



Annual
Report 2018

SinoPac Securities & Its Subsidiaries

SinoPac Securities Corporation

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Contents

Office Locations	02
Letter to Shareholders	04
Corporate Profile	08
I. Organization Structure	
II. Board of Directors	
III. Executive Officers	
IV. Consolidated Shareholdings in Invested Companies	
V. Status of Capital	
VI. Share Price, Book Value, Earnings and Dividends for 2017 to 2018	
VII. Issuance of Corporate Bonds	
Operating Results	16
I. Business Activities	
II. Market Analysis	
III. Human Resources	
IV. Labor-Management Relations	
V. Major Contracts	
Corporate Governance Report	27
I. Corporate Governance Status of Implementation	
II. The Declaration of Internal Control	
Financial Reports	36
I. Condensed Financial Statements for 2014 to 2018	
II. Financial Ratios for 2014 to 2018	
III. Audit Committee's Report	
IV. Audited Financial Statements	
Analyses of Financial Standing and Operating Results & Risk Management Evaluation	123
I. Analysis of Financial Standing	
II. Analysis of Operating Results	
III. Short-term Liquidity Analysis	
IV. Principal Capital Expenditures and Analysis of Funding Resources	
V. Risk Management Evaluation	
Group Information	132

Office Locations

Division / Branch Name	Address	Telephone No.
Office Locations & Branch Offices		
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Principal Investment & Derivatives Division	17F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel: (02)2311-4345
Fixed Income Division	5F., No.306, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Tel: (02)8161-8935
Investment Banking Division	5F., No.17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel: (02)2382-3207
Register & Transfer Agency Dept.	3F., No.17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel: (02)2381-6288
Offshore Securities Unit	7F.,18F.&20F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel: (02)2311-4345
Brokerage Division	7F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel : (02)2349-5004
Bo'ai Branch	1F., No.57, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel : (02)2311-9144
Guting Branch	3F., No.110, Sec. 1, Nanchang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Tel : (02)2321-8345
Dadaocheng Branch	2F., No.286, Minsheng W. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	Tel : (02)2556-9988
Zhongzheng Branch	3F.-1&3&5, No.23, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Tel : (02)2531-3135
Nanjing Branch	2F., No.36, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Tel : (02)2508-2335
Fuxing Branch	1F., No.35&3F.,No.37, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Tel : (02)2502-8588
Wansheng Branch	2F.-4&3F., No.129, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	Tel : (02)2501-1451
Dunpei Branch	10F., No.88, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Tel : (02)8161-5000
Guangfu Branch	4F.-1, No.102, Guangfu S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2777-1192
Anhe Branch	4F., No.149, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2325-8200
Dunnan Branch	B1, No.187, Sec. 2, Anhe Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2377-8355
Xinyi Branch	2F.&2F.-1, No.189, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2705-6588
Zhongxiao Branch	2F., No.280, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2771-6588
Digital Branch	6F., No.295, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Tel : (02)2731-0981
Songshan Branch	2F., No.130, Songshan Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	Tel : (02)2766-3315
Tianmu Branch	2F., No.60&62, Sec. 1, Zhongcheng Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	Tel : (02)8866-1992
Neihu Branch	1-2F., No.49, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	Tel : (02)2657-1998
Banqiao Branch	3-5F., No.48, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	Tel : (02)2959-3200
Bansheng Branch	2F., No.180&182, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	Tel : (02)2958-6918
Banxin Branch	1F., No.246, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	Tel : (02)2253-3458
Xindian Branch	2F., No.252, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	Tel : (02)2911-6395
Zhonghe Branch	1F., No.370, Zhonghe Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	Tel : (02)2231-3453
Sanchong Branch	No.110, Zhongzheng N. Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	Tel : (02)2981-0112
Xinzhuang Branch	1F., No.338, Zhonggang Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	Tel : (02)8992-2118
Luodong Branch	2-3F., No.203, Zhongzheng Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	Tel : (03)956-7181
Zhongli Branch	3F., No.370&372, Yanping Rd., Zhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	Tel : (03)422-4800
Taoyuan Branch	3F.-1&2, No.77, Nanhua St., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	Tel : (03)335-2581
Taosheng Branch	3F., No.370, Nanping Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	Tel : (03)357-5585
Taozhong Branch	2F., No.845, Zhongshan Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	Tel : (03)378-5200
Dayuan Branch	2-3F., No.102, Zhongshan N. Rd., Dayuan Dist., Taoyuan City 337, Taiwan (R.O.C.)	Tel : (03)385-3998
Hsinchu Branch	4-5F., No.129, Zhongzheng Rd., North Dist., Hsinchu City 300, Taiwan (R.O.C.)	Tel : (03)526-8198
Chuke Branch	4F., No.289, Sec. 2, Guangfu Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	Tel : (03)575-2000
Zhubei Branch	2F.-1&2&4F.-1, No.145&2F., No.147, Xianzheng 9th Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	Tel : (03)553-8388

Division / Branch Name	Address	Telephone No.
Taichung Branch	7F., No.728, Sec.1, Taiwan Blvd., West Dist., Taichung City 403, Taiwan (R.O.C.)	Tel : (04)2202-2940
Wuquan Branch	6F., No.257, Sec. 1, Wuquan W. Rd., West Dist., Taichung City 403, Taiwan (R.O.C.)	Tel : (04)2376-2865
Zhongsheng Branch	6F.&8F., No.1, Shizheng N. 1st Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	Tel : (04)2258-7220
Shizheng Branch	4F.-5&6, No.402, Shizheng Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	Tel : (04)2254-8935
Fengyuan Branch	2F., No.15, Ln. 67, Xinyi St., Fengyuan Dist., Taichung City 420, Taiwan (R.O.C.)	Tel : (04)2528-2188
Changhua Branch	5-6F., No.532, Minzu Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	Tel : (04)722-4976
Yuanlin Branch	5F., No.338, Sec. 1, Datong Rd., Yuanlin City, Changhua County 510, Taiwan (R.O.C.)	Tel : (04)836-7338
Nantou Branch	1-2F., No.45, Wenchang St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	Tel : (049)220-1932
Puli Branch	No.479, Zhongzheng Rd., Puli Township, Nantou County 545, Taiwan (R.O.C.)	Tel : (049)298-9988
Chiayi Branch	3F., No.386, Zhongshan Rd., West Dist., Chiayi City 600, Taiwan (R.O.C.)	Tel : (05)229-1345
Huwei Branch	3F., No.136, Xincheng Rd., Huwei Township, Yunlin County 632, Taiwan (R.O.C.)	Tel : (05)636-5288
Fucheng Branch	2F., No.40, Gongyuan Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	Tel : (06)222-8975
Tainan Branch	4F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 702, Taiwan (R.O.C.)	Tel : (06)224-9998
Yongkang Branch	2F., No.423, Zhonghua Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	Tel : (06)302-5982
Kaohsiung Branch	2-3F., No.284, Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City 802, Taiwan (R.O.C.)	Tel : (07)723-2800
North Kaohsiung Branch	3F., No.473, Longde Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	Tel : (07)555-0455
Lingya Branch	20F.-1, No.260, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.)	Tel : (07)537-5800
Sanmin Branch	1-2F., No.247, Zili 1st Rd., Sanmin Dist., Kaohsiung City 807, Taiwan (R.O.C.)	Tel : (07)312-6800
Fengshan Branch	No.310, Baotai Rd., Fengshan Dist., Kaohsiung City 830, Taiwan (R.O.C.)	Tel : (07)726-3000
Pingtung Branch	4F., No.125, Zhongzheng Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	Tel : (08)765-5457
Chaozhou Branch	No.16, Yanping Rd., Chaozhou Township, Pingtung County 920, Taiwan (R.O.C.)	Tel : (08)789-0122

Overseas Subsidiaries		
SinoPac Securities (Asia) Limited	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	Tel: (852)2586-8288
SinoPac Asset Management (Asia) Limited	Room 601, 6th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	Tel: (852)2586-8288
SinoPac Solutions and Services Limited	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	Tel: (852)2586-8288
SinoPac Securities (Europe) Limited	6 Lloyd's Avenue, London EC3N 3AX, United Kingdom	Tel: (44-20)7614-9999
SinoPac Financial Consulting (Shanghai) Limited	Room 1903B, Lujiazui Fund Tower, 1528 Century Avenue, Pudong New Area, Shanghai, P.R.C.	Tel: (86-21)6886-6880
SinoPac Securities (Asia) Limited – Shanghai Representative Office	Room 1903A, Lujiazui Fund Tower, 1528 Century Avenue, Pudong New Area, Shanghai, P.R.C.	Tel: (86-21)6886-5358

Letter to Shareholders

2018 Economic and Market Conditions Review

Looking back at 2018, global economies began the year on solid footing but gradually lost traction as the year progressed. TAIEX followed a similar pattern, standing above 10,000 points through much of 2018 thanks to steady expansion of the global economy in H1 2018, continuous application of emerging technologies, sustained high crude oil prices, rapid export growth, and the positive state of Taiwan's economy overall; however, dark clouds emerged in H1 2018: the US-China trade war simmered in Q3 2018, US rate hikes caused USD appreciation, global liquidity tightened, and volatility increased in emerging markets and developing economies. These factors started to drag on major economies like the US, Europe, and Japan, as well as Taiwan's financial market. Succumbing to the slower global economic growth and the increased stock market volatility, TAIEX retreated to 9,727 points in late 2018, down 915 points, or 8.60%, from 10,642 points in late 2017. Average daily turnover increased by 20.06% in 2018 to NT\$167 billion, up NT\$27.9 billion from NT\$139.1 billion in 2017. The combined annual profit for all securities firms in 2018 was NT\$28.17 billion, down 29.67% from the previous year's NT\$40.054 billion. The poor earnings performance is attributable to domestic securities firms' recognition of increasing losses in securities valuation from proprietary trading and underwriting service as domestic share prices retreated along with global stock markets in Q4 2018.



Chairman / Stanley CHU

Operational Performance and Development

SinoPac Securities continued to make financial innovations. The Company leveraged its professionalism and sound business strategies for new markets to widen its sources of income and win frequent praise for its outstanding performance in 2018 in such featured businesses as wealth management, Fintech, ETF market-making, and futures. Nevertheless, its proprietary trading positions fell short of expectations owing to rising bond yields, the US-China trade war, and other changes that influenced the market environment. Thus, its annual profit declined from the previous year. In 2018, the Company reported consolidated after-tax net profit of NT\$467 million and net profit after tax of NT\$0.29 per share, decreasing 58.64% and 58.57% respectively from consolidated after-tax net profit of NT\$1,129 million and net profit after tax of NT\$0.70 per share in the previous year, and ROE of 1.80% in 2018.

I. Performance of Business Development in 2018

1. **Brokerage business:** Its income from the core brokerage business was stable, and it was ranked No. 4, with a 4.86% market share.
2. **E-Trading business:** Ranked No. 4, with a 5.36% market share in electronic transactions.
3. **Futures and options business:** Ranked No. 4, with a 6.08% market share.
4. **Sub-brokerage business:** The market share of the sub-brokerage business was ranked No. 2 in the market for the second year. Turnover was NT\$355.7 billion in 2018, up 11.30% from NT\$319.6 billion from the previous year.
5. **Pan-wealth management income:** Its income from pan-wealth management expanded steadily and continuously. In 2018, its income from pan-wealth management was NT\$1.253 billion, up 7.83% from NT\$1.162 billion from the previous year.
6. **The wealth management trust AUM** reached NT\$13.654 billion, up 34.11% from NT\$10.181 billion from the previous year, with an annual growth rate ranked first in the market.
7. **Underwriting Service:** The number of underwriting cases as arranger was 15, and it was ranked No. 5, with a 7.81% market share; the amount of firm commitment underwriting as arranger or co-arranger was NT\$6,573 million, and it was ranked No. 5, with a 6.52% market share; its underwriting fee income was NT\$361 million, up 17.59% from NT\$307 million from the previous year.
8. **Stock transfer agent business:** Ranked No. 6, with services provided to 271 companies.
9. **Warrants business:** The no. of warrants issued by the Company was 3,596, and it was ranked No. 4, with a 9.78% market share.

II. Operational Strategic Focus and R&D

In response to ever-changing financial markets, severe competition within the industry, and changes in the operating environment of securities firms, SinoPac Securities continues to maintain its core business, expand its business scale, enhance its operating metrics, and innovate and transform its businesses, while remaining committed to the balanced development of all the businesses and achieving synergies. The Company adjusted its organizational structure in 2018 in response to its strategic development needs and established the "Electronic Finance Division" to coordinate its overall planning of digital technology and electronic financial development. Furthermore, it continued to merge and liquidate overseas subsidiaries to enhance the operating efficiency of the organization.

In the aspect of research and development, as the competent authority deregulated securities-related policy, the Company continued to launch new businesses, develop new financial wealth management products, and utilize digital Fintech to offer investors convenient financial wealth management services.

1. Constant shift to develop wealth management and launch new business items

SinoPac Securities began to launch the wealth management trust business in 2014. It kept promoting seamless transition of securities channels into wealth management services and renovating its business locations nationwide, in line with the Company's aim to be a securities firm with a strong wealth management center. The Company constantly provided financial counseling and product training to help securities specialists blossom into well-rounded wealth-management specialists. SinoPac Securities launched the securities investment consulting service in 2018 and released inventory-related push notification through SinoPac Securities' Line@ to provide smart wealth management services; it also provided the service of pledging beneficial interests under trust funds through SinoPac Securities' trust platform, making itself the first among securities firms to provide differentiated services.



President / CHIANG Wei-Yuan

2. Digital transformation of applied technologies to develop a customer experience-oriented digital service

SinoPac Securities developed an "API Smart Wealth Management Ecosystem" that breaks the thinking and operation of traditional closed systems. It built up various financial scenarios and developed various innovative services by seamlessly aligning with "Plug and Play" to enhance the value and scalability of the platform. Utilizations that have been developed include using API to partner with Fintech startups in bilateral ways, a Line@ wealth management chat robot, a brand-new investment platform on the wealth management website, and order placement linking apps, such as CMoney's chip analysis K-line and Eten Goojinbo, which offer more convenient financial services to investors.

The newly launched "New Wealth Management Website" targets overseas investments. In comparison with wealth management websites established by traditional securities firms, SinoPac Securities was the first among securities firms to cooperate with Thomson Reuters by integrating market quotes on Taiwan's stock market, futures and options market, and overseas stock markets, as well as transaction services, allowing investors to acquire international wealth management information more easily, lay out investment plans for global markets, and make diverse asset allocation. Furthermore, SinoPac Securities enhanced the user friendliness and interaction by adopting the RWD design in its website, allowing investors to place orders through the mobile website. It has also improved the certificate download function and created a digital environment centered on clients' experience.

3. Balanced business development, continuous transformation and innovation, enhancement of stable profit model

The Company's investment banking unit has developed and incorporated more innovative business models and has actively developed financial-consulting services and cross-border investment banking business concerning Mainland China, Taiwan and Hong Kong. At the same time, the securities company plans to create a venture-capital company. The Company



has worked to strengthen the relationship between its Investment Banking Division and its clients, in line with clients' requests for a broader scope of financial-consulting services, and the Company's desire to broaden its investment banking business. In terms of proprietary trading, it continued to strengthen trading strategies and increase stable returns on investments. It also strengthened its market-making system, boosted the visibility of its warrants brand, and increased the transaction volume of SinoPac Warrants, aiming to increase the stable return on its proprietary trading.

