,416	$1,196,481

Please refer to Note VI.26 for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019 and refer to Note XII.3 for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2020	2019
Buildings	$518,528	$513,591
Transportation equipment	10,023	12,557
Other equipment	256	151
Total	$528,807	$526,299

(3) Income and costs relating to leasing activities

	For the years ended December 31	
	2020	2019
The expenses relating to short-term leases	$11,484	$22,589
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	$1,771	$1,842

(4) Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Company and subsidiaries' total cash outflows for leases amounting to 557,840 thousand dollars and 563,649 thousand dollars, respectively.

12. Investment Property

(1) Changes in investment property are as follows:

	Land	Buildings	Total
Cost			
January 1, 2020	$379,446	$191,713	$571,159
Transfers	-	9,167	9,167
Effects of changes on consolidated subsidiaries	(87,454)	(52,379)	(139,833)
December 31, 2020	$291,992	$148,501	$440,493
January 1, 2019	$379,446	$191,713	$571,159
Transfers	-	-	-
December 31, 2019	$379,446	$191,713	$571,159
Depreciation and Impairment			
January 1, 2020	$-	$75,311	$75,311
Depreciation	-	3,413	3,413
Transfers	-	5,359	5,359
Effects of changes on consolidated subsidiaries	-	(23,462)	(23,462)
December 31, 2020	$-	$60,621	$60,621
January 1, 2019	$-	$71,485	$71,485
Depreciation	-	3,826	3,826
December 31, 2019	$-	$75,311	$75,311
Net carrying amount as of			
December 31, 2020	$291,992	$87,880	$379,872
December 31, 2019	$379,446	$116,402	$495,848

(2) Leases relating to investment property

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	
Rental income from the lease of investment property	2020	2019
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$25,568	$29,248

B. The undiscounted lease payments to be received and total amounts for the remaining period as of December 31, 2020 and 2019 are as follows:

	12/31/20	12/31/19
Not later than one year	$20,790	$25,876
Later than one year but not later than two years	291	9,548
Total	$21,081	$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 are 867,465 thousand dollars and 980,348 thousand dollars as of December 31, 2020 and 2019, respectively. The management refers independent 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.

13. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Software	Other intangible assets	Total
January 1, 2020	$6,596,705	$141,356	$880,288	$7,618,349
Additions	-	63,926	-	63,926
Transfers	-	2,323	-	2,323
Amortizations	-	(69,985)	(189,015)	(259,000)
Effects of changes on consolidated subsidiaries	-	-	(33,388)	(33,388)
Exchange differences	(55,167)	-	-	(55,167)
December 31, 2020	$6,541,538	$137,620	$657,885	$7,337,043
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

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

14. Other Non-Current Assets

	12/31/20	12/31/19
Operation guarantee deposits	$1,126,900	$1,176,900
Clearing and settlement fund	647,506	612,008
Guarantee deposits	854,499	572,197
Others	279,853	260,426
Total	$2,908,758	$2,621,531

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

15. 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
2020		
Growth rate	1.65%	2.47%-5.07%
Discount rate	9.59%	5.44%-11.16%
2019		
Growth rate	1.71%	2.57%-5.29%
Discount rate	9.59%	7.86%-12.57%

(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) According to the result of the Company and subsidiaries' impairment test of goodwill for the year ended December 31, 2020, the recoverable amount is higher than the carrying amount. No impairment was recorded for the year ended December 31, 2020.

(4) The details of recognition of goodwill impairment for the year ended 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.

16. Short-Term Borrowings

	12/31/20	12/31/19
Interbank loans	$684,192	$1,595,618
Credit loans	13,737,182	12,933,046
Secured loans	6,210,679	4,260,546
Total	$20,632,053	$18,789,210
Interest rate	0.38%-5.65%	1.00%-5.95%

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

17. Commercial Papers Payable

	12/31/20	12/31/19
Commercial papers payable	$3,661,577	$6,044,085
Less: discount	(281)	(777)
Net amount	$3,661,296	$6,043,308
Interest rate	0.346%-0.550%	0.669%-1.780%

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

	12/31/20	12/31/19
Financial liabilities held for trading		
Investment in bonds with reverse repurchase agreements - short sale	$1,012,055	$156,947
Warrants liabilities	12,276,590	18,359,407
Warrants redeemed	(11,313,195)	(17,784,403)
Short options	11,828	13,858
Liabilities for securities and bonds borrowed	18,701,768	2,535,693
Derivative instruments liabilities	9,234,243	6,297,339
Financial liabilities designated as at fair value through profit or loss	7,384,244	6,517,466
Total	$37,307,533	$16,096,307

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

	12/31/20	12/31/19
Foreign securities	$1,012,055	$156,947

(2) Warrants liabilities and warrants redeemed

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

	12/31/20	12/31/19
Warrants liabilities	$13,995,090	$24,191,363
Gains/(losses) on value change	(1,718,500)	(5,831,956)
Market value	12,276,590	18,359,407
Warrants redeemed	12,573,730	21,234,863
Gains/(losses) on value change	(1,260,535)	(3,450,460)
Market value	11,313,195	17,784,403
Net value	$963,395	$575,004

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) Short options

	12/31/20	12/31/19
Index options	$7,209	$18,853
Stock options	60	216
Subtotal	7,269	19,069
Open interest	4,559	(5,211)
Market value	$11,828	$13,858

(4) Liabilities for securities and bonds borrowed

	12/31/20	12/31/19
Listed/OTC company stock	$13,377,815	$249,615
Index funds	2,255,712	1,913,497
Foreign securities	878,645	281,182
Subtotal	16,512,172	2,444,294
Valuation adjustments	2,189,596	91,399
Market value	$18,701,768	$2,535,693

(5) Please refer to Note VI.19 for details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

19.Derivative Instruments

(1) Nominal amounts

Financial Instruments	12/31/20	12/31/19
Options and futures contract	$39,298,960	$31,585,002
Foreign futures and options	3,079,807	777,350
Interest rate swap (IRS)	68,374,625	143,752,023
Convertible bond asset swap (CBAS)-interest	21,045,383	24,786,026
CBAS-long option	21,007,483	22,664,030
CBAS-short option	29,702,817	30,531,686
Structured notes	14,987,302	13,104,718
Equity derivative instruments	109,682	34,023
Credit derivative instruments	2,030,625	2,509,323
Exchange rate derivative instruments	36,804,322	36,496,757
Total	$236,441,006	$306,240,938