Stable Capital Structure, Upward Adjustment of Credit Rating and Outlooks Stable

Within a reasonable risk level, SinoPac Securities effectively utilized its assets and resources. At the end of 2018, its capital adequacy ratio was 428%. It aimed to seek a steady expansion of assets within a specific risk level. SinoPac Securities continued to develop its wealth management as a securities firm model while strengthening its risk management in 2018; its efforts were recognized by a credit rating institution. Taiwan Ratings announced the raising of SinoPac Securities' credit rating to "twAA-/twA-1+," which indicated the substantial results of the Company's efforts in operation, management, finance, and risk control.

Achievements in Financial Innovation and Service Consolidation

SinoPac Securities has steadfastly strived to innovate and transform wealth management. It combined physical channels with digital services to expand its presence in wealth management as a securities firm. Its expertise in wealth management, digital wealth management services and various business performances have been recognized by external parties. It received numerous awards in 2018, which are listed below:

● **Taiwan Stock Exchange**

The ETF Trading and Market-making Competition: "Excellence Allocation Award," "Stocks Rising Award," and "Taiwan ETF Liquidity Provider Award";

"Economy Accelerator Award - 1st Place in IPO Funding and 3rd Place in IPO Market Value," "Negotiable Securities Award - 2nd Place Underwriter";

The Incentive Activities for Warrants Issuers and Securities Brokers, "Warrants Number Breakthrough Award" and "Warrants Number Circulation Award" for warrants issuers, "Excellent Warrants Value Award" for securities brokers;

● **Taipei Exchange**

The Incentive Activities for Warrants Issuers: "Warrants Sales Award-2nd Place" for warrant issuers, and "Excellent Warrants Value Award - 2nd Place" for securities brokers;

"Excellent Central Government Bonds Market Maker";

● **Taiwan Futures Exchange**

The 4th Futures Diamond Award: "Futures Introducing Broker Trading Volume Diamond Award - 2nd Place," "FX Market Maker Performance Diamond Award - 2nd Place in Futures Proprietary Merchants";

● **Outstanding Enterprise Manager Association**

The 14th Golden Torch Award For The Top Ten Innovative Design of the year;

● **Wealth Magazine**

Wealth Management Awards hosted by Wealth Magazine: "Best Services of Securities," "Best Digital Wealth Management in Securities," and "Best Video Marketing";

Finance Awards hosted by Wealth Magazine: "Excellence in Broker Service," "Excellence in Fintech Securities";

● **Business Today**, the 12th Wealth Management Banks and Securities Firms Evaluation: "Best Digital Platform Experience Award - 1st Place," "Best Digital Innovation Award - 2nd Place";

● **Excellence Magazine**, the Securities Company Evaluation: "Best Wealth Management Award," "Most Well-Rounded Digital Services Award";

● **The Asset**, The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards: "Equity Derivatives House - Highly Commended in Taiwan," "Best ETF Market Maker - Highly Commended in Taiwan."

Promotion of ESG Investments and Pursuing Sustainable Value

SinoPac Securities has observed ESG for a long time and held ESG investment seminars for 4 consecutive years, through which it helped to promote environmental protection, social fairness, and corporate governance in relation to capital markets and economic activities. Furthermore, SinoPac Securities continued to invest in social welfare and corporate sustainability. In 2018, it participated in the social welfare events held by its parent company, SinoPac Holdings, including employees as volunteers going to Checheng, Nantou, to advocate environmental protection and care for mountains and forests, to Tainan to clean beaches and safeguard a clean ocean on the Sunset Platform, and spending the Double Ninth Festival with families supported by the

Taiwan Fund for Children and Families in Yunlin. SinoPac Securities implemented the care for the environment and local people by combining contributions of the public. It also participated in the long-term lunchbox pledge plan of the Children Are Us Foundation and initiated a lunchbox donation event of "Light Up Hopes and Let Love Warm Your Heart." Over 1,000 employees responded to it and donated 8,889 lunchboxes of the Children Are Us Foundation bakery, demonstrating the corporate cultural warmth of SinoPac Securities.

2019 Outlook and Business Strategies

Looking to 2019, with global economies tending to slow-down and the list of global uncertainties continuing to expand (global trade tensions, changes to monetary policies of major economies, economic and financial fragility in emerging markets, political and economic concerns in Europe, etc.), the global economy has significant downside risk. The domestic economy will continue to slow down in H1 2019 because the economies of Europe and US have become tepid. However, there are bright spots as well. Taiwan's semiconductor companies possess superior manufacturing capabilities, and the list of emerging applications for semiconductors has widened to include high-speed arithmetic, smart technologies, IoT, automobile electronics, and 5G, all of which are likely to bolster export momentum. While it seems likely that global economic growth will continue to slow in H1, if the US and China negotiate a quick end to their trade war and global central banks gradually loosen their monetary policies to combat the slower growth, the global economy will have a good chance to gain steam in H2 2019. The current prevailing view is that the global economy will slow down in H1 2019, but gradually rebound in H2 2019.

SinoPac Securities has been constructing and integrating the infrastructure of core businesses for years and advancing and growing under the guidance of the competent authority through constant deregulation and opening up financial business. In 2019, it aims to maintain its position as "a leader of financial innovation in the securities industry" and "the most influential Greater China securities firm in the pan-Pacific region." It will keep developing wealth management as a securities firm, utilizing Fintech and digital innovation to achieve a strategic development target of actively building up its brand as a digital technology securities firm offering wealth management services. The scheduled strategic schemes are as follows:

I. 2019 Strategic focus

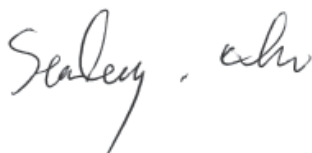
1. Consistently develop wealth management as a securities firm to expand the source of income.
2. Build digital finance, precision digital marketing, and digital diversion to enhance operating benefits of channels and increase market share.
3. Develop underwriting services, expand financial consulting services, and develop cross-border investment banking services.
4. Strengthen stable returns on investments and continue to advance stable profitability of proprietary trading.
5. Pioneer financial innovations and develop new fixed-income products.
6. Enhance overseas investment operations and profits.

II. Long-term strategic focus

1. Balance business developments and continue stable profit growth.
2. Develop digital services centered on customer experience.
3. Reinforce risk management and corporate governance.
4. Optimize human capital and information technology infrastructure and strengthen long-term competitiveness.

As the first securities firm listed on TPEx, SinoPac Securities has evolved into a large-scale integrated securities firm with capital stock of NT\$16.212 billion. In 2019, SinoPac Securities will adopt a step-by-step approach and remain committed to providing clients with innovative, professional, and fully-integrated financial services, creating a mutually beneficial outcome for its shareholders, employees and clients.

Stanley CHU
Chairman

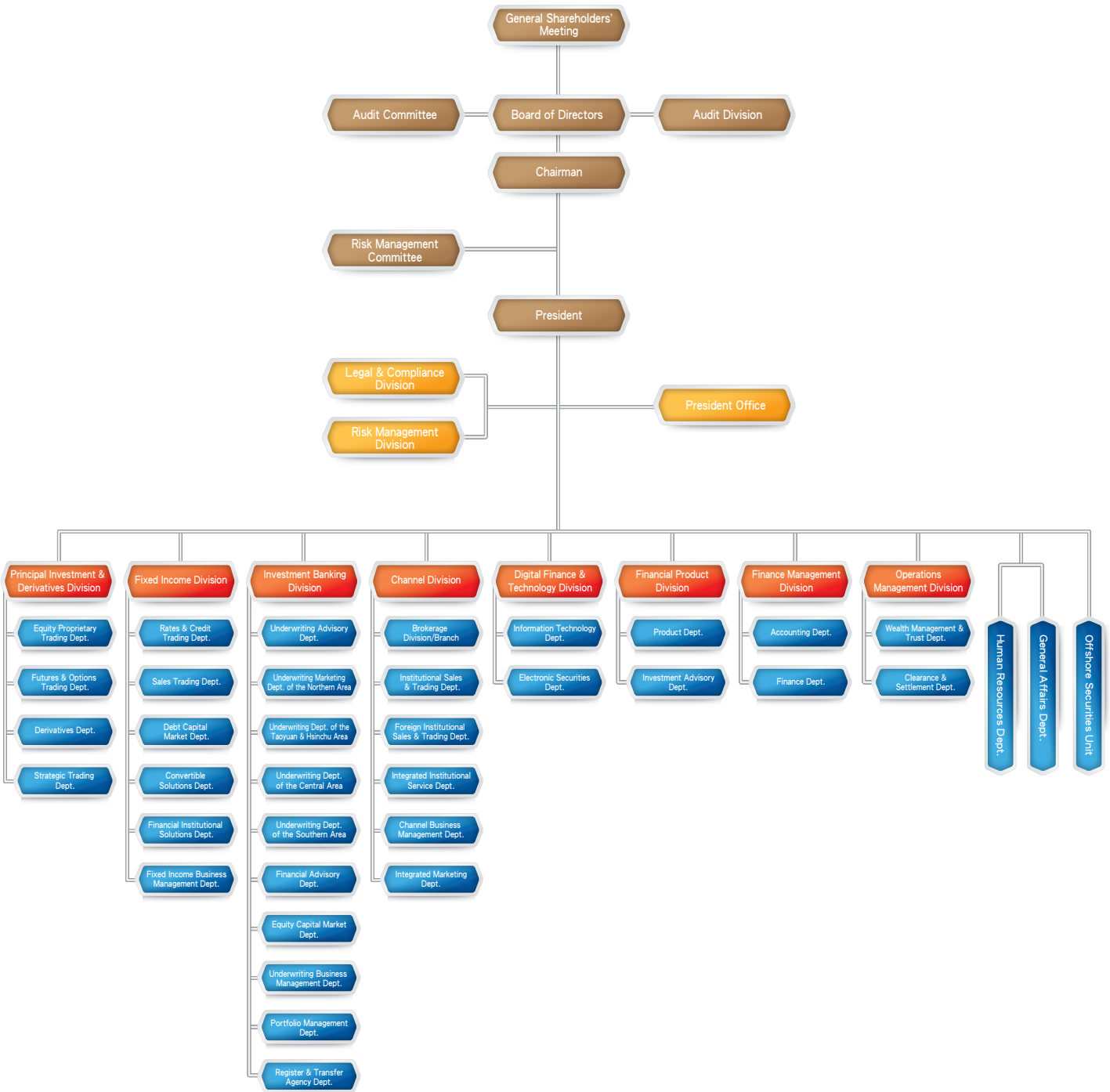


CHIANG Wei-Yuan
President



Corporate Profile

I. Organization Structure



II. Board of Directors

February 28, 2019

Title	Name
Chairman	SinoPac Financial Holdings Company Limited Representative: Stanley CHU
Independent Director	SinoPac Financial Holdings Company Limited Representative: SCHIVE Chi
Independent Director	SinoPac Financial Holdings Company Limited Representative: HO Tzu-Wen
Independent Director	SinoPac Financial Holdings Company Limited Representative: LU Tsung-Hsun
Director	SinoPac Financial Holdings Company Limited Representative: CHIANG Wei-Yuan
Director	SinoPac Financial Holdings Company Limited Representative: TSAO Wei-Thyr
Director	SinoPac Financial Holdings Company Limited Representative : SHYU Chia-Wen
Director	SinoPac Financial Holdings Company Limited Representative LIEN Sheng-Wu
Director	SinoPac Financial Holdings Company Limited Representative: HO Tsung-Lin
Director	SinoPac Financial Holdings Company Limited Representative: TSAI Hung-Shien

III. Executive Officers

February 28, 2019

Position	Name	Elected Date
President	CHIANG Wei-Yuan	2018/09/03
Senior Executive Vice President President Office	Eric CHANG	2004/03/01
Senior Executive Vice President Channel Division	Peter LI	2018/06/01
Senior Executive Vice President President Office	YEH Huang-Chi	2018/08/01



Position	Name	Elected Date
Senior Executive Vice President Chief Auditor	HUANG Ming-Tze	2004/03/01
Senior Executive Vice President Operations Management Division	Mei M. C. LAN	2005/03/01
Senior Executive Vice President Channel Division	LIN Jin-Piau	2006/03/01
Senior Executive Vice President Legal & Compliance Division	WEI Yung-Cheng	2007/09/01
Senior Executive Vice President Principal Investment & Derivatives Division	Percy PAI	2012/05/01
Senior Executive Vice President Channel Division	LO Nai-Chen	2012/05/01
Senior Executive Vice President Investment Banking Division	CHANG LEE Chang-Lung	2013/10/02
Senior Executive Vice President Channel Division	WANG Hung-Ping	2013/10/02
Senior Executive Vice President Channel Division	HSIAO Ching-Liang	2015/01/01
Senior Executive Vice President Channel Division	Wins CHIU	2015/07/01
Senior Executive Vice President President Office	Michelle LIN	2016/07/01
Senior Executive Vice President Information Technology Dept.	William SU	2016/08/01
Senior Executive Vice President Digital Finance & Technology Division	Lloyd TSAI	2017/03/01
Senior Executive Vice President Fixed Income Division	Frank J. L. HUANG	2017/06/01
Senior Executive Vice President Channel Division	Maurice LU	2018/08/01
Senior Executive Vice President Principal Investment & Derivatives Division	Staci CHU	2019/01/01
Senior Executive Vice President Channel Division	LIAO Shwu-Duan	2015/07/01
Senior Executive Vice President Channel Division	Peter WU	2015/07/01
Executive Vice President Channel Division	HUANG Feng-Chi	2017/06/01

Position	Name	Elected Date
Executive Vice President Channel Division	TSAI Wang-Sheng	2017/06/01
Executive Vice President Channel Division	Clark WU	2018/06/01
Executive Vice President Brokerage Division	Sunny HUANG	2011/06/29
Executive Vice President Underwriting Dept. of the Taoyuan & Hsinchu Area	Lily CHU	2014/06/01
Executive Vice President Institutional Sales & Trading Dept.	Cecilia LIU	2014/12/01
Executive Vice President Underwriting Marketing Dept. of the Northern Area/ Financial Advisory Dept.	Tony TSAI	2015/01/01
Executive Vice President Human Resources Dept.	HUANG Yung-Hsin	2016/07/01
Executive Vice President Chief Finance Officer	Stone SHIH	2017/03/01
Executive Vice President Equity Proprietary Trading Dept.	James SU	2017/06/01
Executive Vice President Financial Institutional Solutions Dept.	Karen TSAI	2017/06/01
Executive Vice President General Affairs Dept.	HUANG Hsuan-Min	2018/06/01
Executive Vice President Finance Dept.	Pearl LIN	2018/06/01
Executive Vice President Underwriting Advisory Dept.	HUANG Hsin-Nan	2018/06/01
Executive Vice President Underwriting Dept. of the Southern Area	WU Ming-Li	2016/07/01
Executive Vice President Register & Transfer Agency Dept.	Joyce KUO	2016/07/01
Executive Vice President Strategic Trading Dept.	Dick WANG	2016/07/01
Senior Vice President Underwriting Business Management Dept.	Florence LIN	2017/06/01
Senior Vice President Risk Management Division	YU Chao-Yuan	2017/06/01



Position	Name	Elected Date
Senior Vice President Wealth Management & Trust Dept.	Lilian PAN	2018/06/01
Senior Vice President Foreign Institutional Sales & Trading Dept.	Wels TSAO	2018/06/01
Senior Vice President Rates & Credit Trading Dept.	YANG Chung-Chih	2018/06/01
Senior Vice President Sales Trading Dept.	TAN Zuo-Chuan	2018/06/01
Senior Vice President Futures & Options Trading Dept.	SANGKUAN Chih-Hsin	2018/06/01
Senior Vice President Product Dept./Offshore Securities Unit	Ellen LIN	2018/08/01
Senior Vice President Accounting Dept.	HUNG Yu-Ni	2018/08/01
Senior Vice President Electronic Securities Dept.	LEE Chien-Hsi	2018/11/01
Senior Vice President Portfolio Management Dept.	Joyce LO	2014/06/01
Senior Vice President Equity Capital Market Dept.	Sylvia YEH	2017/04/01
Senior Vice President Integrated Institutional Service Dept.	Lindun CHOU	2018/06/01
Senior Vice President Debt Capital Market Dept.	Eric CHIEN	2018/08/01
Vice President Underwriting Dept. of the Central Area	YU Shu-Fen	2016/07/01
Vice President Convertible Solutions Dept.	LIN Ti-Yuan	2019/02/01
Vice President Investment Advisory Dept.	LU Cheng-Chieh	2018/08/01
Vice President Fixed Income Business Management Dept.	SUN Kuo-Hwa	2019/02/01
Assistant Vice President Integrated Marketing Dept.	LEE Der-Fang	2019/02/01

IV. Consolidated Shareholdings in Invested Companies

December 31, 2018

Investee	Investment Made by SinoPac Securities		Investment in Companies Controlled by the Directors, Supervisors, Managers, and by SinoPac Securities Directly or Indirectly		Consolidated investment	
	No. of Shares	Percentage	No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Securities (Cayman) Holdings Ltd.	137,752,581	100.00%	-	-	137,752,581	100.00%
SinoPac Futures Corp.	93,830,278	100.00%	-	-	93,830,278	100.00%
SinoPac Securities Investment Service Corp.	15,000,000	100.00%	-	-	15,000,000	100.00%
SinoPac Financial Consulting (Shanghai) Ltd.	-	100.00%	-	-	-	100.00%
Taiwan Stock Exchange Corp.	5,217,001	0.75%	-	-	5,217,001	0.75%
Taiwan Futures Exchange Corp.	2,540,756	0.76%	833,656	0.25%	3,374,412	1.01%
IP Fund Six Co., Ltd.	3,000,000	5.36%	-	-	3,000,000	5.36%
C.F.L. Venture Capital Corp.	3,000,000	14.63%	-	-	3,000,000	14.63%
Taiwan Depository & Clearing Corp.	2,793,088	0.75%	-	-	2,793,088	0.75%
Yu-Ji Venture Capital Corp.	2,187,500	6.25%	-	-	2,187,500	6.25%
Hua Da Venture Capital Corp.	1,400,000	10.00%	-	-	1,400,000	10.00%
Top Taiwan V Venture Capital Corp.	1,382,114	8.13%	-	-	1,382,114	8.13%
Global Securities Finance Corp.	981,172	0.25%	-	-	981,172	0.25%
Top Taiwan III Venture Capital Corp.	347,500	5.00%	-	-	347,500	5.00%
Hua VI Venture Capital Corp.	260,870	8.70%	-	-	260,870	8.70%
China Power Venture Capital Corp.	157,500	7.00%	-	-	157,500	7.00%
SMS Consumer Fund L. P.	-	10.94%	-	-	-	10.94%

V. Status of Capital

(I) Sources of Capital Stock

February 28, 2019; Unit: Thousands shares; NT\$ Thousands

Date	Par Value (Unit: NT\$)	Authorized Capital Stock		Paid-in Capital Stock	
		Shares	Amount	Shares	Amount
2013/08	10	1,900,000	19,000,000	1,621,224	16,212,238

Note: NT\$847,238K capital increase through earnings filed in August 2013 (Approved per 6 August 2013 Letter No. Financial-Supervisory-Securities-Firms-1010030415 of the Financial Supervisory Commission).

February 28, 2019; Unit: Share

Type of Stock	Authorized Shares			Remarks
	Shares Outstanding	Unissued Shares	Total	
Common Stock	1,621,223,800	278,776,200	1,900,000,000	-

**(II) Shareholder Structure**

February 28, 2019; Unit: Share

	Government	Financial Institution	Other	Individuals	Foreign Investment	Total
Number of Shareholders	-	1	-	-	-	1
Shares	-	1,621,223,800	-	-	-	1,621,223,800
Percentage Held	-	100.00%	-	-	-	100.00%

(III) Shareholding Distribution

February 28, 2019; Unit: Share

Size of Shareholding (Number of Shares)	Number of Shareholders	Total Number of Shares	Percentage Held
1,000,001 and up	1	1,621,223,800	100.00%
Total	1	1,621,223,800	100.00%

(IV) Major Shareholders

February 28, 2019; Unit: Share

Major Shareholders	Total Number of Shares	Percentage Held
SinoPac Financial Holdings Company Limited	1,621,223,800	100.00%

VI. Share Price, Book Value, Earnings and Dividends for 2017 to 2018

Unit: NT\$; Unit: Share

		2017	2018	
Market price per share (Note1)	Highest	-	-	
	Lowest	-	-	
	Average	-	-	
Book value per share	Primary	15.91	15.96	
	Diluted (Note 2)	15.60	-	
Earnings per share	Weighted average number of shares	1,621,223,800	1,621,223,800	
	Earnings per share	0.70	0.29	
Dividend per share (Note 2)	Cash dividend	0.3123	0.2776	
	Stock dividend	Earnings	-	-
		Capital surplus	-	-
	Accumulated dividend-unpaid	-	-	

Note: 1. For the establishment of SinoPac Holdings through share swap, the Company was permitted to de-list from the TPEX effective May 9, 2002, and the share price in question is not applicable from 2002.

2. Listed based on distribution resolution of shareholders' meeting for the next year. The proposal for 2018 earnings distribution is yet to be approved by the board of directors which execute the rights and functions of the shareholders' meeting.

VII. Issuance of Corporate Bonds

Issued but unpaid corporate bonds

Corporate bond type		2017 first unsecured corporate bond
Issuance date		December 8, 2017
Face value		NT\$1 million
Issuance and trade location (Note)		Not applicable
Issued price		At par value
Total		NT\$3 billion
Rate		Fixed annual rate 0.90%
Term		Three years Expired on: December 8, 2020
Guarantee institution		Not applicable
Trustee		Taishin International Bank Co., Ltd.
Underwriting institution		Not applicable
Certifying attorney		Lawyer , Huei-ji Guo
Independent auditor of the financial report		Auditors Jessie Wu and S. C. HUANG of Deloitte & Touche
Repayment method		Outright payment at maturity in three years
Outstanding principal balance		NT \$3 billion
Terms for redemption or early repayment		None
Restrictive terms		None
Credit rating agency, rating date and rating		Taiwan Ratings Corporation Evaluation date: August 13, 2018 Evaluation result: twAA-
Other rights	Amount of converted (traded or subscribed) common stock, overseas depositary receipts, or other negotiable securities up to the publication date of this annual report	None
	Issuance and conversion (traded or subscribed) regulations	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms		None
Name of commissioned custodial institution for objects exchanged		None

Operating Results

I. Business Activities

(I) Business Scope

A. Major Business Lines

1. Securities Brokerage

We accept brokerage orders to trade securities on the Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEX), and TPEX Emerging Stock Board; we provide services ranging from margin purchases and short sales of securities, borrowing or lending of money in connection with the securities business, securities lending or borrowing, money lending for indefinite purpose; we provide FINI brokerage services, offer sub-brokerage services for trading foreign securities with product scope covering U.S., Japan, Europe, Australia, Singapore, Malaysia, Hong Kong, China A Shares, etc., and ETF products from the aforementioned markets.

2. Futures introducing broker and securities investment and futures advisory services

Our services include futures and options trading; research analysis; advisory opinions and recommendations on futures trading issues pertinent to individual customers; report publication; presentation giving; and develop automated instruments for securities investment advisory services.

3. E-Trading Business

We offer an integrated electronic platform for trading listed in the TWSE, TPEX, and TPEX Emerging Stock Board, futures, funds, Hong Kong Stocks, U.S. Stocks, Japanese Stocks and offshore fund orders. This e-trading platform includes online trading platforms, a mobile business system, and a voice-ordering system.

4. Wealth Management Business

We offer asset allocation, financial-planning services, other counseling services, and financial-product sales to our high net worth clients. We assist clients with asset allocation through the establishment of trusts.

5. Proprietary Trading Business

We conduct proprietary trading of securities; we engage in the purchase, sale, and market-making of futures and options contracts on domestic and international securities; we devise and implement structured and hedging-driven trading strategies.

6. Underwriting Business

We offer advise domestic and foreign companies that want to list on the TWSE, TPEX, and TPEX Emerging Stock Board; we assist companies in raising funds from domestic and foreign capital markets; provide planning and consultation services as a financial consultant.

7. Stock Registration and Transfer Services

We extend agency and advisory services to publicly issued companies with regard to stock affairs.

8. Fixed Income Business

We engage in proprietary and consigned trading bonds, bills, asset-backed securities, and interest rate derivatives. We also conduct foreign currency call loans, trading foreign bonds as an agent; engage in foreign exchange trade in relation to proprietary and underwriting purpose; and perform underwriting and financial advisory services for fixed income products, such as bonds and asset-backed securities.

9. Equity Derivatives

We issue stock warrants (call/put) and related hedging, bond-related asset swaps, stock options, and structured financial products.

10. Offshore Securities Business

We conduct offshore securities business, which includes brokerage, wealth management trust, underwriting, custody account services, and proprietary trading of foreign-currency denominated securities or foreign-currency denominated financial products, as well as other securities-related foreign-exchange business approved by the competent authority.

11. Custodian services

We provide offshore overseas Chinese and foreign nationals investing in ROC securities an integrated service consisting of custody of funds and certificates related to securities investments, trade confirmations, settlement of trades, and information reporting.

B. Revenue Breakdown

Total Revenue and Revenue Breakdown over Recent Two Years				Unit: NT\$ Millions	
Type of Business	2017		2018		
	Amount	Percentage	Amount	Percentage	
Brokerage	6,128	63.97%	6,141	79.45%	
Proprietary Trading	2,754	28.75%	1,009	13.06%	
Underwriting	573	5.98%	428	5.54%	
Others	124	1.30%	151	1.95%	
Total	9,579	100.00%	7,729	100.00%	

C. New Products and Services Development

1. Launch new businesses

- (1) Apply to offer foreign securities investment consulting services.
- (2) Apply to offer spot foreign-exchange transactions and derivative products in connection with the securities business.
- (3) Application by Dunpei Branch to operate as a securities and futures introducing broker (as well as other related roles) to provide investors a full range of financial services.

2. Enhance e-finance services

- (1) Expand mobile services and increase online account opening services and the number of users.
- (2) Optimize SinoPac Securities' LINE@ service to develop digital services that enhance the customer experience.
- (3) Leverage big data and precision marketing to bring in new clients and improve customer service.
- (4) Launch an intelligent investment platform for clients to easily make foreign investments and access smart services.

3. New product R&D and service improvement

- (1) Add online membership sign-up for securities investment and futures consulting services.
- (2) Develop featured wealth management services allowed for securities firms; launch investment-grade small-amount bonds; and increase diversified marketing models to expand customer segments.
- (3) Develop new products, services, and systems related to the Exchange Traded Notes (ETNs) and deepening the richness and integrity of ETNs by linking to various indexes to meet the diversified needs of our clients.
- (4) Provide a more diverse range of overseas structured products, such as short-term principal protected products linked to interest rates or stock indexes, to provide customers with conservative and stable asset allocation and wealth management instruments; provide stable income and developing different customer segments through multiple combinations of overseas bonds.

(II) Industry Overview

A. The Status Quo and Development of the Industry

Government authorities and regulators have studied and implemented numerous policies in recent years to boost capital market liquidity and turnover, help enterprises raise funds, and promote the development of capital markets. Achievements in 2018 included: (1) cutting the transaction tax on day trading to 0.15% and extending the reduced collection of the securities transaction tax to December 31, 2021, with proprietary trading included in the scope of applicability, which underpinned the momentum of Taiwan stocks and energized the securities market; (2) cutting the warrants hedging transaction tax to 0.1%, which would benefit the stock market and improve the competitiveness of securities firms and related employment opportunities; (3) implementing continuous trading (effective March 23, 2020) to improve the overall trading efficiency and information transparency of the securities market, while establishing global connections; and (4) announcing diversified TWSE/TPEX listing schemes, including relaxing the profit requirements for companies applying for TWSE/TPEX listing, as well as establishing a review mechanism for companies that can demonstrate business growth but don't yet satisfy the profitability requirement, to make it easier for quality companies to tap the capital market and to list on TWSE/TPEX.

To build Taiwan into a forward-looking, internationally-competitive financial market, the government strives to enhance the competitiveness of Taiwan's financial services industry while maintaining order and stability in its financial markets. On January 26, 2017, the FSC promulgated the amendment to the "Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures for Securities and Futures Firms" to strengthen Taiwan's anti-money laundering and counter terrorism efforts throughout the financial system. In March 2018, the FSC promulgated the latest Corporate Governance Roadmap (2018-2020) that proposed five action plans—deepening corporate governance and CSR culture, enhancing board functions, promoting shareholder activism, strengthening the quality of information transparency, and augmenting regulatory enforcement—in the pursuit of corporate governance best practices.

FinTech, such as AI and blockchain, has emerged along with the ubiquity of information technology applications. Innovative, high-tech industries like these are becoming mainstream and require capital

market support to get off the ground and thrive. The "Financial Technology Development and Innovative Experimentation Act" was passed in 2017. As the world's first financial supervisory sandbox law, the Act will help start-up industries raise funds, develop their FinTech, and contribute to the development of the financial service industry.

It stands to reason that the competent authority will continue to relax financial regulations and take other steps to encourage and assist local financial services providers that seek to innovate and improve their international competitiveness by, for example, merging with other financial institutions. Hopefully, the competent authorities can help create a fertile business environment with opportunities for domestic securities firms to broaden the scope of and market for their financial products and services so they can meet the diverse needs of their clientele and contribute to the steady development of the securities industry.

B. Trends and Competitive Status of Respective Business Development

Brokerage, underwriting, proprietary trading, derivative financial products and international business; trends and competitive status of the aforementioned businesses include:

1. Securities Brokerage

Government policies and international market movements made Taiwan's securities markets more prone to fluctuation. For example, emboldened by the stable recovery of the global economy in 2017, Taiwan's competent authority introduced more deregulations, opened up new business channels, and promoted policies or measures to activate the market. An invigorated TWSE thus soared beyond the 10,000-point mark. Furthermore, the three-year extension of the tax reduction on day trading, along with improved investor confidence helped lift Taiwan's equity trading volume to a multi-year high in 2018.

Things got dicey in late 2018. Changes in the political and economic climate, including new trade barriers, stirred up global financial markets and hurt the global economic growth outlook. Consequently, TAIEX's 16-month stay above 10,000-points came to an end in late 2018, and the weighted index fluctuated over 1,500 points during the year. To mitigate the volatility risk from a single market or a single product, and to satisfy investors' need for well-rounded asset allocation, the Company has been consolidating its core brokerage business while refocusing on developing wealth management as a securities firm, strengthening channel values, and innovating and developing digital financial services that integrate online and offline outlets, thereby providing investors with diverse financial products and services.