(2) Derivative instruments assets/liabilities

Financial Instruments	12/31/20	12/31/19
Derivative instrument assets		
Contract value		
IRS	$203,834	$540,624
CBAS-interest	143,739	101,120
Long options		
CBAS	2,988,148	2,362,396
Structured notes	38	346
Credit derivatives instruments	10,237	7,627
Exchange rate derivative instruments	165,541	187,523
Foreign futures and options	59,500	6,366
Total	$3,571,037	$3,206,002
Derivative instrument liabilities		
Contract value		
IRS	$300,933	$570,690
CBAS-interest	385,323	455,697
Short options		
CBAS	4,234,461	2,444,908
Structured notes	3,504,349	2,458,874
Equity derivative instruments	47,104	10,068
Credit derivative instruments	26,058	42,725
Exchange rate derivative instruments	693,412	308,293
Foreign futures and options	42,603	6,084
Total	$9,234,243	$6,297,339
Financial liabilities designated as at fair value through profit or loss		
Structured notes	$7,383,477	$5,715,467
Others	767	801,999
Total	$7,384,244	$6,517,466

Please refer to Note VI.2 and Note VI.18 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	
	2020	2019
Warrants liabilities:		
Gains on value change	$62,637,203	$59,836,835
Gains on exercising warrants before maturity	84,702	3,849
Warrants redeemed:		
Losses on resale of warrants	(2,858,625)	(6,966,361)
Losses on value change	(59,278,992)	(52,493,009)
Expenses for warrants	(292,097)	(225,824)
Gains/(losses) on warrants issued	$292,191	$155,490

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

	For the years ended December 31	
	2020	2019
Futures contracts	$1,360,663	$(623,591)
Options	(161,096)	(5,713)
Total	$1,199,567	$(629,304)

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

	For the years ended December 31	
	2020	2019
IRS	$(140,899)	$(187,512)
CBAS	(1,376,309)	529,114
Options	(74,271)	(734,454)
Structured notes	(1,409,059)	(309,703)
Equity derivative instruments	4,942	9,147
Credit derivative instruments	(47,646)	(108,404)
Exchange rate derivative instruments	(917,008)	181,758
Total	$(3,960,250)	$(620,054)

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

12/31/20

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	406	$1,128,287	$1,164,895	
Futures Contracts	Elec-Sector Index Futures	Short	21	57,768	59,976	
Futures Contracts	Foreign Futures	Long	3,018	1,881,753	1,926,262	
Futures Contracts	Foreign Futures	Short	732	1,847,672	1,863,487	
Futures Contracts	Finance Sector Index Futures	Long	149	186,448	190,511	
Futures Contracts	Finance Sector Index Futures	Short	8	9,911	10,181	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	348	456,816	474,185	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	18	23,285	24,448	
Futures Contracts	Mini-TaiEx Futures	Long	160	108,149	111,862	
Futures Contracts	Mini-TaiEx Futures	Short	3,607	2,469,629	2,623,661	
Futures Contracts	Stock Futures	Long	15,069	5,305,121	5,683,473	
Futures Contracts	Stock Futures	Short	3,325	1,388,982	1,422,333	
Futures Contracts	TaiEx Futures	Long	6,185	16,956,302	18,053,785	
Futures Contracts	TaiEx Futures	Short	2,739	7,148,885	7,960,043	
Futures Contracts	HK-HSI Futures	Long	3	15,059	15,013	
Futures Contracts	HK-HSI Futures	Short	11	55,145	55,046	
Futures Contracts	Mini-HK-HSI Futures Index	Long	55	54,985	55,046	
Futures Contracts	Mini-HK-HSI Futures Index	Short	15	15,025	15,013	
Futures Contracts	FTSE Taiwan Index Futures	Long	51	74,349	74,199	
Futures Contracts	Mini-Nasdaq-100 Index	Short	6	43,947	44,084	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	60	43,853	44,084	
Options Contracts	Index Options-Call	Long	9,586	7,209	11,767	
Options Contracts	Index Options-Put	Long	1,391	9,695	2,173	
Options Contracts	Index Options-Call	Short	9,586	(7,209)	11,767	
Options Contracts	Stock Options-Call	Long	133	3,371	4,234	
Options Contracts	Stock Options-Put	Long	92	45	26	
Options Contracts	Stock Options-Call	Short	42	(57)	53	
Options Contracts	Stock Options-Put	Short	3	(3)	8	

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	

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.

20. Liabilities for Bonds with Repurchase Agreements

	12/31/20	12/31/19
Government bonds	$10,474,131	$15,048,976
Bank Debentures	18,743,106	27,128,259
Convertible bonds	1,836,244	513,373
Corporate bonds	44,524,007	34,696,882
Total	$75,577,488	$77,387,490
Repurchased amount as specified in respective agreements plus accrued interest	$75,608,138	$77,526,773
Repurchased date as specified in respective agreements	1/4/21-3/10/21	1/2/20-3/18/20

21. Accounts Payable

	12/31/20	12/31/19
Exchange clearing payable	$4,076,453	$4,354,972
Accounts payable for settlement	56,686,868	36,045,392
Others	1,164,662	534,772
Total	$61,927,983	$40,935,136

22.Bonds Payable

	12/31/20	12/31/19
104-1 Unsecured Corporation Bonds Payable	$-	$4,800,000
108-1 Unsecured Corporation Bonds Payable	4,200,000	4,200,000
Subtotal	4,200,000	9,000,000
Less: due within one year	-	(4,800,000)
Net amount	$4,200,000	$4,200,000

(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 year maturities, amounted to 2,200,000 thousand dollars; Bonds B were issued with five year 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 year maturities, amounted to 300,000 thousand dollars; Bonds B were issued with five year maturities, amounted to 2,600,000 thousand dollars; Bonds C were issued with seven year 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.

23. Post-Employment Benefits

(1) Description of employment 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. On December 31, 2020, the defined benefit plan of the Company and domestic subsidiaries plan to contribute 54,069 thousand dollars in the following year.

The defined benefit plan for the company's subsidiary, PT KGI Sekuritas Indonesia, is performed in accordance with local regulation in Indonesia.

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

	12/31/20	12/31/19
Average maturities of defined benefit obligation	7-15 years	12-25 years

(1) 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	
	2020	2019
Defines contribution plan	$225,204	$217,308
Defined benefit plan	13,944	16,913
Total	$239,148	$234,221

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

	For the years ended December 31	
	2020	2019
Current service cost	$6,730	$8,100
Net interest on net defined benefit liability (assets)	5,699	8,813
Past service cost and settlement	1,515	-
Total	$13,944	$16,913

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

	12/31/20	12/31/19
Present value of the defined benefit obligation	$1,268,988	$1,141,345
Plans assets at fair value	(423,504)	(425,461)
Carrying amount of net defined benefit obligation	$845,484	$715,884