2. Underwriting Business

Taiwan's capital markets were also affected by governmental policies. The competent authority keeps its restrictions on managing pan-Mainland Chinese KY-shares while constantly enhancing the capital markets. For their part, securities firms encouraged those Taiwanese companies operating in countries covered in Taiwan's New Southbound Policy and elite foreign enterprises to list in Taiwan, and their efforts gradually yielded results. However, owing to fierce competition among domestic securities firms, coupled with concerns about the US-China trade war and rising interest rates, many emerging stocks and new IPOs did not meet the market's expectations, which led to decreased capital gains. On the other hand, quality and competitive

enterprises were still gaining investors' attention and recognition after their IPOs. Amongst those new IPO companies in 2018, 29 of them went to Taiwan Stock Exchange (TWSE) and 31 of them chose Taipei Exchange (TPEX). In terms of underwriting volume, the amount underwritten by total securities firms was NT\$100.9 billion, up 31.21% compared to NT\$76.9 billion in 2017. As for the investment banking business, SinoPac Securities actively developed innovative investment-banking services, increased the weight on financial advisory services, continued to discover niche industries, leading others by new strategies, and developed cross-border investment-banking services.

3. Proprietary Trading

The escalation of the US-China trade war in 2018 disturbed global supply chains and discouraged business investment. ISM indices across the US, China and Europe all fell into correction, the global economy slowed, and stock markets pulled back. Global economies are expected to slow further in 2019. Risky assets will be under pressure as investors monitor whether the US-China trade war will escalate and whether the US Fed will change its monetary policy. For proprietary trading, the Company will increase the weighting of companies with positive long-term outlooks and stable dividend payers in its portfolio, adopt strategies to enhance and stabilize its profitability, develop cross-market and cross-product trading modules, and continue to pioneer financial innovation and develop new fixed-income business.

4. Equity Derivatives

Drastic fluctuations in global stock markets in 2018 gave favor to warrants that allow investors to leverage. The number of warrants issued on the warrant market rose from 28,653 in 2017 to 36,760 in 2018, up 28.29%. In terms of turnover amount in the warrant market, the 2018 market expanded in sync with Taiwan's stock market. In 2018, the turnover amount was NT\$924.192 billion, increasing from NT\$810.813 billion in 2017, a significant increase of 13.98%. In terms of ratio of warrant turnover to TWSE/TPEX turnover, the annual average ratio was 2.30% in 2018, while it was 2.43% in 2017.

SinoPac Securities actively participated in market making to activate the warrant market in compliance with the policies of the competent authority. To expand its market share and profits, the Company increased the issued quantity and the trade amount of warrants, continued to optimize the warrant-trading system, and enhanced ELN management as well as warrants hedging capability. On the other hand, the Company actively adjusted its R&D approach of products and services in the development of ELN business in hopes of closely aligning with client demand while simultaneously strengthening hedging trading techniques and risk control. In 2018, the Company engaged in the development of a new product, Exchange Traded Notes (ETNs), which it expects to launch in 2019. Based on future market demand, it will intensify the richness and comprehensiveness of ETNs through linking such notes to various index targets.

5. International Business

The competent authority included the financial industry in the Free Economic Pilot Zone in 2014 to increase the competitiveness of the financial industry and to establish the mechanism for creating offshore securities units (OSU). The inclusion greatly opened up the scope of services and product types the financial industry can handle and expanded the scope of OSU customers, allowing overseas investors to utilize the OSU

platform to trade and connect with products of Taiwan stocks and inject new capital into the Taiwan stock market. SinoPac Securities' OSU officially opened in May 2014 to provide offshore securities trading services. It has also actively lobbied for the regulatory commission's approval to open additional foreign-exchange businesses. With respect to sub-brokerage trading business, SinoPac Securities provides trading services for investment in stock markets such as US, Hong Kong, Japan, the UK, Australia, Malaysia, Singapore, and China A shares, and has actively promoted ETF products in order to provide investors with more comprehensive services.

(III) Research and Development

SinoPac Securities has been launching new businesses based on the deregulations announced by the competent authority so as to cater for investors and enhance the Company's financial proficiency.

A. Expenditures on Research and Development

Total Expenditures on Research and Development over Recent Two Years			Unit: NT\$ Thousands
Year	2017	2018	
Amount	4,405	18,723	

B. 2018 Research & Development Results

1. Continued the shift toward wealth management business and the diversification of products and services.
 - (1) Added "money lending for indefinite purpose" into the business lines of the Puli Branch and Digital Branch to give clients more funding options and provide the securities firm with more flexibility when putting its funds to use.
 - (2) Completed renovation within the Fengshan Branch to improve the branch's further build-up its wealth management capabilities and provide customers with comprehensive and customized financial services.
 - (3) Continued to hold financial consultant (FC) and product training programs to help salespersons become wealth management specialists.
 - (4) Released new offshore structured products and overseas bonds, etc., to offer high-net-wealth customers a wider range of wealth management products and to enrich the wealth management product line.

2. Launched new businesses and developed new products.
 - (1) Launched securities investment consulting services as a securities firm concurrently providing securities investment consulting services.
 - (2) Provided trust fund beneficial interest pledge, making SinoPac Securities the first securities firms to provide differentiated services in the industry.
 - (3) Added the Offshore Securities Unit (OSU) to trade in overseas structured products, "Foreign Currency (including RMB) Denominated Foreign (including Mainland China) Equity Options", and "Foreign Currency (including RMB) Denominated Domestic Equity Options" and their combinations.

3. Industry innovator with intuitive e-finance services

- (1) Launched a new wealth management website in cooperation with Reuters to integrate offer pricing and trading of Taiwan stocks, options and overseas stocks; built a digital environment centered on customer experience; and designed digital banking service processes based on customers' investment journey.
- (2) Upgraded the online account opening service by adding services for online futures account opening, introducing optical character recognition (OCR), implementing bank authentication of personal identity, account linking, and other fast account opening services.
- (3) Upgraded the SinoPac Securities App to provide online account opening services, application forms, contract signing services, and a list of assets and other account information.
- (4) Provided inventory-related push notifications through SinoPac Securities Line@ to increase customer adhesion.
- (5) Integrated API with the CMoney website and Eten App to provide investors with more convenient financial services.

(IV) Long-term and Short-term Business Development Plans

SinoPac Securities is a securities firm covering brokerage, proprietary trading, and underwriting businesses. Through the management strategy of "innovation and balance," SinoPac Securities's goals include being an all-in-one securities firm, top investment bank, and leading e-securities firm and, to become the most respected financial name and innovation leader in the securities and finance industry. To achieve its goals, SinoPac Securities has set forth the following short & long-term business development plans:

A. Long-term Business Development Plans

1. To become an innovative financial leader in the securities industry.
2. To become the most influential securities firm originated from Greater China in the Pan-Pacific region.

B. Short-term Business Development Plans

1. Establish SinoPac securities brand as a digital technology and wealth management leader.
2. Innovate the investment-banking business.
3. Stabilize the profitability of proprietary trading.
4. Develop new types of fixed income products.
5. Improve operations and profits of overseas investments.

II. Market Analysis

(I) Primary Customer Base

SinoPac Securities primarily serves institutional and individual investors both domestically and internationally. With office locations in major urban areas, counties, and financial centers, we continue to expand and develop our business in Taiwan and overseas. As of February 2019 we had 55 branches in Taiwan and subsidiaries in Hong Kong, Shanghai and London, plus a representative office in Shanghai that is devoted to micro-economic research.

(II) Market Shares

SinoPac Securities holds the market shares as enumerated below:

Market Share in Major Business Markets over Recent Two Years					
Type of Business		2017		2018	
		Market Share	Ranking	Market Share	Ranking
Brokerage Business	Equity trading	5.13%	4	4.86%	4
	E-Trading	6.21%	4	5.36%	4
	Futures and options	6.68%	3	6.08%	4
	Margin loan balance	7.45%	3	7.24%	3
Underwriting	Number of cases with SinoPac Securities being the lead underwriter	15 cases/9.38%	4	15 cases/7.81%	5
	Total underwriting amount	NT\$8,389mn/11.09%	4	NT\$6,573mn/6.52%	5
Warrants	Number of issues	3,091/10.79%	3	3,596/9.78%	4

In 2018, the market share of SinoPac Securities' brokerage service was 4.86%, ranked fourth in the industry. In the ETF trading and market making contest held by the TWSE, SinoPac Securities won the "Excellence Allocation Award" and "Stocks Rising Award." Its electronic trading represented a 5.36% market share, ranked fourth in the industry. Its futures and options trading captured a 6.08% market share, ranked fourth in the industry. SinoPac Securities was awarded runner-up in the "Futures Introducing Broker Trading Volume Diamond Award" in the 4th TAIEX Futures Diamond Award. Its margin loan balance accounted for 7.24% of the market and ranked third in the industry. As for underwriting business, the investment bank team actively assisted outstanding enterprises to list on the TWSE, TPEX, and TPEX Emerging Stock Board. In 2018, SinoPac Securities handled a total of 15 underwriting cases, ranked fifth in the industry. The total underwriting amount of NT\$6,573 million also ranked fifth in the industry. These achievements earned SinoPac Securities the "Economy Accelerator Award-1st Place in IPO Funding and 3rd Place in IPO Market Value" and "Negotiable Securities Award-2nd Place Underwriter" from the TWSE.

In warrants business, SinoPac Securities issued 3,596 warrants, ranked fourth in the industry. In the incentive activities for warrants issuers and securities brokers, organized by the TWSE, SinoPac Securities won the "Warrants Number Breakthrough Award" and "Warrants Number Circulation Award" for warrants issuers and the "Excellent Warrants Value Award" for securities brokers. In the incentive activities for warrants issuers organized by the TPEX, SinoPac Securities was runner-up in the "Warrants Sales Award" for warrants issuers and runner-up in the "Excellent Warrants Value Award" for securities brokers; in addition, SinoPac Securities was awarded the "Best Equity Derivatives House - Highly Commended in Taiwan" at The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2018 held by The Asset magazine.

By actively participating in market making and developing flexible trading strategies, the proprietary futures strategic trading team won the "Taiwan ETF Liquidity Provider Award" in the ETF trading and market making contest held by the TWSE. Besides, SinoPac Securities was also awarded runner-up in the "FX Market Maker Performance Diamond Award-Futures Proprietary Merchants" in the 4th Futures Diamond Award by Taiwan

Futures Exchange Corporation and the "Best ETF Market Maker - Highly Commended in Taiwan" at The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2018 held by The Asset magazine. The fixed income team participated in the trading of the secondary NTD government-bond market and once again won accolades from the TPEX as an "Excellent Central Government Bond Market Maker."

(III) The Supply and Demand Status and the Growth Potential of the Future Markets

A. Supply Status

At the end of December 2018 there were 108 securities firms, 871 branches, and 35 securities firms licensed by the Securities and Futures Bureau of the Financial Supervisory Commission for margin trading. There were 23 foreign securities firms with branches in Taiwan.

B. Demand Status

In conjunction with rapid economic growth and wealth creation, societal aging, the free flow of information through the media, and the increasing complexity of the investment environment, institutional and individual investors alike are seeking well-rounded wealth management products and services, including those related to digital finance services, overseas investment and many types of financial products.

(IV) Competitive Advantages, Strengths and Weaknesses in Development Going Forward and the Countermeasures

A. Strengths/opportunities

1. Experienced management team.
2. Core values of trust, honesty and professionalism.
3. Superior execution and foresight.
4. First mover skills, ability to rapidly adjust to fluid market dynamics.
5. Competence in domestic and international distribution channels.
6. Comprehensive deployment in Greater China.
7. Comprehensive risk management systems.
8. Cross-selling mechanism within the financial holdings structure to boost overall performance.
9. A less restrictive securities market and new business categories recently opened to securities firms through government deregulation.
10. Pragmatic corporate culture, superior brand acceptance.
11. Comprehensive and sound e-trading platforms.
12. Comprehensive services offered in Taiwan, Hong Kong, and China.
13. Innovative, diversified financial products designed in-house for domestic and overseas markets.

B. Weaknesses/challenges to prospective development

1. High discount ratio due to brokerage market maturation.
2. Decline of margin trading, increase of capital cost, and narrowing of interest rate spread.
3. Performance of securities firms is highly exposed to fluctuations in the stock market.

C. Solutions and countermeasures

1. Shifting into the development of a securities firm's featured wealth management, to strengthen wealth management services of channel operations.
2. Strengthen the business structure; develop a sustainable income business model.
3. Attract return business; add more value.
4. Strengthen overseas and domestic products and sales channels; provide integrated services.
5. Strengthen operational support capabilities to increase efficiency.

III. Human Resources

Employee Data		February 28, 2019		
Year		2017	2018	February 28, 2019
Number of employees	Age 20 - 29	159	181	168
	Age 30 - 39	553	498	486
	Age 40 - 49	977	1,011	1,004
	Age 50 and above	489	536	550
	Total	2,178	2,226	2,208
Average age (years)		43.37	43.37	43.95
Average seniority (years)		10.82	10.82	11.18
Education level (%)	Ph. D.	0.14	0.09	0.09
	Master	16.85	17.83	17.75
	University and College	71.99	71.88	71.92
	High school	11.02	10.20	10.24

IV. Labor-Management Relations

(I) Employee Welfare and Implementation

The Company provides employees with numerous benefits that exceed the legal requirements or the benefits of other securities firms. The company expects its employees will enjoy all the benefits and family events planned by the Company as rewards to employees for their hard work.

1. Employee Leave is Better than that Legally Required: The Company offers leave that is better than that required in the Labor Standards Act; new employees are entitled to pro-rata leave allowance after they come on board, allowing employees to take more vacation and strike a balance between work and life. In the same year, the Company offers employees with 7 days of paid sick leave, so employees may rest assured when suffering from injury or illness.
2. Various Benefits and Subsidies: The Company has an Employee Welfare Committee that offers various benefits to employees, including marital leave and marital bonus, maternity leave and child birth aid, funeral leave and funeral aid, and bonuses for the three major Chinese holidays. It also provides employees with a group block insurance policy that offers sound protection, while the insurance premium is handled by the Company. To motivate employees to enhance their capabilities, the Company has established the Directions for Subsidizing Advanced Studies. Employees may take the initiative to arrange relevant courses based on their own willingness and the Company will provide subsidies within a certain quota on an annual basis.

3. Regular Employee Health Examination: The Company holds employee health examinations every two years, exceeding the requirements in the provisions set out in the Labor Health Protection Rules. It also provides several key health examination items that allow employees to regularly examine their physical condition for purposes of health and prevention.
4. Employee Prime Interest Rates on Mortgage Loans: The Company offers employees prime interest rates on mortgage loans to alleviate employees' burdens and assist them in settling their families.

(II) Retirement Policy and Implementation

1. The Company follows the pension policy set out in the Labor Pension Act, which is a defined contribution pension plan under the government's management; it contributes to the pension reserve fund account held by the Bureau of Labor Insurance at the rate of 6% of the employee's monthly wages.
2. In accordance with the Labor Standards Act of the R.O.C., the Company implements the pension policy and contributes to employees' pension reserve fund every month, transfers the fund to the Supervisory Committee of Workers' Pension Preparation Fund, and deposits the fund to dedicated accounts at the Trust Department of the Bank of Taiwan and Bank SinoPac under the name of the Committee.

(III) Employer/Employee Agreements and Protection of Employee Rights

The Company pursues a harmonious employer-employee relationship. In accordance with the Labor Standards Act and relevant laws and regulations, it establishes and inspects all internal regulations in order to protect employees' legal rights and realistically comply with labor-related laws. The goal is to ensure that the Company has working internal communication channels that allow for unhindered and effective communication between the Company and its employees. If an employee wants to raise a complaint, he or she may use the uninterrupted grievance channel to lodge a complaint with all levels of management and the HR unit. If the legitimacy of the complaint is verified, it will be dealt with in accordance with internal regulations. Working towards a win-win employer-employee relationship, the Company entered into a Group Agreement with the labor union of SinoPac Securities on December 24, 2011. When the Group Agreement reaches term, a new agreement will be entered into by both parties after employer-employee negotiations.

The Company endeavors to enhance employees' satisfaction and help them develop their career path, so as to strengthen the Company's competitiveness and manifest its business philosophy of maintaining an environment where both the employer and employees can flourish.

(IV) Losses arising as a result of employment disputes in the most recent year up until the publishing date, and disclosure of the estimated losses and response actions which may incur currently or in the future

None.

V. Major Contracts

None.

Corporate Governance Report

I. Corporate Governance Status of Implementation

Activity	Status of implementation			Discrepancy with industry standard and the causes
	Yes	No	Description	
1. Does the Company establish and disclose its best practice principles for corporate governance in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?"	✓		SinoPac Securities is not a TWSE/TPEX listed company. The Company's corporate governance adheres to "Corporate Governance Best-Practice Principles for Securities Firms," "Corporate Governance Best-Practice Principles for Futures Commission Merchants," and the "SinoPac Financial Holdings Company Ltd. Corporate Governance Principles." The Company's governance principals are published on the Company's website.	No discrepancy
2. Ownership structure and stockholders' rights (1) Does the Company have and adhere to an internal SOP for dealing with stockholders' suggestions, inquiries, and disputes? (2) Does the Company retain a register of major shareholders who have controlling power and the persons with ultimate control over those major shareholders? (3) Does the Company establish and implement risk control and firewall systems between the Company and its affiliated companies?? (4) Does the Company establish internal rules to prohibit insiders from trading securities based on non-public information?	✓ ✓ ✓ ✓		(1) The Company designates stock affairs specialists or relevant supervisors exclusively dedicated to handling shareholder proposals, inquiries, disputes, and lawsuits. (2) SinoPac Holdings holds 100% of the Company's shares and is the only legal institutional shareholder of the Company. (3) Related persons, assets, and the financial management responsibilities of SinoPac Securities and its affiliates are fully independent from each other and are implemented in accordance with the "Risk Management Guidelines," and the "Trading Policies and Management Guidelines Outside of Credit Extension With Stakeholders." SinoPac Holdings, the sole corporate shareholder of SinoPac Securities, set a "Firewall Policy" that requires all of its wholly owned subsidiaries to abide by its provisions. (4) The Company has established "Internal Insider Trading Regulations." The parent company, SinoPac Holdings, has established the "Equity Management Guidelines" and requires all internal personnel of its wholly owned subsidiaries to strictly comply with the Guidelines.	No discrepancy



Activity	Status of Implementation			Discrepancy with industry standard and the causes
	Yes	No	Description	
3. The composition of the Board and its functions				
(1) Does the Company establish a policy of diversity for the composition of the Board and act accordingly?	✓		(1) The directors of the Company are assigned by the parent company, SinoPac Holdings, with due consideration to diversity. In addition to those directors who have served in important positions in well-known securities or financial institutions domestically and abroad and so have extensive cross-country and international financial experience, the Board members also include senior bankers, mass media professionals, and industry analysts, who not only offer suggestions regarding financing, accounting, or marketing to support the Company's operations and development, but also provide suggestions pertaining to the Company's compliance and corporate governance, thereby benefiting the operations of the Company and the Board of Directors..	No discrepancy
(2) Does the Company set up functional committees in addition to its remuneration committee and its audit committee in accordance with laws and regulations?	✓		(2) To remain consistent with the operation of the parent company, SinoPac Holdings, the Company has not, apart from the establishment of an Audit Committee, set up any functional committees.	
(3) Does the Company establish measures of performance assessment for the directors and conduct yearly performance assessment on a regular basis?	✓		(3) The Company does not establish measures of performance assessment for the directors since there is only one institutional shareholder. However, the parent company, SinoPac Holdings, conducts overall performance assessment for the Company on a regular basis based on its "Measures of Performance Assessment for Subsidiaries."	
(4) Does the Company assess the independence of the CPA on a regular basis?	✓		(4) The manager's department assesses the independence of its CPA on a regular basis. At that time, SinoPac Securities' Audit Committee and the Board of Directors make a resolution on the independence of the CPA selected by SinoPac Holdings' Audit Committee and Board of Directors. The CPA will also issue a statement declaring its independence when conducting a commissioned audit operation.	

Activity	Status of Implementation			Discrepancy with industry standard and the causes
	Yes	No	Description	
4. Should TWSE/TPEX listed companies set up special teams or staff in charge of corporate governance (including but not limited to providing required director/supervisor information for execution of duties, convening board and shareholder meetings in accordance with the law, processing company registration or registration change, and recording minutes for board and shareholder meetings)?	✓		Our Company is not a TWSE/TPEX listed company; relevant departments oversee providing required information to directors for execution of duties, convening board and shareholder meetings in accordance with the law, processing company registration or registration change, and recording minutes for board and shareholder meetings.	No discrepancy
5. The stakeholders (including but not limited to shareholder, employees, clients, and suppliers), does the Company build channels for communication, set up a special section on the Company's website, and properly respond to the questions regarding corporate social responsibility raised by stakeholders?	✓		A dedicated section for stakeholders has been set up on the Company's website to respond to the concerns and requirements of its stakeholders and ensure effective communications between the Company and its stakeholders. Moreover, the Company has also set up a customer service email and hotline to provide customers with product or service counseling and timely assistance. The Company established a platform on its internal website to maintaining free-flowing internal communication between its members of staff and executive management.	No discrepancy
6. Does the Company commission any professional stock affairs agency to manage the shareholders' meetings?	✓		The Company has only one institutional shareholder, SinoPac Holdings, who commissions a professional stock affairs agency to manage the shareholders' meetings.	No discrepancy
7. Disclosure of information (1) Does the Company disclose information regarding its finance, business operations, and corporate governance on the Company's website? (2) Does the Company disclose such information in other ways (e.g. establishing English website, assigning a specialist to gather and disclose relevant information, disclosing information through a spokesperson, or announcing the agenda of investor conference on the Company's website)?	✓ ✓		(1) SinoPac Securities has already disclosed information regarding finance, business operations, and corporate governance on the Company website. (2) The Company has created English websites for disseminating information. Personnel have been appointed for gathering and disclosing relevant Company information. The company has designated a spokesperson and an acting spokesperson for the unified disclosure of Company information.	No discrepancy



Activity	Status of Implementation			Discrepancy with industry standard and the causes
	Yes	No	Description	
8. Is there any other important information regarding the corporate governance of the Company (including but not limited employees' benefits, employee caring, investor relations, supplier relations, rights of related parties, further studies of directors and supervisors, implementation of risk management policies as well as risk measuring standards, execution of client policy, purchasing of liability insurance for directors and supervisors, etc.)?	✓		<p>(1) The directors (independent directors) are given information relevant to further studies of corporate governance, when available. They may select courses in which to participate, and the Company takes care of registration and relevant affairs.</p> <p>(2) SinoPac Securities regularly holds a meeting of the board of directors each month. In 2018, the average actual attendance of directors for the Company's 10th board of directors was about 76.25%, or 93.75% including proxies; the Company's 11th board of directors was about 91.11%, or 100% including proxies.</p> <p>(3) By the end of 2018, all incumbent directors had completed no less than 6 hours of corporate governance training courses in advanced study.</p> <p>(4) Liability insurance for directors (independent directors) is bought by the parent company, SinoPac Holdings.</p> <p>(5) SinoPac Securities has a customer service hotline staffed with many customer service personnel to provide timely solutions to customers' issues. SinoPac Securities also has a customer service email, so if customers have any comments, they can inform the Company immediately.</p> <p>(6) The Company has established risk management policies, including "Risk Management Measures," "Market Risk Management Measures," "Credit Risk Management Measures," "Operational Risk Management Measures," and "Liquidity Risk Management Measures," as the basis of business operation for the Company and its subsidiaries to ensure an effective control on the risks. The risk management goals and policies of the Company are based on the concept of risk capital allocation. The Company sets up a limit for total risk exposure and adopts the principles of risk diversification/aversion or loss control depending on the scenarios to pursue solid asset growth while controlling the risks within a certain range.</p>	No discrepancy

Activity	Status of Implementation			Discrepancy with industry standard and the causes
	Yes	No	Description	
8. Is there any other important information regarding the corporate governance of the Company (including but not limited employees' benefits, employee caring, investor relations, supplier relations, rights of related parties, further studies of directors and supervisors, implementation of risk management policies as well as risk measuring standards, execution of client policy, purchasing of liability insurance for directors and supervisors, etc.)?	✓		<p>For market risk measurement, the Company adopts value at risk (VaR) and verifies the effectiveness of the VaR system via stress testing, sensitivity analysis, and back testing on a regular basis. In addition, SinoPac Securities adopts interest sensitivity index (Total D value, DV01), Greeks (Delta, Gamma, Vega) and many other indexes to evaluate market risk. For credit risk management, the Company sets up specific credit limits for each client, each company, and each group. For operational risk management, the Company establishes an information risk management system and SOPs.</p> <p>To enhance risk management, SinoPac Securities introduced MSCI, an internationally known institution, and uses its VaR system, Risk Manager, and its related equipment. Combined with our ongoing risk management systems, we can have more exactly and accurately quantitative models to evaluate the risk more effectively.</p>	No discrepancy
9. Taiwan Stock Exchange's Corporate Governance Center has released its most recent Corporate Governance Evaluation; please describe how your company has improved since last year and, if not, how you plan to prioritize improvement: Our Company is not a TWSE/TPEX listed company; therefore, this does not apply.				



II. The Declaration of Internal Control

SinoPac Securities Corp. Statement of Internal Control System

Date: March 13, 2019

SinoPac Securities Corp. conducted an internal audit in accordance with its Internal Control Regulation covering the period from January 1, 2018 to December 31, 2018, and hereby declares as follows:

- (I) The Company acknowledges and understands that the establishment, enforcement and preservation of the internal control system are the responsibility of the Board, and that the Company has already established such a system. The purpose is to provide: (1) reasonable assurance regarding the achievement of the following objectives, including effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security); (2) reliability, timeliness, transparency, and regulatory compliance of reporting; (3) achievement of targets, such as compliance with relevant laws and regulations, which provides reasonable assurance.
- (II) There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Further, the operating environment and situation may vary, impacting the effectiveness of the internal control system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- (III) The company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria") promulgated by the Financial Supervisory Commission, Executive Yuan. The Criteria is instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is measured, namely, (1) Control Environment, (2) Risk Evaluation and Response, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for details.
- (IV) The Company has adopted the aforementioned internal control system for an internal audit on the effectiveness of the design and enforcement of the internal control system.
- (V) The following major issues were discovered through the Company's evaluation: The 2018 competent authority inspection discovered: (1) Improper execution of money laundering control related operations, and violations against the Regulations Governing Anti-Money Laundering of Financial Institutions. (2) Former President Yeh learned information in the course of his professional duties but failed to make recusal. In 2017, the said President continued to trade stocks of the Tatung Company, and the Company failed to examine immediately after the transactions were completed whether such transactions involved non-public information, or whether there had been a conflict of interest. There was improper supervision and management over the subsidiary, SinoPac Securities (Asia) Limited, which was in violation against securities related laws. Details about the Company's adoption of appropriate improvement measures regarding the aforementioned matter are listed in the attached table.
- (VI) According to the above evaluation, the Company considers the design and implementation of its internal control system (including the supervision and management of its subsidiary) on December 31, 2018 as effective for achieving the following objectives: full knowledge the effectiveness and efficiency of operations; reliability, timeliness, transparency, and regulatory compliance of reporting; and compliance with applicable laws, regulations, and bylaws. Except for the preceding paragraph, everything else is still valid.
- (VII) This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act, and Article 115 of the Futures Trading Act.
- (VIII) This statement of declaration has been approved by the Board on March 13, 2019 in the presence of 10 directors who unanimously concur.

Stanley CHU
Chairman

CHIANG Wei-Yuan
President

SinoPac Securities Corp.

SinoPac Securities Corp. Internal Control System and Legal Compliance Items for Improvement and Improvement Plan

Record date: December 31, 2018

Item for improvement	Improvement Plans	Planned time of completion
<p>In April 2018, the Financial Supervisory Commission (FSC) conducted an examination on AML/CFT and counter-proliferation and imposed a NT\$500,000 fine. The audit opinion is as follows:</p> <p>I. When the Company accepted an institutional client's application for engaging in business and conducted customer due diligence, it failed to identify the natural person holding the ultimate controls for a controlling juristic person shareholder holding over 25% of shares of the institutional client, which violated Article 3, Subparagraph 7 of the Regulations Governing Anti-Money Laundering of Financial Institutions.</p> <p>II. When the Company identified the identity of high-risk clients, it failed to adopt reasonable measures to understand the client's source of wealth and funds and keep audit trails, neither did it adopt enhanced ongoing due diligence for businesses engaged with high-risk clients, which violated Article 6, Paragraph 1, Subparagraph 1 of the Regulations Governing Anti-Money Laundering of Financial Institutions.</p>	<p>I. Before the Company accepts an institutional client's application for engaging in business, it conducts customer due diligence and identifies the natural person holding the ultimate controls for a controlling juristic person shareholder holding over 25% of shares of the institutional client.</p> <p>II. The Company has completed enhanced control and improvement measures for high-risk clients. The details are as follows:</p> <p>(1) When the Company implements ECDD procedures, it enhances its comprehension of existing businesses, products used to be traded, source of wealth and funds, whether there are other high-risk matters, and other due diligence measures.</p> <p>(2) Regarding ongoing due diligence over a client's businesses, when a high-risk client shows suspicious money laundering patterns, the money laundering pattern inspection form shall first be approved by the business supervisor, and then submitted to the supervisor of higher rank for approval.</p>	<p>Improvement has been completed.</p> <p>Improvement has been completed.</p>
<p>The FSC and TWSE conducted project examinations in January 2018 and imposed a warning on the Company. The audit opinion is as follows:</p> <p>I. The Company President Yeh ○-Chi (hereinafter referred to as employee Yeh) met with a customer Cheng and the</p>	<p>I. At the 7th meeting of the 10th Board of Directors convened on May 30, 2018, it was resolved to suspend the person liable</p>	<p>Personnel punishment has been completed.</p>