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

	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit liability (asset)
January 1, 2020	$1,141,345	$(425,461)	$715,884
Current service cost	6,730	-	6,730
Interest expense (income)	9,029	(3,330)	5,699
Past service cost	1,515	-	1,515
Recognized in profit or loss	17,274	(3,330)	13,944
Remeasurement of defined liability/asset:			
The actuarial gain/loss on the change of demographic assumptions	3,715	-	3,715
The actuarial gain/loss on the change of financial assumptions	60,880	-	60,880
Adjustment based on experience	117,306	(12,116)	105,190
Recognized in OCI	181,901	(12,116)	169,785
Benefit paid	(71,416)	71,416	-
Employer contributions	-	(54,013)	(54,013)
Exchange difference	(116)	-	(116)
December 31, 2020	$1,268,988	$(423,504)	$845,484

	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit liability (asset)
January 1, 2019	$1,117,437	$(377,714)	$739,723
Current service cost	8,100	-	8,100
Interest expense (income)	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)
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

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

	12/31/20	12/31/19
Discount rate	0.31%-0.42%	0.78%-0.94%
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:

	12/31/20	12/31/19
Discount rate		
Increase 0.5%	$(83,237)	$(78,314)
Decrease 0.5%	$90,368	$85,365
Expected Salary Growth Rate		
Increase 0.5%	$88,459	$83,872
Decrease 0.5%	$(82,386)	$(77,784)

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

	12/31/20	12/31/19
Discount rate	6.50%	7.75%
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:

	12/31/20	12/31/19
Discount rate		
Increase 1.0%	$(254)	$(166)
Decrease 1.0%	$287	$188
Expected Salary Growth Rate		
Increase 1.0%	$296	$197
Decrease 1.0%	$(266)	$(176)

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.

24. Provision

	12/31/20	12/31/19
Litigation provision	$133,027	$130,727
Decommissioning liabilities	79,685	89,483
Total	$212,712	$220,210

25. Equity

(1) Common stock

	12/31/20	12/31/19
Authorized shares (thousand shares)	4,600,000	4,600,000
Authorized capital	$46,000,000	$46,000,000

The Company has issued 3,436,340 thousand and 3,241,843 thousand common shares as of December 31, 2020 and 2019. The Company's issued capital was 34,363,397 thousand dollars and 32,418,432 thousand dollars as of December 31, 2020 and 2019, each at a par value of NT$10.

The Company's Board of Directors acting on behalf of shareholders decided the case of capital increase of 1,944,965 thousand dollars from distributable earnings of 2019 by issuing 194,497 thousand common shares, at par value of NT$10 on April 23, 2020. The case of capital increase was approved by the authorities and the record date was June 1, 2020.

(2) Capital reserve

	12/31/20	12/31/19
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	14,774	14,758
Employee share options expired	257	257
Total	$8,648,583	$8,648,567

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 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 April 23, 2020 and May 24, 2019 respectively and resolved the distribution of annual net income for 2019 and 2018 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2019	2018	2019	2018
Legal reserve	$529,301	$376,483	-	-
Special reserve	(2,681,253)	3,531,666	-	-
Cash dividends	5,500,000	1,108,221	1.697	0.342
Stock dividends	1,944,965	-	0.600	-
Total	$5,293,013	$5,016,370		

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	
	2020	2019
Beginning balance	$3,313,251	$3,355,546
Profit attributable to non-controlling interests	(3,084)	20,992
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurement of defined benefit plans	(10)	(7)
Exchange differences resulting from translating the financial statements of a foreign operation	(186)	36
Derecognize subsidiaries (loss of control)	(312,981)	-
Reduction of cash capital from subsidiaries	(2,961,375)	-
Changes in non-controlling interests	-	(15,600)
Cash dividend issued from subsidiaries	(16,901)	(47,716)
Ending balance	$18,714	$3,313,251

26. The Details of Comprehensive Income

(1) Brokerage handling fee revenue

	For the years ended December 31	
	2020	2019
Brokerage handling fee revenue	$8,041,629	$5,085,810
Foreign brokerage fee	3,170,293	2,358,832
Handling fee revenue of short sale	40,735	33,447
Handling fee revenue of securities borrowed	75,480	60,520
Foreign sub-brokerage revenue	1,033,953	381,167
Total	$12,362,090	$7,919,776

(2) Revenue from underwriting business

	For the years ended December 31	
	2020	2019
Revenue from underwriting of securities	$410,462	$182,323
Revenue from underwriting proceeding fee	166,784	129,545
Revenue from underwriting and counseling	22,970	32,942
Others	155,721	133,217
Total	$755,937	$478,027

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

	For the years ended December 31	
	2020	2019
Dealing	$2,567,078	$1,608,766
Underwriting	182,739	140,787
Hedging	2,657,504	369,640
Total	$5,407,321	$2,119,193

(4) Interest income

	For the years ended December 31	
	2020	2019
Margin loans	$1,629,572	$1,460,979
Bonds	1,751,892	2,561,471
Others	290,241	343,310
Total	$3,671,705	$4,365,760

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

	For the years ended December 31	
	2020	2019
Dealing	$990,494	$1,080,123
Underwriting	(32,099)	89,295
Hedging	273,767	407,891
Settlement coverage bonds payable of short sale	1	22
Total	$1,232,163	$1,577,331

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

	For the years ended December 31	
	2020	2019
Gains	$1,298,436	$366,357
Losses	(388,362)	(356,539)
Total	$910,074	$9,818

(7) Please refer to Note VI.19 for details of gains and losses on derivative instruments.

(8) Expected credit (losses)/gains on reversal

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

	For the years ended December 31	
	2020	2019
Financial assets measured at FVOCI	$(5,072)	$(5,732)
Financial assets measured at amortized cost		
Receivables (Note 1)	(5,484)	(134)
Others (Note 2)	(7,026)	11,968
Total	$(17,582)	$6,102

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

Note 2: Others include cash and cash equivalents, customer margin accounts, 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, 2020 and 2019 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 as of December 31, 2020 and 2019 are 31,250,234 thousand dollars and 26,859,655 thousand dollars, respectively. The accumulated impairment loss recognized are 15,736 thousand dollars and 10,992 thousand dollars, respectively.