Item for improvement	Improvement Plans	Planned time of completion
<p>responsible person of Tatung Company (hereinafter referred to as Tatung) in January 2017 and granted to the customer Cheng and his/her affiliated accounts an amount of financing and a credit limit with no restriction of purposes from January to February 2017. Moreover, the employee Yeh granted to a specific client of the subsidiary, SinoPac Securities (Asia), an amount of financing backed by Tatung's shares in February 2017, and he learned about the trading of Tatung's shares and possible intervention of control. However, the employee Yeh failed to make recusal; instead, he kept trading Tatung's shares from January to December 2017. Thus, he was found to have used information learned in the course of professional duties to engage in trading of securities listed on TWSE, which was deemed in violation of Article 18, Paragraph 2, Subparagraph 1 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.</p> <p>II. The Insider Trading Regulations established by the Company specifies the range of brokerage personnel, proprietary trading personnel, and underwriting personnel without including transactions conducted by directors, supervisors, and all mandated personnel. Moreover, when employee Yeh continued trading Tatung's shares in 2017, the Company failed to examine whether nonpublic information had been involved immediately after the said transactions, or whether recusal should have been required because of conflict of interest with the securities firm or other investors, which was deemed in violation of Article 2 of the Regulations Governing Insiders of Securities Firms Opening Accounts at Their Securities Firms for Securities Brokerage Trading and its internal control system.</p>	<p>to penalty, employee Yeh, from business execution for five months, and a letter was sent to the competent authority for approval and recordation.</p> <p>II. With respect to the audit deficiency that the Insider Trading Regulations established by the Company did not include directors and all mandated personnel, the Company intends to amend the Insider Trading Regulations accordingly, follow the provisions of Article 2 of the Regulations Governing Insiders of Securities Firms Opening Accounts at Their Securities Firms for Securities Brokerage Trading established by the Taiwan Stock Exchange Corporation to define insiders and escalate the regulation approval level to the Board of Directors.</p>	<p>Improvement has been completed. The Company has strengthened the communication of rules related to insider trading and required all departments and divisions to implement trading controls and inspections.</p>

Item for improvement	Improvement Plans	Planned time of completion
<p>III. The employee Yeh approved the increase of the amount of financing on his own account in June 2017 without recusing himself, which was deemed against the provisions set out in the Rules for Hierarchical Delegation of Responsibilities of the internal control system set by the person liable to penalty.</p> <p>IV. The Company granted to a specific client of the subsidiary, SinoPac Securities (Asia), an amount of financing in February 2017. However, SinoPac Securities (Asia) was found to have not implemented its internal credit extension rules, which require the KYC procedures, such as verifying that the client's net assets are sufficient. Its credit extension assessment procedures were inappropriate and the supervision and management over the subsidiary by the person liable to penalty was deemed negligent.</p>	<p>III. Enhanced control measures are as follows:</p> <p>(1) To adjust the amount of financing of the employee Yeh to the original limit. The original limit has been approved by the district supervisor based on the Company's approval levels.</p> <p>(2) The Company completed the checking of approval of financing amounts over all 98-account on May 17, 2018, and confirmed all approval levels were consistent with the rules.</p> <p>IV. With respect to the deficiency of the Company's subsidiary SinoPac Securities (Asia) for not keeping proof of the client's net asset sufficiency while assessing credit extensions, SinoPac Securities (Asia) has amended its Credit Policy and implemented credit extension assessments and controlling procedures.</p>	<p>Improvement has been completed.</p> <p>(1) To update the Company's forms and additionally add clients' names in addition to original account numbers in order to facilitate recognition.</p> <p>(2) Operation personnel are asked to enhance reviews over all 98-account. If the approval level is the applicant himself or herself, the application must be approved by the supervisor at a higher level.</p> <p>(3) To communicate to all supervisors in the capacity of conducting approvals that if the approval level is the applicant himself or herself, the application must be approved by the supervisor at a higher level.</p> <p>Improvement has been completed.</p>

I. Condensed Financial Statements for 2014 to 2018

Condensed Balance Sheets

		Unit: NT\$ Thousands				
Item	Year	Financial Statements (Note 1)				
		2018	2017	2016	2015	2014
Current assets		101,835,374	142,118,409	140,665,600	115,123,300	104,919,494
Property and equipment		2,156,559	2,135,075	2,195,868	2,171,954	2,170,765
Intangible assets		890,248	989,557	1,104,756	474,279	501,174
Other non-current		5,912,863	2,960,759	2,729,662	2,606,294	3,017,758
Current liabilities	Primary	80,101,634	116,356,970	116,792,743	94,484,925	83,806,401
	Diluted (Note 2)	(Note3)	116,863,221	117,397,461	95,327,395	84,802,757
Non-current liabilities		4,818,098	6,046,809	4,337,557	467,080	1,681,505
Capital stock		16,212,238	16,212,238	16,212,238	16,212,238	16,212,238
Capital surplus		476,766	476,766	476,766	476,766	476,766
Retained earnings	Primary	9,395,186	9,471,271	8,985,132	8,801,024	8,581,366
	Diluted (Note 2)	(Note3)	8,965,020	8,380,414	7,958,554	7,585,010
Other equity interest		(208,878)	(360,254)	(108,550)	(66,206)	(149,085)
Total assets		110,795,044	148,203,800	146,695,886	120,375,827	110,609,191
Total liabilities	Primary	84,919,732	122,403,779	121,130,300	94,952,005	85,487,906
	Diluted (Note 2)	(Note3)	122,910,030	121,735,018	95,794,475	86,484,262
Total equity	Primary	25,875,312	25,800,021	25,565,586	25,423,822	25,121,285
	Diluted (Note 2)	(Note3)	25,293,770	24,960,868	24,581,352	24,124,929

Note: 1.The financial statements for each year were audited by CPA.

2.The figures related the appropriation of the earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders' meeting on next year.

3.The appropriation of the 2018 earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders' meeting in 2019.

Condensed Statements of Comprehensive Income

		Unit: NT\$ Thousands				
Item	Year	Financial Statements (Note 1)				
		2018	2017	2016 (Note 2)	2015 (Note 2)	2014 (Note 2)
Revenue		7,728,618	9,578,610	7,351,600	7,520,709	7,370,353
Expenditure and expense		(7,498,841)	(8,758,115)	(6,562,137)	(6,267,152)	(5,974,628)
Other gains and losses		443,154	430,629	321,425	203,132	241,643
Profit before tax		672,931	1,251,124	1,110,888	1,456,689	1,637,368
Net profit		467,410	1,128,744	1,067,462	1,245,146	1,420,191
Earnings per share (NT\$)		0.29	0.70	0.66	0.77	0.88

Note: 1.The financial statements for each year were audited by CPA.

2.The financial information for the year has been reclassified in line with 2017 so that the expression is consistent.

II. Financial Ratios for 2014 to 2018

Financial Ratios

Item	Year	Financial Ratios (Note)				
		2018	2017	2016	2015	2014
Financial structure	Debt ratio	76.65%	82.59%	82.57%	78.88%	77.29%
	Long-term capital / property and equipment ratio	1,423.26%	1,491.60%	1,361.79%	1,192.06%	1,234.72%
Liquidity	Current ratio	127.13%	122.14%	120.44%	121.84%	125.19%
	Quick ratio	127.07%	122.09%	120.39%	121.52%	125.13%
Profitability	Return on assets (Note3)	0.36%	0.77%	0.80%	1.08%	1.42%
	Return on equity (Note3)	1.80%	4.39%	4.19%	4.93%	5.80%
	Operating income / paid-in capital ratio	1.42%	5.06%	4.87%	7.73%	8.61%
	Net profit / paid-in capital ratio	4.15%	7.72%	6.85%	8.99%	10.10%
	Net profit margin	6.05%	11.78%	14.52%	16.56%	19.27%
	Earnings per share (NT\$)	0.29	0.70	0.66	0.77	0.88
Cash flow (Note2)	Cash flow ratio	24.10%	0.64%	-	-	-
	Cash flow adequacy ratio	225.44%	-	-	100.26%	-
	Cash reinvestment ratio	59.45%	0.44%	-	-	-
Other ratios	Total debt / equity ratio	328.19%	474.43%	473.80%	373.48%	340.30%
	Property and equipment / total assets ratio	2.95%	2.15%	2.19%	2.47%	2.67%
	Total underwritings / the balance of its current assets less current liabilities ratio	-	3.63%	-	0.15%	-
	Total margin loans / equity ratio	54.93%	84.83%	80.77%	63.81%	78.65%

Note1: The financial statements for each year were audited by CPA.

Note2: When the net cash flow of the annual operating activities is negative, the cash flow ratio and the cash reinvestment ratio are not calculated. When the total net cash flow of the operating activities in the last five years is negative, the cash flow adequacy ratio is not calculated.

Note3: In 2018, the retrospective adjustment is the first to apply the impact of IFRS9.



III. Audit Committee's Report

Audit Committee's Report

The Board of Directors has submitted the Company's 2018 financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) recognized and effective issued by the Financial Supervisory Commission (FSC), and audited by Yi-Chun Wu and Cheng-Hung Kuo, the Certificated Public Accountants of Deloitte & Touche. The Financial Statements, Business Report, and profit allocation proposal have been reviewed and deemed that there are no discrepancies by the Audit Committee members of SinoPac Securities Corp. According to Article 219 of the Company Act, we hereby submit this report.

To

2019 Annual General Meeting of the Shareholders

SinoPac Securities Corporation

Convener of Audit Committee: SCHIVE Chi

March 13, 2019

IV. Audited Financial Statements

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

SINOPAC SECURITIES CORPORATION

March 13, 2019



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
SinoPac Securities Corporation

Opinion

We have audited the accompanying consolidated financial statements of SinoPac Securities Corporation and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC), endorsed and issued into effect by the 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2018. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2018 is stated as follows:

Recognition of Brokerage Handling Fee Revenue

The Group's brokerage handling fee revenue arises from the trading of domestic and foreign securities, futures contracts and stock loans. It is calculated by multiplying the trading value by a standard rate or special rate agreed with clients. For the year ended December 31, 2018, the Group's brokerage handling fee revenue was \$4,921,726 thousand, representing 64% of total revenue; therefore, the amount has material impact on the consolidated financial statements. As a result, the accuracy of recognition of brokerage handling fee revenue is identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. We understood and evaluated the design and implementation of operating effectiveness of the internal control over revenue recognition. We, on a sampling basis, inspected trading documents to confirm whether transactions were truly made by clients, examined applications of special rates and discounts to verify whether they were properly approved, and recalculated the fees to determine whether they were accurate.
2. We, on a sampling basis, tested the completeness of various domestic and foreign securities buy and sell reports and recalculated the brokerage handling fees to confirm its accuracy.
3. We performed analytical procedures.

Refer to Notes 4 and 28(1) for the related accounting policies and balances of the Group's brokerage handling fee revenue.

Other Matter

We have also audited the parent company only financial statements of SinoPac Securities Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRS, IAS, IFRIC, and SIC, endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 the 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 financial statements.

As part of an audit in accordance with the 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 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 Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the consolidated financial statements including the disclosures, 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 Group 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 the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS		DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)			
	2018		2017		
	Amount	%	Amount	%	
ASSETS					
CURRENT ASSETS (Note 4)					
Cash and cash equivalents (Notes 3, 4, 6 and 31)	\$ 8,721,980	8	\$ 5,059,624	3	
Current financial assets at fair value through profit or loss (Notes 3, 4, 7, 14 and 31)	33,222,271	30	61,448,764	42	
Available-for-sale current financial assets (Notes 3, 4, 13 and 31)	-	-	3,199,026	2	
Bond investments under resale agreements (Notes 3, 4, 9 and 31)	3,458,383	3	3,217,133	2	
Margin loans receivable (Notes 3, 4 and 10)	14,213,636	13	21,886,937	15	
Refinancing margin (Notes 3 and 4)	49,287	-	32,897	-	
Refinancing collateral receivable (Notes 3 and 4)	41,141	-	26,911	-	
Receivable of securities business money lending (Notes 3 and 4)	-	-	127,075	-	
Receivable of money lending - any use (Notes 3 and 4)	516,744	-	547,138	-	
Customer margin account (Notes 3, 4, 31 and 39)	16,259,506	15	17,149,716	12	
Futures exchanges margins receivable (Notes 3, 4 and 11)	617	-	5,412	-	
Security borrowing collateral price (Notes 3 and 4)	607,937	1	29,069	-	
Security borrowing margin (Notes 3, 4 and 31)	4,297,356	4	5,189,591	4	
Notes and accounts receivable (Notes 3, 4, 10 and 31)	8,001,385	7	10,554,913	7	
Prepayments (Notes 3 and 31)	46,311	-	56,129	-	
Other receivables (Notes 3, 4, 10 and 31)	323,394	-	217,154	-	
Other current financial assets (Notes 3, 6 and 31)	2,064,428	2	1,666,165	1	
Current tax assets (Notes 4, 29 and 31)	100,346	-	100,132	-	
Restricted current assets (Notes 3, 31 and 32)	1,715,000	2	1,320,000	1	
Other current assets - others (Note 31)	8,195,652	7	10,284,623	7	
Total current assets	101,835,374	92	142,118,409	96	
NON-CURRENT ASSETS					
Non-current financial assets at fair value through profit or loss (Notes 3, 4, 7 and 31)	174,384	-	100,033	-	
Non-current financial assets at cost (Notes 3, 4, 12 and 31)	-	-	559,190	-	
Non-current financial assets at fair value through other comprehensive income (Notes 3, 4, 8 and 31)	3,381,628	3	-	-	
Available-for-sale non-current financial assets (Notes 3, 4 and 13)	-	-	86,929	-	
Property and equipment (Notes 3, 4, 15 and 32)	2,156,559	2	2,135,075	2	
Investment property (Notes 4, 16 and 32)	183,374	-	185,040	-	
Goodwill (Notes 4, 5 and 17)	278,342	-	326,581	-	
Other intangible assets (Notes 4, 18 and 31)	611,906	1	662,976	1	
Deferred tax assets (Notes 3, 4 and 29)	493,216	-	339,385	-	
Guarantee deposits paid (Notes 3, 19, 31 and 34)	1,632,674	2	1,654,779	1	
Overdue receivables (Notes 3, 4, 11 and 20)	3,747	-	2,563	-	
Prepayments for business facilities	23,763	-	12,812	-	
Other non-current assets - others	20,077	-	20,028	-	
Total non-current assets	8,959,670	8	6,085,391	4	
TOTAL	\$ 110,795,044	100	\$ 148,203,800	100	