(b) Receivables and others

As of December 31, 2020:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	$10,587,278	$(115)	$10,587,163
Investment in bonds with reverse repurchase agreements	13,610,026	(0)	13,610,026
Securities margin loans receivable	37,027,504	(1,367)	37,026,137
Trading securities receivable	4,361,551	(248)	4,361,303
Customer margin accounts	54,511,969	(1,572)	54,510,397
Futures commission merchant receivable	168,217	(166,781)	1,436
Accounts receivable	47,619,101	(1,502)	47,617,599
Other current assets	34,940,421	(7,844)	34,932,577
Other non-current assets	4,377,625	(1,468,867)	2,908,758
Total	$207,203,692	$(1,648,296)	$205,555,396

As of December 31, 2019:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	$16,650,481	$(54)	$16,650,427
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	37,536,624	(984)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,581,035	(1,561)	27,579,474
Other current assets	37,511,895	(4,718)	37,507,177
Other non-current assets	4,374,460	(1,752,929)	2,621,531
Total	$171,533,499	$(1,923,239)	$169,610,260

C. The Company and subsidiaries' movements of accumulated impairment for the years ended December 31, 2020 and 2019 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, 2020	$(10,992)
(Increase)/ decrease	(5,072)
Exchange differences	328
Balance as of December 31, 2020	$(15,736)
Balance as of January 1, 2019	$(5,447)
(Increase)/ decrease	(5,732)
Exchange differences	187
Balance as of December 31, 2019	$(10,992)

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, 2020 and 2019, 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, 2020	$(5,263)	$(402)	$(1,914,235)	$(3,339)	$(1,923,239)
(Increase)/decrease	(2,960)	318	(10,435)	567	(12,510)
Financial assets derecognized in the current period	-	-	2,373	-	2,373
Effects of changes on consolidated subsidiaries	-	-	254,781	-	254,781
Bad loans write-offs	-	-	5,410	-	5,410
Exchange differences	335	11	24,540	3	24,889
Balance as of December 31, 2020	$(7,888)	$(73)	$(1,637,566)	$(2,769)	$(1,648,296)
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)

There were no significant changes in the carrying amounts of abovementioned receivables and others.

D. Please refer to Note XII.2 for details on measurement of expected credit losses.

(9) Other operating income

	For the years ended December 31	
	2020	2019
Commission income	$361,153	$639,536
Investment trust and fund management income	797,245	625,735
Exchange gain/(loss)	585,789	98,657
Others	465,752	505,862
Total	$2,209,939	$1,869,790

(10) Financial cost

	For the years ended December 31	
	2020	2019
Bonds	$649,392	$1,685,543
Bank borrowing	366,674	459,933
Corporate bonds	63,146	71,689
Lease liabilities	25,253	31,387
Securities leading refundable deposits	87,700	155,154
Others	43,077	115,254
Total	$1,235,242	$2,518,960

(11) Employee benefits expenses, depreciation and amortization

	For the years ended December 31	
Item	2020	2019
Employee benefit expenses		
Salary expenses	$7,291,533	$5,724,868
Insurance expenses	344,675	323,174
Pension expenses	239,148	234,221
Others	187,985	170,529
Total	$8,063,341	$6,452,792
Depreciations and amortizations		
Depreciations	$789,984	$792,529
Amortizations	259,000	266,610
Total	$1,048,984	$1,059,139

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 60,000 thousand dollars were recognized under salary expenses based on the current year profit for the year ended December 31, 2020. The Company held the Board of Directors' meeting on March 19, 2021 and resolved the distribution of employees' bonus of 60,000 thousand dollars by cash.

C. The Company distributed the employees' bonus of 37,500 thousand dollars for the year ended December 31, 2019, which have no difference from the expenses recognized in 2019.

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	
	2020	2019
Postage and telephone expenses	$275,641	$269,176
Tax	797,558	633,700
Computer information expenses	470,823	469,523
Professional fee	266,038	230,417
Securities borrowed expenses	473,173	448,979
Handling fee	419,206	321,978
Maintenance and repairs	243,079	241,490
Operation expense	223,155	288,232
Other expenses	853,832	836,514
Total	$4,022,505	$3,740,009

(13) Other income and costs

	For the years ended December 31	
	2020	2019
Interest income	$862,819	$1,362,137
Gains/(losses) from disposal of investment	22,301	214,987
Non-operating financial assets measured at FVTPL	143,520	205,512
Dividend income	211,684	202,969
Management service income	442,676	378,348
Impairment loss	-	(163,886)
Others	180,453	248,266
Total	$1,863,453	$2,448,333

27. Components of Other Comprehensive Income

For the year ended December 31, 2020

	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	$(169,785)	$-	$(169,785)	$26,213	$(143,572)
Unrealized gains/(losses) from equity instrument investments measured at FVOCI	(38,924)	-	(38,924)	-	(38,924)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	657,001	-	657,001	-	657,001
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(814,441)	-	(814,441)	-	(814,441)
Unrealized gains/(losses) from debt instrument investments measured at FVOCI	1,126,928	(1,068,284)	58,644	-	58,644
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,515,500	-	1,515,500	-	1,515,500
Total	$2,276,279	$(1,068,284)	$1,207,995	$26,213	$1,234,208

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 investments 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

28. Income Tax

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

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2020	2019
Current income tax expense (benefit)		
Current period	$1,063,477	$399,937
Adjustments of prior periods	(64,053)	(287,387)
Other	(35,899)	-
Deferred income tax expense (benefit)		
Current period	(211,384)	30,012
Income tax expense (benefit)	$752,141	$142,562

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2020	2019
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plan	$(26,213)	$4,157

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

	For the years ended December 31	
	2020	2019
Income before income tax	$9,474,382	$6,216,111
Tax at the rate applicable to profits	$1,894,877	$1,243,222
Tax effect of revenues exempt from taxation	(962,921)	(641,669)
Tax effect of expenses not deductible for tax purposes	38,684	38,533
Tax effect of deferred income tax assets/liabilities	(133,678)	(45,323)
Corporate income surtax on undistributed retained earnings	-	26,309
Tax effect of different tax rate for subsidiaries	(187,202)	(256,362)
Alternative minimum tax expense	206,632	65,239
Adjustments of prior periods	(64,053)	(287,387)
Others	(40,198)	-
Total income tax expense	$752,141	$142,562

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

	12/31/20	12/31/19
Deferred income tax assets		
Bad debts	$9,640	$10,040
Unrealized exchange loss	4,655	1,612
Unrealized loss of warrants issued and repurchase warrants	7,023	-
Unrealized loss of financial instruments	225,131	9,237
Net actuarial gain or loss and unrealized pension	169,204	143,188
Unrealized exchange loss of financial instruments	1,854	-
Unused tax losses	1,393	44,156
Others	1,820	1,835
Total	420,720	210,068
Deferred income tax liabilities		
Unrealized gain of financial instruments	(45,002)	(68,027)
Unrealized exchange gain	(128,300)	(70,497)
Unrealized gain of issued and repurchase warrants	-	(8,886)
Goodwill	(986,155)	(986,154)
Land value increment tax liabilities	(9,252)	(9,252)
Others	(1,070)	(11,100)
Total	(1,169,779)	(1,153,916)
Net amount of deferred income tax assets (liabilities)	$(749,059)	$(943,848)

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

	For the years ended December 31	
	2020	2019
Beginning balance	$(943,848)	$(909,679)
Effects of changes on consolidated subsidiaries	(42,808)	-
Recognized in profit or loss	211,384	(30,012)
Recognized in other comprehensive income	26,213	(4,157)
Ending balance	$(749,059)	$(943,848)

(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

The income tax returns assessed of the Company and subsidiaries for the years through December 31, 2020 are as follows:

	Assessment information
The Company	Assessed through 2015
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2018
KGI Insurance Brokers Co. Ltd.	Assessed through 2018
KGI Venture Capital Co. Ltd.	Assessed through 2018
KGI Securities Investment Trust Co. Ltd.	Assessed through 2018
KGI Futures	Assessed through 2018
KGI Information Technology Co. Ltd.	Assessed through 2019

(8) Administrative remedy

The income tax return of the Company for the year ended December 31, 2015 was assessed for additional income tax of 53,136 thousand dollars. The company has appealed for administrative remedy. Additional income tax has been recognized into the financial statements.