	2018		2017	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 21 and 31)	\$ 1,491,446	1	\$ 4,047,648	3
Commercial paper payable (Note 22)	8,597,858	8	19,330,166	13
Current financial liabilities at fair value through profit or loss (Notes 4, 7 and 31)	3,019,996	3	3,736,364	2
Liabilities for bonds with attached repurchase agreements (Notes 4, 7, 24 and 31)	25,237,077	23	39,878,038	27
Securities financing refundable deposits (Note 4)	2,640,923	2	2,510,216	2
Deposits payable for securities financing (Note 4)	2,917,232	3	2,882,815	2
Securities lending refundable deposits (Note 4)	3,659,120	3	5,275,319	4
Futures traders' equity (Notes 4 and 31)	16,259,506	15	17,149,716	12
Equity for each customer in the account	77,558	-	107,905	-
Notes and accounts payable (Notes 25 and 31)	14,962,281	13	18,976,898	13
Other payables (Note 31)	683,374	1	863,204	1
Other current financial liabilities (Note 7)	-	-	537,430	-
Current tax liabilities (Notes 4, 29 and 31)	307,671	-	281,908	-
Other current liabilities (Note 31)	247,592	-	779,343	-
Total current liabilities	80,101,634	72	116,356,970	79
NON-CURRENT LIABILITIES				
Bonds payable (Note 23)	3,000,000	3	3,000,000	2
Long-term borrowings (Note 21)	1,291,561	1	2,627,447	2
Deferred tax liabilities (Notes 4 and 29)	132,308	-	61,155	-
Guarantee deposits received (Note 34)	1,144	-	1,573	-
Net defined benefit liabilities - non-current (Notes 4 and 26)	393,085	1	356,634	-
Total non-current liabilities	4,818,098	5	6,046,809	4
Total liabilities	84,919,732	77	122,403,779	83
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 3, 4 and 27)				
Capital stock	16,212,238	15	16,212,238	11
Capital surplus				
Additional paid-in capital	84,747	-	84,747	-
Treasury stock transactions	31,358	-	31,358	-
Net assets from merger	329,379	-	329,379	-
Employee share options	31,282	-	31,282	-
Total capital surplus	476,766	-	476,766	-
Retained earnings				
Legal reserve	2,180,179	2	2,071,094	1
Special reserve	6,784,841	6	6,309,320	4
Unappropriated retained earnings	430,166	-	1,090,857	1
Total retained earnings	9,395,186	8	9,471,271	6
Other equity interest				
Exchange differences on translation of foreign financial statements	(395,101)	-	(504,058)	-
Unrealized gains on financial assets at fair value through other comprehensive income	186,223	-	-	-
Unrealized gains on available-for-sale financial assets	-	-	143,804	-
Total other equity interest	(208,878)	-	(360,254)	-
Total equity	25,875,312	23	25,800,021	17
TOTAL	\$ 110,795,044	100	\$ 148,203,800	100

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
REVENUE (Note 4)				
Brokerage handling fee revenue (Notes 28 and 31)	\$ 4,921,726	64	\$ 4,476,140	47
Handling fee revenues from securities business money lending	5,549	-	7,967	-
Income from securities lending	95,639	1	121,774	1
Revenues from underwriting business (Notes 28 and 31)	340,172	4	350,944	4
Gains on wealth management, net (Note 31)	107,083	1	84,661	1
Gains (losses) on sale of securities - proprietary, net (Notes 28 and 31)	(555,415)	(7)	1,430,045	15
Gains on sale of securities - underwriting, net (Note 28)	33,223	-	54,652	1
Gains (losses) on sale of securities - hedging, net (Note 28)	(938,691)	(12)	364,200	4
Revenue from providing agency service for stock affairs (Note 31)	118,479	2	116,874	1
Interest revenue (Notes 28 and 31)	2,220,056	29	2,590,286	27
Dividend revenue (Note 31)	374,615	5	341,456	3
Valuation gains (losses) on operating securities at fair value through profit or loss, net (Note 28)	(894,933)	(12)	896,704	9
Gains (losses) on covering of borrowed securities and bonds with resale agreements - short sales, net	66,483	1	(31,523)	-
Valuation gains (losses) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss, net	50,324	1	(69,361)	(1)
Gains from issuance of call (put) warrants, net (Notes 7 and 31)	1,178,159	15	9,209	-
Futures contract gains (losses), net (Note 7)	61,698	1	(592,133)	(6)
Option trading gains (losses), net (Note 7)	1,416	-	(6,896)	-
Gains (losses) from derivatives - OTC, net (Notes 28 and 31)	294,945	4	(416,470)	(4)
Revenue from advisory (Note 31)	37,896	-	18,666	-
Expected credit losses (Notes 10, 11 and 20)	(239,190)	(3)	-	-
Other operating income (expenses) (Notes 28 and 31)	449,384	6	(168,585)	(2)
Total revenue	7,728,618	100	9,578,610	100
EXPENDITURE AND EXPENSE				
Brokerage handling fee expense (Note 31)	(542,126)	(7)	(486,300)	(5)
Proprietary handling fee expense (Note 31)	(80,492)	(1)	(75,535)	(1)
Refinancing processing fee expenses	(1,225)	-	(877)	-
Underwriting operation processing fee expenses (Note 31)	(7,997)	-	(6,845)	-
Finance costs (Notes 28 and 31)	(992,034)	(13)	(990,375)	(10)
Loss from securities borrowing transactions	(3,023)	-	(217)	-
Futures commission expense	(154,482)	(2)	(129,654)	(1)
Expense of clearing and settlement (Note 31)	(155,972)	(2)	(138,983)	(2)
Other operating expenditures	(5,346)	-	(23,572)	-
Employee benefits expenses (Notes 4, 26 and 28)	(3,653,870)	(47)	(3,747,840)	(39)
Depreciation and amortization expense (Notes 4, 15, 18 and 28)	(269,814)	(4)	(287,543)	(3)
Other operating expense (Notes 10, 20, 28 and 31)	(1,632,460)	(21)	(2,870,374)	(30)
Total expenditure and expense	(7,498,841)	(97)	(8,758,115)	(91)
NET OPERATING INCOME	229,777	3	820,495	9
OTHER GAINS AND LOSSES (Notes 12, 16, 17, 28 and 31)	443,154	6	430,629	4
PROFIT BEFORE TAX	672,931	9	1,251,124	13
INCOME TAX EXPENSE (Notes 4, 27 and 29)	(205,521)	(3)	(122,380)	(1)
NET PROFIT FOR THE YEAR	467,410	6	1,128,744	12
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 26, 27 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(36,688)	(1)	(45,647)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(249,868)	(3)	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	3,998	-	7,760	-
	(282,558)	(4)	(37,887)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	110,925	2	(434,398)	(5)
Unrealized gains on available-for-sale financial assets	-	-	118,944	1
Income tax relating to items that may be reclassified subsequently to profit or loss	(1,968)	-	63,750	1
	108,957	2	(251,704)	(3)
Other comprehensive loss for the year, net of income tax	(173,601)	(2)	(289,591)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 293,809	4	\$ 839,153	9
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 467,410	6	\$ 1,128,744	12
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 293,809	4	\$ 839,153	9
EARNINGS PER SHARE (Note 30)				
Basic	\$ 0.29		\$ 0.70	

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



SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Capital Stock (Note 27)		Capital Surplus (Note 27)	Retained Earnings (Note 27)			Other Equity Interest (Note 27)			Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2017	1,621,224	\$ 16,212,238	\$ 476,766	\$ 1,968,436	\$ 5,990,118	\$ 1,026,578	\$(135,540)	\$ -	\$ 26,990	\$ 25,565,586
Appropriation of 2016 earnings										
Legal reserve	-	-	-	102,658	-	(102,658)	-	-	-	-
Special reserve	-	-	-	-	319,202	(319,202)	-	-	-	-
Cash dividends	-	-	-	-	-	(604,718)	-	-	-	(604,718)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,128,744	-	-	-	1,128,744
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(37,887)	(368,518)	-	116,814	(289,591)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,090,857	(368,518)	-	116,814	839,153
BALANCE AT DECEMBER 31, 2017	1,621,224	16,212,238	476,766	2,071,094	6,309,320	1,090,857	(504,058)	-	143,804	25,800,021
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(45,242)	-	476,779	(143,804)	287,733
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,621,224	16,212,238	476,766	2,071,094	6,309,320	1,045,615	(504,058)	476,779	-	26,087,754
Appropriation of 2017 earnings										
Legal reserve	-	-	-	109,085	-	(109,085)	-	-	-	-
Special reserve	-	-	-	-	475,521	(475,521)	-	-	-	-
Cash dividends	-	-	-	-	-	(506,251)	-	-	-	(506,251)
Net profit for the year ended December 31, 2018	-	-	-	-	-	467,410	-	-	-	467,410
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(25,889)	108,957	(256,669)	-	(173,601)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	441,521	108,957	(256,669)	-	293,809
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	33,887	-	(33,887)	-	-
BALANCE AT DECEMBER 31, 2018	1,621,224	\$ 16,212,238	\$ 476,766	\$ 2,180,179	\$ 6,784,841	\$ 430,166	\$(395,101)	\$ 186,223	\$ -	\$ 25,875,312

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	\$ 672,931	\$ 1,251,124
Adjustments to reconcile profit (loss)		
Depreciation and amortization expense	271,480	289,138
Provision for expected credit losses	239,870	1,310,783
Valuation loss (gain) on operating securities at fair value through profit or loss, net	894,933	(896,704)
Valuation loss (gain) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss, net	(50,324)	69,361
Finance costs	992,034	990,375
Interest revenue and financial income	(2,577,421)	(2,868,928)
Dividend revenue	(412,738)	(365,866)
Loss on disposal and retirement of property and equipment	1,360	1,457
Loss on disposal of other intangible assets	1,578	-
Loss on disposal of financial assets at costs	-	268
Valuation loss (gain) on non-operating financial instruments at fair value	40,081	(1,676)
Unrealized gain on issuance of call or put warrants	(1,288,244)	(122,786)
Impairment loss on goodwill	50,698	3,559
Impairment loss on financial assets	-	22,537
Gain on disposal of available-for-sale financial assets	-	(194,744)
Reversal gain from decommissioning obligations	(2,530)	(9,123)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	27,349,180	(2,825,135)
Decrease (increase) in bond investments under resale agreements	(241,250)	5,679,920
Decrease (increase) in margin loans receivable	7,460,806	(2,419,244)
Increase in refinancing margin	(16,390)	(29,923)
Increase in refinancing collateral receivable	(14,230)	(24,471)
Decrease (increase) in receivable of securities business money lending	127,075	(100,055)
Decrease (increase) in receivable of money lending - any use	22,649	(320,818)
Decrease in customer margin account	890,210	1,212,894
Decrease (increase) in futures exchanges margins receivable	4,795	(670)
Decrease (increase) in security borrowing collateral price	(578,868)	360,873
Decrease (increase) in security borrowing margin	892,235	(1,569,944)
Decrease in notes and accounts receivable	2,326,430	204,363
Decrease in prepayments	9,818	1,900
Decrease (increase) in other receivables	35,147	(32,135)
Decrease (increase) in other current assets	2,088,971	(2,203,449)
Decrease (increase) in overdue receivables	(185,423)	5,830
Decrease in liabilities for bonds with attached repurchase agreements	(14,640,961)	(3,972,055)
Increase (decrease) in current financial liabilities at fair value through profit or loss	622,200	(1,944,361)
Increase in securities financing refundable deposits	130,707	461,981
Increase in deposits payable for securities financing	34,417	536,678
Increase (decrease) in refundable deposit	(1,616,199)	1,156,299
Decrease in futures traders' equity	(890,210)	(1,212,894)
Increase (decrease) in notes and accounts payable	(4,014,617)	5,173,723
Increase (decrease) in other payables	(146,954)	98,836
Decrease in net defined benefit liabilities - non-current	(237)	(418)
Increase (decrease) in other current liabilities	(537,430)	350,169
Increase (decrease) in equity for each customer in the account	(30,347)	100,943
Increase (decrease) in other current liabilities	(531,751)	476,662

(Continued)



	2018	2017
Net cash generated from (used in) operations	\$ 17,383,481	\$(1,355,726)
Interest received	2,788,779	2,834,557
Dividend received	414,543	365,495
Interest paid	(1,024,300)	(960,541)
Income tax paid	(259,180)	(134,379)
Net cash generated from operating activities	19,303,323	749,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(947,912)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,309,737	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	5,236	-
Acquisition of available-for-sale financial assets	-	(2,351,621)
Proceeds from disposal of available-for-sale financial assets	-	1,361,297
Acquisition of financial assets at cost	-	(6)
Proceeds from disposal of financial assets at cost	-	37
Proceeds from capital reduction of financial assets at cost	-	23,858
Acquisition of property and equipment	(117,736)	(97,447)
Proceeds from disposal of property and equipment	21	45
Decrease (increase) in refundable deposits	22,105	(43,690)
Acquisition of other intangible assets	(52,200)	(39,418)
Increase in other current financial assets	(398,263)	(9,526)
Decrease (increase) in restricted assets	(395,000)	50,000
Decrease (increase) in other non-current assets - others	(49)	7,455
Increase in prepayments for business facilities	(77,133)	(30,761)
Net cash used in investing activities	(651,194)	(1,129,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(2,556,202)	(1,827,105)
Increase (decrease) in commercial paper payments	(10,732,308)	5,545
Proceeds from issuing bonds	-	3,000,000
Repayment of long-term borrowings	(1,335,886)	(1,246,912)
Increase (decrease) in guarantee deposits received	(429)	261
Cash dividends paid	(506,251)	(604,718)
Net cash used in financing activities	(15,131,076)	(672,929)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	141,303	(448,422)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,662,356	(1,501,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,059,624	6,561,346
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 8,721,980	\$ 5,059,624

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

SinoPac Securities Corporation (the "Corporation") was established on October 11, 1988 and started operations on November 8, 1988. It engages in marketable security transactions such as (a) underwriting, proprietary (securities and futures) and brokerage; (b) financing customers' acquisition and short-sales; (c) trading foreign securities on behalf of customers; (d) assisting in futures trading; and (e) engaging in bills financing and other business as approved by relevant authorities.

The Corporation provided the trust services in wealth management to engage in money trust which is non-discretionary individually managed trusts in November 2014.

Its shares began to be traded on the Taipei Exchange (the over-the-counter Securities Exchange of the Republic of China, or the "TPEX") in December 1994. Effective May 9, 2002, the Corporation's shares ceased to be traded on the TPEX because of the incorporation of the Corporation into SinoPac Financial Holdings Company Limited ("SinoPac Holdings") through a share swap.

As of December 31, 2018, the Corporation had 54 branches and one Offshore Securities Unit in addition to its head office.

The consolidated financial statements of the Corporation and its subsidiaries (collectively, the "Group") are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors (the "Board") on March 13, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC")

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the IFRSs endorsed and issued into effect by the FSC did not have a significant impact on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 5,059,624	\$ 5,059,624	Note 1
Derivatives, futures and warrants	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	889,870	889,870	
Equity securities	Held-for-trading	Mandatorily at FVTPL	7,289,925	7,289,925	
	Financial assets at cost	Mandatorily at FVTPL	179,563	132,052	Note 3
	Financial assets at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	379,627	712,602	Note 3
	Available-for-sale	FVTOCI - equity instruments	3,285,955	3,285,955	Note 2
Mutual funds	Held-for-trading	Mandatorily at FVTPL	2,723,448	2,723,448	
Debt securities	Held-for-trading	Mandatorily at FVTPL	50,645,554	50,645,554	
Margin loans receivable	Loans and receivables	Amortized cost	21,886,937	21,887,766	Note 1
Notes receivable, accounts receivable, other receivables, time deposits with original maturities of more than 3 months, bond investments under resale agreements, refinancing margin, refinancing collateral receivable, receivable of securities business money lending, receivable of money lending - any use, customer margin account, futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, restricted current assets, guarantee deposits paid and overdue receivables	Loans and receivables	Amortized cost	41,740,516	41,740,516	Note 1



	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at FVTPL	\$61,548,797						
Add: Reclassification from financial assets measured at cost (IAS 39)	-	\$ 179,563	\$ (47,511)				Note 3
	<u>61,548,797</u>	<u>179,563</u>	<u>(47,511)</u>	<u>\$61,680,849</u>	<u>\$ (45,930)</u>	<u>\$ -</u>	
Financial Assets at FVTOCI	-						
-Equity instruments							
Add: Reclassification from available-for-sale (measured at cost) (IAS 39)	-	3,665,582	332,975				Notes 2 and 3
	<u>-</u>	<u>3,665,582</u>	<u>332,975</u>	<u>3,998,557</u>	<u>-</u>	<u>332,975</u>	
Amortized cost	-						
Add: Reclassification from loans and receivables (IAS 39)	-	68,687,077	829				Note 1
	<u>-</u>	<u>68,687,077</u>	<u>829</u>	<u>68,687,906</u>	<u>688</u>	<u>-</u>	
	<u>\$61,548,797</u>	<u>\$72,532,222</u>	<u>\$ 286,293</u>	<u>\$134,367,312</u>	<u>\$ (45,242)</u>	<u>\$ 332,975</u>	

Note 1: Cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, receivable of securities business money lending, receivable of money lending - any use, customer margin account, futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable, other receivables, other current assets, restricted current assets, guarantee deposits paid and overdue receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised a decrease in the loss allowance - margin loans receivable of \$829 thousand, a decrease in deferred tax assets of \$141 thousand, and an increase in retained earnings of \$688 thousand on January 1, 2018.