29. 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	
	2020	2019
Basic EPS		
Attributable to the Company	$8,725,325	$6,052,557
Weighted average number of shares outstanding	3,436,339,736 shares	3,436,339,736 shares
Basic EPS (NT$)	$2.54	$1.76

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.

30. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 18,714 thousand dollars and 3,313,251 thousand dollars as of December 31, 2020 and 2019, respectively. Proportions held by non-controlling interests are as follows:

Subsidiary Company	Country	12/31/20	12/31/19
KGI Futures	Taiwan	0.39%	0.39%
Global Corporation	Taiwan	-	77.93%
KGI Indonesia	Indonesia	1.00%	1.00%

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

Subsidiary Company	12/31/20	12/31/19
Global Corporation	$-	$3,296,820

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

(1) Summarized information of comprehensive income for Global Corporation

	For the year ended December 31
	2019
Revenue	$113,086
Net profit from continuing operations	$23,913
Other comprehensive income	-
Comprehensive income	$23,913
Net profit allocated to non-controlling interests	$18,659
Dividends paid to non-controlling interests	$46,097

(2) Summarized information of financial position for Global Corporation

	12/31/19
Current assets	$3,887,489
Non-current assets	347,498
Current liabilities	3,768
Non-current liabilities	780

(3) Summarized cash flow information for Global Corporation

	For the year ended December 31
	2019
Operating activities	$4,927,658
Investing activities	1,105,776
Financing activities	(2,414,268)
Net increase/(decrease) in cash and cash equivalents	$3,619,166

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

VII. Significant Related Parties Transaction

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
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 Capital Healthcare Ventures Limited	Other related party
CDIB Venture Capital Corp.	Other related party
CDIB Capital Management Inc.	Other related party
China Development Asset Management Corp. (China Development Asset Management)	Other related party
CDIB Capital International Corp.	Other related party
CDIB Partners Investment Holding Corp.	Other related party
CDIB CME Fund Ltd.	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 1)
XingWen Investment Ltd.	Other related party (Note 2)
JingHuei Investment Ltd.	Other related party
Others	Other related parties

Note 1: Bank of Taiwan was not related from June 14, 2019.

Note 2: XingWen Investment Ltd. was not related from June 14, 2019.

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	For the years ended December 31	
	2020	2019
A. Brokerage handling fee revenue		
Other related parties		
China Life	$79,486	67,370
Others	25,386	16,073
Total	$104,872	$83,443

	2020	2019
B. Revenue from underwriting business		
Parent company		
CDFH	$10,100	$6,000
Associates	1,424	-
Other related parties		
China Life	11,000	600
CDIB Capital International	434	8,458
Others	2,375	2,300
Total	$25,333	$17,358

	2020	2019
C. Gains/(losses) on disposal of trading securities-net		
Other related parties		
China Life	$6	$-

	2020	2019
D. Revenue from providing agency service for stock affairs		
Parent company		
CDFH	$17,999	$15,951
Other related parties		
China Life	4,106	3,643
Others	251	252
Total	$22,356	$19,846

	2020	2019
E. Interest income		
Other related parties		
China Life	$1,457	$-
Others	1,758	1,503
Total	$3,215	$1,503

	2020	2019
F. Gains/(losses) on trading securities measures at fair value through profit or loss-net		
Other related parties		
China Life	$(8)	$-

	For the years ended December 31	
	2020	2019
G. Gains/(losses) on derivative financial product-GTSM-net		
Other related parties		
KGI Bank	$(110,476)	$17,610
Others	(3,139)	(2,065)
Total	$(113,615)	$15,545
H. Other operating revenue		
Parent company		
CDFH	$7,500	$7,321
Other related parties		
China Life	171,053	399,496
KGI Bank	119,544	677
Other	200	603
Total	$298,297	$408,097
I. Financial costs		
Other related parties		
KGI Bank	$2,566	$6,958
Bank of Taiwan	-	3,926
Others	84	124
Total	$2,650	$11,008

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):

	12/31/20	12/31/19
Other related parties		
KGI Bank	$1,327,043	$2,483,216

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

	12/31/20	12/31/19
A. Open-ended funds and monetary market instruments		
Other related parties		
KGI Investment Trust Fund	$580,998	$578,634

	12/31/20 Notional Amount	12/31/19 Notional Amount
B. Outstanding derivative instruments		
a.FX Swap		
Other related parties		
KGI Bank	$61,820	$620,424
b.CBAS-interest		
Other related parties		
KGI Bank	$61,000	$190,000
c.CBAS-long option		
Other related parties		
KGI Bank	$61,000	$190,000
d.Structure notes liabilities		
Other related parties		
Others	$40,133	$30,133

	12/31/20	12/31/19
C. Trading Securities		
Other related parties		
China Life	$4,849,985	$-
KGI Investment Trust Fund	1,737,214	1,089,190
Total	$6,587,199	$1,089,190

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

	12/31/20	12/31/19
Stocks		
Parent company		
CDFH	$-	$1,777,144

Please refer to Note VI.3 for information of sale of CDFH stock for the years ended December 31, 2020 and 2019.

(5) Securities margin loans receivable:

	12/31/20	12/31/19
Other related parties		
Others	$36,243	$28,999

(6) Customer margin accounts:

	12/31/20	12/31/19
Associates	$13,996	$920
Other related parties		
KGI Bank	710,692	208,032
Total	$724,688	$208,952

(7) Account receivables:

	12/31/20	12/31/19
Associates		
KGI TH	$546,996	$8,750
Other related parties		
China Life	31,569	13,681
KGI Investment Trust Fund	16,512	8,960
Others	5,495	3,001
Total	$600,572	$34,392

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

	12/31/20	12/31/19
Associates		
KGI TH	$6,346	$2,668
Other related parties		
KGI Bank	9,306	8,443
China Life	368	357
Total	$16,020	$11,468

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

	12/31/20	12/31/19
Other related parties		
China Life	$724	$-
KGI Investment Trust Fund	-	140,000
Total	$724	$140,000

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

	12/31/20	12/31/19
Other related parties		
KGI Bank	$1,916,446	$9,775,316

(11) Short-term borrowings:

	12/31/20	12/31/19
Other related parties		
KGI Bank	$-	$903,180

(12) Futures customers' equity:

	12/31/20	12/31/19
Other related parties		
KGI Bank	$122,324	$182,705
Other	9,251	6,801
Total	$131,575	$189,506

(13) Accounts payable:

	12/31/20	12/31/19
Associates		
KGI TH	$547,761	$-
Other related parties		
China Life	-	644,738
Others	151,782	132,876
Total	$699,543	$777,614

(14) Other accounts payable:

	12/31/20	12/31/19
Associates	$3	$-
Other related parties		
China Life	5,491	23,456
KGI Bank	2,301	1,918
Others	-	11
Total	$7,795	$25,385

(15) Current income tax liabilities:

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

	12/31/20	12/31/19
Due to CDFH (the parent company)	$1,199,385	$737,608

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

Purchase and sale of bonds

	For the year ended December 31, 2020	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	$129,000	$2,500,000
China Life	-	8,240,400
Total	$129,000	$10,740,400

	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

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

Right-of-use asset

	12/31/20	12/31/19
Other related parties		
China Life	$13,715	$3,586

Lease liabilities

	12/31/20	12/31/19
Current		
Other related parties		
China Life	$3,824	$1,944
Non-Current		
Other related parties		
China Life	9,928	1,652
Total	$13,752	$3,596

Rental income (recognized as other income and costs)

	For the years ended December 31	
	2020	2019
Other related parties		
KGI Bank	$13,001	$13,000
Others	341	340
Total	$13,342	$13,340

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

Refundable deposits (recognized as other non-current assets)

	12/31/20	12/31/19
Other related parties		
China Life	$955	$934

Depreciation and amortization

	For the years ended December 31	
	2020	2019
Other related parties		
China Life	$3,784	$3,751
Bank of Taiwan	-	822
Total	$3,784	$4,573

(18) Employee benefit expenses

	For the years ended December 31	
	2020	2019
Other related parties		
China Life	$26,933	$19,966
Bank of Taiwan	-	114
Total	$26,933	$20,080

(19) Other operating expenses

	For the years ended December 31	
	2020	2019
Associates	$42	$-
Other related parties		
China Life	155,762	209,187
KGI Charity Foundation	30,000	10,000
Others	15,436	8,667
Total	$201,240	$227,854

(20) Other income and costs

	For the years ended December 31	
	2020	2019
Parent company		
CDFH	$104,082	$64,914
Associates	14,278	15,795
Other related parties		
KGI Bank	120,640	104,718
China Development Asset Management	-	26,295
Others	36	82
Total	$239,036	$211,804

(21) Information about key management personnel compensation

	For the years ended December 31	
	2020	2019
Short-term employee benefit	$283,903	$336,475
Post-employment benefits	1,974	3,917
Share-based payment transaction	-	332
Total	$285,877	$340,724

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

	12/31/20	12/31/19
Property and equipment and investment property	$266,912	$268,981

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	12/31/20	12/31/19
Financial assets measured at FVTPL- current		
Trading securities-dealing	$353,009	$450,653
Open-ended funds, monetary market instruments and other securities	242,706	241,718
Financial assets measured at FVOCI-current		
Foreign securities	-	891,533
Other current assets- restricted	1,182,196	1,554,519
Investment accounted for using the equity method	3,636,465	3,157,680
Property and equipment	4,322,139	4,354,567
Investment property	351,625	354,515
Total	$10,088,140	$11,005,185

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 abovementioned clients requested the Court for the repossession of such shares from the Company, and the Company shall pay cash of 90,379 thousand dollars and assumed interest in lieu. During the process of litigation, said clients changed the 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 original judgment has been rendered and the Company was unable to retrieve the stocks. The case was remanded by the Supreme Court back to the High Court with the decision. 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, and the Company failed to perform sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, the Company constituted violation Articles 20 and 32 of Securities and Exchange Act and Article 184 and 185 of Civil Code. The plaintiffs sued the Company and Taiwan Kolin Co., Ltd. with jointly liability amounting to 133,308 thousand dollars plus 5% interest. The Taipei District Court ruled in the Company’s favor in first instance on January 29, 2021.

3. For the need of securities borrowing margin, the Company requested the bank guarantees for 3,330,000 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. 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.

2. 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 a 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 reorganization;
II. A breach of contract of the issuers and counterparties' other financial instruments has occurred;
III. The disappearance of an active market for that financial 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 and subsidiaries, 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 assessment, 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 and subsidiaries 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 and subsidiaries 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 and subsidiaries do bond investments under reverse repurchase agreement are mainly the financial institutions and corporations with good credit; The factor that counterparties' securities are held by the Company and subsidiaries 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 borrows securities, the Company 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. Other non-current assets

Other non-current assets include operation guarantee deposits, clearing and settlement fund and guarantee deposits. The Company and subsidiaries assess 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, 2020 and 2019.

3. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

12/31/20

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$6,935,304	$3,651,859	$-	$-	$-	$10,587,163
Financial assets measured at FVTPL-current	56,815,841	9,670,818	710,972	11,523,068	7,750	78,728,449
Financial assets measured at FVOCI-current	20,401,895	4,088,596	365,734	-	-	24,856,225
Investment in bonds with reverse repurchase agreements	-	13,612,920	-	-	-	13,612,920
Receivables	62,857,158	4,352,481	21,824,794	13,323	-	89,047,756
Customer margin accounts	54,510,397	-	-	-	-	54,510,397
Stock borrowing collateral price and security lending deposits	7,983,545	21,444,531	13,041,029	-	-	42,469,105
Other financial assets-current	-	-	5,431,740	-	-	5,431,740
Current tax assets	-	-	6,515	10,061	-	16,576
Other current assets	32,879,769	1,640,660	412,148	-	-	34,932,577
Financial assets measured at FVTPL-non-current	-	-	-	585,801	2,428,662	3,014,463
Financial assets measured at FVOCI-non-current	-	-	-	-	6,887,144	6,887,144
Investments accounted for using the equity method	-	-	-	-	19,251,480	19,251,480
Others non-current assets	-	-	90	1,907	2,859,626	2,861,623
Total	$242,383,909	$58,461,865	$41,793,022	$12,134,160	$31,434,662	$386,207,618
Percentage	62.76%	15.14%	10.82%	3.14%	8.14%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/20

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$-	$20,632,053	$-	$-	$-	$20,632,053
Commercial papers payable	-	3,661,296	-	-	-	3,661,296
Financial liabilities measured at FVTPL-current	20,792,004	2,480,421	2,147,320	9,760,280	2,379,082	37,559,107
Liabilities for bonds with repurchase agreements	-	75,608,138	-	-	-	75,608,138
Payables	67,979,094	1,982,879	5,106,503	-	-	75,068,476
Guarantee deposit received from security lending	-	12,730,327	28,080,025	-	-	40,810,352
Futures customers' equity	52,663,335	-	-	-	-	52,663,335
Amounts collected for others/ Other payable/ Other current liabilities	3,155,106	1,804,672	4,702,357	58,490	43	9,720,668
Other financial liabilities-current	-	4,150,226	133	1,164	2,137	4,153,660
Lease liabilities-current	-	124,556	341,432	-	-	465,988
Current tax liabilities	-	-	298,916	-	1,272,453	1,571,369
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	24,643	188,069	212,712
Lease liabilities-non-current	-	-	-	573,570	-	573,570
Other non-current liabilities	-	-	20	815,886	85,192	901,098
Total	$144,589,539	$123,174,568	$40,676,706	$14,134,033	$5,226,976	$327,801,822
Percentage	44.11%	37.58%	12.41%	4.31%	1.59%	100.00%

Statement of capital liquidation gap

12/31/20

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$242,383,909	$58,461,865	$41,793,022	$12,134,160	$31,434,662	$386,207,618
Cash outflow	144,589,539	123,174,568	40,676,706	14,134,033	5,226,976	327,801,822
Amount of cash flow gap	$97,794,370	$(64,712,703)	$1,116,316	$(1,999,873)	$26,207,686	$58,405,796

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

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, 2020 and 2019 show that the sums from deducting cash outflow from cash inflow are 58,405,796 thousand dollars and 56,491,570 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.

4. 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, which could divide into two types by distribution of financial instrument:

(a) Equity delta: measured by the change of present value of stock 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%).
(b) Debt delta: measured by the change of present value of bond with the price of the underlying assets linked to the debt securities. (As the potential loss amount given that the beneficiary certificates and funds, included preferred stocks and bond ETF 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	12/31/20	12/31/19
Interest rate risk	$8,513	$6,516
Equity securities risk		
Equity delta	17,664,941	4,417,188
Debt delta	1,800,339	2,608,475
Exchange rate risk	4,463,211	4,587,344
Commodity risk	60,720	2,694

(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, 2020			12/31/20
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$184,619	$63,194	$454,331	$151,569
Interest rate	154,151	82,202	223,599	182,052
Exchange rate	29,364	16,470	47,454	28,944
Commodity	16,173	564	144,496	18,933

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

(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.

5. Fair Value of Financial Instruments

(1) Types of financial instruments

Financial instruments	12/31/20	12/31/19
Financial assets		
Financial assets measured at fair value through profit or loss:		
Mandatorily Measured at fair value through profit or loss	$81,739,901	$84,909,091
Financial assets measured at fair value through other comprehensive income	31,743,369	29,039,877
Financial assets measured at amortized cost (Note 1)	253,447,111	189,478,855
Total	$366,930,381	$303,427,823
Financial liabilities		
Financial liabilities measured at amortized cost (Note 2)	$287,537,733	$245,071,165
Financial liabilities measured at fair value through profit or loss:		
Held for trading	29,923,289	9,578,841
Designated initially at fair value through profit or loss	7,384,244	6,517,466
Total	$324,845,266	$261,167,472

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, refinancing margin, refinancing deposits 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, 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:

	12/31/20		12/31/19	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Long-term liabilities-current portion	$-	$-	$4,800,000	$4,816,584
Bonds payable	4,200,000	4,230,572	4,200,000	4,162,632

(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:

12/31/20

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Stocks	$11,156,829	$-	$2,481,741	$13,638,570
Bonds	21,891,412	30,834,927	-	52,726,339
Others	8,722,107	1,663,465	-	10,385,572
Financial assets measured at FVOCI				
Stocks	-	-	70,873	70,873
Bonds	24,599,813	7,072,683	-	31,672,496
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	15,227,846	-	-	15,227,846
Bonds	994,559	799,876	-	1,794,435
Others	2,691,542	-	-	2,691,542
Derivative instruments				
Assets				
Financial assets measured at FVTPL	1,418,383	3,570,999	38	4,989,420
Liabilities				
Financial liabilities measured at FVTPL	975,989	13,068,694	3,549,027	17,593,710

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	32,595,422	-	56,268,845
Others	8,826,499	1,419,290	-	10,245,789
Financial assets 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

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 at recurring basis

There are no transfers between Level 1 and Level 2 for the years ended of December 31, 2020 and 2019.

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, 2020

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 (Note 2)	Disposal	Transfer out of Level 3 (Note1)	
Financial Assets								
Derivative instruments								
Financial assets measured at FVTPL	$346	$1,565	$-	$11,878	$-	$(13,751)	$-	$38
Non-derivative instruments								
Financial assets measured at FVTPL	2,403,670	61,956	-	223,089	-	(64,538)	(142,436)	2,481,741
Financial assets measured at FVOCI	2,016	-	146	-	68,711	-	-	70,873

For 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 (Note 2)	Disposal	Transfer out of Level 3 (Note1)	
Financial Assets								
Derivative instruments								
Financial assets measured at FVTPL	$20,313	$(6,280)	$-	$11,751	$-	$(25,438)	$-	$346
Non-derivative instruments								
Financial assets measured at FVTPL	2,268,207	209,503	-	220,326	-	(198,442)	(95,924)	2,403,670
Financial assets measured at FVOCI	2,049	-	(33)	-	-	-	-	2,016

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

Note 2: The fair value of securities cannot be retrieved from active market, so it transfer from level 2 to level 3.

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

For year ended December 31, 2020

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	$2,465,737	$(149,319)	$-	$2,006,825	$-	$(774,216)	$-	$3,549,027

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	$625,437	$103,736	$-	$2,080,880	$-	$(344,316)	$-	$2,465,737

c. Total gains or losses from financial assets and liabilities still held by the Company and subsidiaries for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31	
	2020	2019
Total gains or losses		
Recognized in profit or loss	$(14,158)	$3,870
Recognized in other comprehensive income	146	(33)

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 ended December 31, 2020 and 2019.

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.

12/31/20

	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%-29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVTPL-equity instrument	Discounted Cash Flow	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		WACC	7.10%	The higher the WACC is, probably the lower the fair value of assets is.
		Growth Rate	2.20%	The higher the growth rate 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	26.80%-45.09%	Depending on contract terms.

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial liabilities:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.00%-13.10%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	20.66%-60.84%	Depending on contract terms.

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

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.

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:

12/31/20

	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%	$213	$221
Equity instruments (discounted cash flow)	Depreciation ratio	- 1% / +1%	86	86
	WACC	- 1% / +1%	434	421
	Growth Rate	+1% / - 1%	122	121
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%	13	13
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	-	-
Equity derivative instruments－short option	Historical volatility	-25% / +25%	161	168

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

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

12/31/20

	Level 1	Level 2	Level 3	Total
Non-Financial assets:				
Investments accounted for using the equity method	$11,611,230	$-	$-	$11,611,230
Investment properties	-	-	867,465	867,465
Financial liabilities:				
Bonds payable	4,230,572	-	-	4,230,572

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

A. Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.9 and VI.12 for the fair value hierarchy of Investments accounted for using the Equity Method and investment properties mentioned above.

B. The methods of valuation of financial assets and liabilities refer to Note XII.5(2).

6. 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:

12/31/20					
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	$57,660,617	$54,435,527	$57,660,617	$54,435,527	$3,225,090
Securities borrowing transactions	244,854	342,796	244,854	342,796	(97,942)

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)

(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	
12/31/20	Long call option	$10,332,500	$1,522,083	$1,522,083	$-	$1,522,083
12/31/19	Long call option	$11,705,100	$1,115,752	$1,115,752	$-	$1,115,752

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
12/31/20	Long call option	$-	$850,900	$2,064,900	$7,416,700	$-	$10,332,500
12/31/19	Long call option	$-	$318,000	$4,362,400	$7,024,700	$-	$11,705,100

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
12/31/20	Long call option	$19,004	$393,637	$412,641
12/31/19	Long call option	$2,970	$(54,734)	$(51,764)

7. 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:

12/31/20						
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	$3,571,037	$-	$3,571,037	$-	$851,194	$2,719,843
Resell agreement	13,610,026	-	13,610,026	13,610,026	-	-
Total	$17,181,063	$-	$17,181,063	$13,610,026	$851,194	$2,719,843

12/31/20						
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	$9,234,243	$-	$9,234,243	$-	$3,740,088	$5,494,155
Repurchase agreement	75,577,488	-	75,577,488	75,577,488	-	-
Total	$84,811,731	$-	$84,811,731	$75,577,488	$3,740,088	$5,494,155

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

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

8. 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, 2020 and 2019 are disclosed as follows:

(1) Capital adequacy ratio

Item	12/31/20	12/31/19
Qualified net equity Capital	$25,496,473	$23,161,337
Equivalent amount of operating risk	9,028,653	6,897,344
Capital adequacy ratio	282%	336%

Item	For the years ended December 31 2020	2019
Average	297%	330%
Maximum	332%	380%
Minimum	272%	305%

(2) Equivalent amounts and percentages of operating risks

Item	12/31/20 Amount	Percentage	12/31/19 Amount	Percentage
Market risk	$4,000,866	44.31%	$3,434,022	49.79%
Credit risk	3,221,051	35.68%	1,667,427	24.17%
Operational risk	1,806,736	20.01%	1,795,895	26.04%
Total	$9,028,653	100.00%	$6,897,344	100.00%

9. 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	12/31/20 Calculation	12/31/20 Ratio	12/31/19 Calculation	12/31/19 Ratio	Standard	Execution
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,978,857 / 555,428	3.56	1,600,505 / 61,353	26.09	≧1	Satisfied
17	Current assets / Current liabilities	3,265,839 / 555,112	5.88	1,898,585 / 60,759	31.25	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,978,857 / 400,000	494.71%	1,600,505 / 400,000	400.13%	≧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	974,269 / 603,590	161.41%	1,373,156 / 240,585	570.76%	≧20% ≧15%	〃

KGI Futures

Article #	Calculation Formula	12/31/20 Calculation	12/31/20 Ratio	12/31/19 Calculation	12/31/19 Ratio	Standard	Execution
17	Stockholders' equity / (Total liabilities－Futures customers' equity)	4,045,179 / 538,351	7.51	3,476,758 / 481,786	7.22	≧1	Satisfied
17	Current assets / Current liabilities	37,397,552 / 34,726,811	1.08	24,648,866 / 22,526,171	1.09	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	4,045,179 / 760,000	532.26%	3,476,758 / 760,000	457.47%	≧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	3,609,974 / 8,461,679	42.66%	2,916,462 / 5,418,240	53.83%	≧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

	12/31/20	12/31/19
Cash in bank	$1,798,748	$1,030,073
Financial assets	35,844,246	28,466,294
Receivables	295,830	402,789
Total trusted assets	$37,938,824	$29,899,156

	12/31/20	12/31/19
Payables	$40,203	$24,674
Trust capital	33,374,578	26,212,975
Reserves and retained earnings	4,524,043	3,661,507
Total trusted liabilities	$37,938,824	$29,899,156

B. Income statement of trust business

	For the years ended December 31	
	2020	2019
Revenues	$5,737,714	$4,301,782
Expenses	(3,040,671)	(2,381,197)
Income before tax	2,697,043	1,920,585
Income tax	-	-
Net income	$2,697,043	$1,920,585

C. Trust Property catalog

	12/31/20	12/31/19
Cash in bank	$1,798,748	$1,030,073
Stocks	16,652,820	11,891,410
Funds	15,253,348	14,146,389
Structured notes	3,178,855	1,979,707
Bonds	759,223	448,788
Total	$37,642,994	$29,496,367

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, 2020 and 2019 are USD 7,736 thousand and USD 1,310 thousand, respectively.

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

	12/31/20			12/31/19		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$3,088,229	28.50	$88,025,500	$2,526,736	30.09	$76,026,980
HKD	112,418	3.68	413,144	113,315	3.86	436,901
JPY	1,724,707	0.28	476,661	998,477	0.28	275,883
EUR	637,881	35.05	22,357,681	309,281	33.76	10,440,653
CNY	392,281	4.38	1,718,934	66,949	4.32	289,403
AUD	2,365	21.97	51,960	1,410	21.10	29,747
Non-monetary Items						
USD	2,230,286	28.51	63,580,981	1,862,991	30.11	56,087,221
JPY	-	0.28	-	65,968	0.28	18,280
EUR	-	35.05	-	10,783	33.76	364,023
CNY	910,648	4.38	3,990,370	1,333,592	4.32	5,765,119
AUD	4,064	21.97	89,294	36,172	21.10	763,236
Investments accounted for using the equity method						
USD	84,975	28.51	2,422,459	86,389	30.11	2,600,838

	12/31/20			12/31/19		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial liabilities						
Monetary Items						
USD	5,614,807	28.51	160,053,538	4,887,513	30.10	147,101,061
HKD	67,455	3.67	247,883	73,636	3.85	283,827
JPY	1,577,505	0.28	435,959	732,425	0.28	202,163
EUR	636,629	35.05	22,313,802	311,723	33.76	10,523,105
CNY	390,736	4.38	1,712,162	51,765	4.32	223,764
AUD	4,379	21.97	96,204	26,646	21.10	562,228
Non-monetary Items						
USD	409,738	28.51	11,680,810	279,293	30.11	8,408,404
JPY	-	0.28	-	65,968	0.28	18,280
EUR	7	35.05	234	111	33.76	3,760
CNY	-	4.38	-	26,862	4.32	116,126
AUD	4	21.97	93	8,594	21.10	181,324

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 (including realized and unrealized) are gains 585,789 thousand dollars and gains 98,657 thousand dollars for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

(7) Reclassifications

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