Note 2: The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments were not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$143,804 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Note 3: Investments in unlisted shares previously measured at cost under IAS 39 were classified as financial assets at FVTPL and financial assets at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$132,052 thousand and \$1,581 thousand and a decrease of \$45,930 thousand, respectively, was recognized in financial assets at FVTPL, deferred tax assets and retained earnings, respectively, on January 1, 2018. Furthermore, financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI increased by \$712,602 thousand and \$332,975 thousand, respectively, on January 1, 2018.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 2)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

On adoption of IFRS 16, the Group is expected to elect to recognize lease liabilities for leases classified as operating leases under IAS 17. For each individual lease, the Group recognizes right-of-use assets in the amounts equal to the lease liabilities. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets and liabilities on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments	\$ 46,311	\$ 5,605	\$ 51,916
Property, plant and equipment	2,156,559	(8,411)	2,148,148
Right-of-use assets	-	930,827	930,827
Guarantee deposits paid	<u>1,632,674</u>	<u>(5,605)</u>	<u>1,627,069</u>
Total effect on assets	<u>\$ 3,835,544</u>	<u>\$ 922,416</u>	<u>\$ 4,757,960</u>
Lease liabilities - current	\$ -	\$ 268,497	\$ 268,497
Lease liabilities - non-current	<u>-</u>	<u>653,919</u>	<u>653,919</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 922,416</u>	<u>\$ 922,416</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed the impact that the application of other standards and interpretations would not have a material impact on the Group's financial position and financial performance.

c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulation Governing the Preparation of Financial Reports by Futures Commission Merchant and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer 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.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

- a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

- b. Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership		Remark
			2018	2017	
The Corporation	SinoPac Futures Corporation ("SinoPac Futures")	Futures brokering, dealing, advisory, managed enterprise and securities investment consulting services	100.00	100.00	
The Corporation	SinoPac Securities Investment Service Corporation ("SinoPac Securities Investment Service")	Securities investment consulting and offshore fund distributor business	100.00	100.00	
The Corporation	SinoPac Securities (Cayman) Holdings Ltd. ("SinoPac Securities (Cayman)")	Investment holding company	100.00	100.00	
The Corporation	SinoPac Financial Consulting (Shanghai) Ltd. ("SinoPac Financial Consulting (Shanghai)")	Management consulting, investment and information consulting	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac Securities (Europe) Ltd. ("SinoPac Securities (Europe)")	Brokerage agency service	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac Asset Management (Asia) Ltd. ("SinoPac Asset Management (Asia)")	Asset management and investment consulting	100.00	100.00	

Investor	Investee	Main Business	% of Ownership		Remark
			2018	2017	
SinoPac Securities (Cayman)	SinoPac Securities (Asia) Ltd. ("SinoPac Securities (Asia)")	Stock and futures contract brokerage and dealing business	100.00	100.00	Notes 1 and 2
SinoPac Securities (Cayman)	SinoPac Asia Ltd. ("SinoPac Asia")	Liquidated	-	100.00	Note 3
SinoPac Securities (Cayman)	SinoPac International Holdings Ltd. ("SinoPac International Holdings")	Investment holding	100.00	100.00	Note 4
SinoPac Securities (Asia)	SinoPac (Asia) Nominees Ltd.	Trust account on overseas stock	100.00	100.00	
SinoPac Securities (Asia)	SinoPac Capital (Asia) Ltd. ("SinoPac Capital (Asia)")	Proprietary trading	100.00	100.00	
SinoPac Securities (Asia)	SinoPac Solutions and Services Ltd. ("SinoPac Solutions and Services")	Fund administration services	100.00	100.00	
SinoPac International Holdings	SinoPac Bullion (Brokers) Ltd. ("SinoPac Bullion (Brokers)")	Liquidated	-	100.00	Notes 5 and 6
SinoPac International Holdings	SinoPac Financial Services (Brokers) Ltd. ("SinoPac Financial Services (Brokers)")	Liquidated	-	100.00	Notes 5 and 7
SinoPac International Holdings	SinoPac Services (Brokers) Ltd. ("SinoPac Services (Brokers)")	Liquidating	100.00	100.00	Notes 5 and 8
SinoPac International Holdings	ICEA Capital Ltd. ("ICEA Capital")	Liquidated	-	-	Note 9

Note 1: For the purpose of enhancing the Hong Kong subsidiaries' operating efficiency and of expediting the integration between different functions, the Corporation's Board resolved in December 2016, together with the FSC approval under letter No. 1050053605 in January 2017, to allow SinoPac Securities (Asia) to merge with its wholly-owned subsidiaries - Tung Shing Securities (Brokers) and Tung Shing Futures (Brokers). After the merger, SinoPac Securities (Asia) was the surviving company, and both Tung Shing Securities (Brokers) and Tung Shing Futures (Brokers) were the merged companies. The merger date was February 13, 2017.

Note 2: To strengthen its capital structure, SinoPac Securities (Asia) carried out a capital reduction to offset its accumulated deficits in the amount of HK\$181,740 thousand with a reduction percentage of 18%. The capital reduction was resolved by the Board in September 2017, approved by the FSC under the Letter No. 1060040172 in October 2017, and registered to the local authorities in December 2017. After the reduction, the share capital of SinoPac Securities (Asia) was HK\$821,060 thousand.

Note 3: The Corporation's Board resolved in August 2017 together with the FSC approval under letter No. 1060037175 in October 2017 to liquidate SinoPac Asia. The liquidation was completed and the capital was returned in March 2018.

Note 4: To utilize capital more effectively, SinoPac International Holdings carried out a capital reduction in the amount of HK\$139,392 thousand with a reduction percentage of 90%. The capital reduction was resolved by the Board in September 2017, approved by the FSC under the Letter No. 1060040172 in October 2017, and registered to the local authorities in December 2017. After the reduction, the share capital of SinoPac International Holdings was HK\$15,488 thousand.

Note 5: In December 2016, the Board resolved to rename Tung Shing Bullion (Brokers) Ltd., Tung Shing Financial Services (Brokers) Ltd. and Tung Shing Services (Brokers) Ltd. to SinoPac Bullion (Brokers), SinoPac Financial Services (Brokers) and SinoPac Services (Brokers), respectively. The renaming was approved by the FSC under letter No. 1050053605 in January 2017, and the registration was completed in February 2017.

Note 6: The Corporation's Board resolved in March 2017 together with the FSC approval under letter No. 1060012731 in April 2017 to liquidate SinoPac Bullion (Brokers). The liquidation proceeding was completed in September 2018.

Note 7: The Corporation's Board resolved in March 2017 together with the FSC approval under letter No. 1060012731 in April 2017 to liquidate SinoPac Financial Services (Brokers). Its capital was repaid in June 2018, and the liquidation proceeding was completed in December 2018.

Note 8: The Corporation's Board resolved in November 2018 together with the FSC approval under letter No. 1070346532 in December 2018 to liquidate SinoPac Services (Brokers). As of the date the consolidated financial statements were authorized for issue, the liquidation was not completed.

Note 9: The Corporation's Board resolved in March 2016 together with the FSC approval under letter No. 1050015503 in April 2016 to liquidate ICEA Capital. Its capital was repaid in September 2017 and the liquidation proceeding was completed in January 2018.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities and as if the business combination involving entities under common control had already occurred in that period.



Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated; they are translated at the rates of exchange prevailing at the dates of the transactions.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Corporate assets are allocated to the individual CGU on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instrument

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 37.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost etc., are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.



Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 37.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit or loss.

c) Loans and receivables

Loans and receivables (including accounts receivable and cash and cash equivalent) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowances for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those measured at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of such financial assets, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as account receivable, are assessed for impairment individually; if no objective evidence shows that they are impaired, they are then assessed on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience in collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, becoming probable that the borrower will enter bankruptcy or financial re-organization, or disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.



c. Financial liabilities

1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

Fair value is determined in the manner described in Note 37.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

Derivative financial instruments which include futures, option, warrant, interest rate swap, forward exchange, currency swap, cross currency swap, convertible bond asset swap, structured instrument and equity swap contract are used to diversify its range of investments, to develop various services aggressively and to use working capital more efficiently.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Repurchase and Resell Transaction

Bonds purchased under resell agreements and bonds sold under repurchase agreements are accounted for as assets and liabilities, respectively, and the related interest income and expense are accounted for on the basis of the contracted spread.

Margin Loans and Stock Loans

"Margin loans receivable" represents the amount financed to customers to buy securities, and the securities are then used to secure these loans. The collateral is recorded under "collateral securities" using memo entries. The collateral securities are returned to the customers when the margin loans are repaid.

When the Corporation refinances the aforementioned margin loans with securities finance companies ("SFCs"), the loans are recorded under "refinancing borrowings," which are collateralized by securities bought by customers.

The collateral securities are sold by the Corporation when their market values fall below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral securities cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified to "overdue receivables." If a collateral security cannot be sold in the open market, the balance of the loan is reclassified to "other receivables" or "overdue receivables."

Stock loans are securities lent to customers for short sales. The deposits received from customers on securities lent out are credited to "securities financing refundable deposits." The securities sold short are recorded as "stock loans" using memo entries. The proceeds of disposal of stock loans less any dealer's commission, financing charges and securities exchange tax are recorded under "deposits payable for securities financing." The deposits received and the proceeds of disposal of stock loans are returned to the customers when the stock loans are repaid.

When the Corporation refinances the aforementioned stock loans, the margins deposited by the Corporation to SFCs are recorded as “refinancing margin.” The refinancing securities delivered to the Corporation are recorded as “refinancing stock collateral” using memo entries. A portion of the proceeds of the short-sale of securities borrowed from SFCs is retained by the SFCs as collateral and is recorded under “refinancing collateral receivable.”

Securities Business Money Lending, Money Lending - Purpose Unrestricted and Securities Lending

The Corporation’s sources of lending securities for the securities lending business are from (1) securities owned, (2) securities borrowed from the Taiwan Stock Exchange Corporation (TWSE) through its Securities Borrowing and Lending (“SBL”) system, (3) collateral securities acquired from margin loans and stock loans, (4) securities borrowed from customers, and (5) securities borrowed from other security firms or SFCs. When using its self-owned securities for the lending business, the Corporation should reclassify the securities to “lending stock” and measured them at fair value on the valuation date. The gains or losses from the valuation are recognized in the valuation account from which the securities are reclassified. When conducting the securities lending business, the Corporation sets up a separate account for each customer and makes daily entries for details of loan balances, details of collateral received (including values), and payments for collateral shortfalls and disposals.

When conducting the money lending business, the amount is limited to payables by each customer after netting the prices of securities bought and sold by that customer on that trading day, the related fees and taxes; the amount is recorded under “receivable of securities business money lending.” When conducting the money lending - purpose unrestricted business, the amount is limited to the collateral received; the amount is recorded under “receivable of securities business money lending - purpose unrestricted.” The interests and fees earned are recorded under “interest revenue” and “Handling fee revenues from securities business money lending.” In addition, the Corporation sets up a separate account for each customer and makes daily entries for details of money lending balances, details of collateral received and payments for collateral shortfalls and disposals.

The collateral securities obtained through securities lending are recorded through memo entries as “collateral securities.” Cash collateral is recorded as “securities lending refundable deposits.” Deposits for securities borrowed from TWSE using the SBL system are recorded as “securities borrowing margin.” Securities lending refundable deposits (or securities borrowing margin) will be repaid (or collected) on the return of borrowed securities. Revenues and service fee from securities lending are recognized as securities lending revenues.

Customer Margin Accounts and Futures Traders’ Equity

SinoPac Futures and SinoPac Securities (Asia) engage in futures brokerage and receive margin deposits from customers as required under existing regulations. The proceeds are deposited in a bank and recorded under “customer margin accounts” and “futures traders’ equity.” Gains or losses from daily marking to market of the carrying amounts of the contracts and related commission are charged to the customers’ margin accounts and futures traders’ equity. Futures traders’ equity accounts cannot offset each other, except when they are of the same kind and belong to the same investor. The debit balance of futures traders’ equity, which results from losses on futures transactions in excess of the margin deposited, is recorded under “Futures exchanges margins receivable.”

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangement

Based on the Group’s estimate of equity instruments that will vest, the grant-date fair value of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital surplus - employee share options. When the shares become fully vested, the grant-date fair value of the equity-settled share-based payment is fully recognized as an expense immediately.

The shares of the capital increased by cash of SinoPac Holdings were reserved for the Group’s employees. The grant date was the date that the employees’ subscription, and the fair value determined at the grant date of the equity-settled share-based payment was recognized as an expense and paid-in capital.



Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The additional income tax on unappropriated earnings is recognized for as income tax in the year the stockholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. If current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

d. In the filing of returns, the linked-tax system is used, i.e., the Corporation, its parent company (SinoPac Holdings) and the qualified subsidiaries of SinoPac Holdings (the "SinoPac Group") "linked" their taxes in filing their returns. The accounting procedure applied by the SinoPac Group to the income tax is to adjust in SinoPac Holdings' book the difference between the combined current/deferred taxes and the total of each SinoPac Group member's ones. Related payables and receivables are recorded in each of the SinoPac Group members' books.

Revenue Recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Service income is recognized when services are provided.

The Group's brokerage handling fee revenue is recognized on the trade date of securities and stock loans.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated allowance.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

When the results of rendering of services could be measured reasonably, revenue from a contract to provide services is recognized by reference to the stage of completion of the contract on each balance sheet date.

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment for Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of a CGU to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash		
Petty cash and cash on hand	\$ 1,917	\$ 1,900
Demand deposits	1,978,163	2,711,914
Checking accounts	425,908	421,528
Cash equivalents		
Short-term notes	4,304,293	744,307
Time deposits with original maturities less than three months	1,266,346	697,386
Excess margin of futures	<u>745,353</u>	<u>482,589</u>
	<u>\$ 8,721,980</u>	<u>\$ 5,059,624</u>

The interest rate range of the bank deposits and short-term notes were as follows:

	December 31	
	2018	2017
Interest rates of the time deposits with original maturities less than three months	0.50%-3.01%	0.39%-4.00%
Discount rate of the short-term notes	0.32%-0.60%	0.32%-0.40%
Due date of the short-term notes	January 2019	January 2018

As of December 31, 2018 and 2017, time deposits with original maturities more than three months, which was classified as other current financial assets, were \$2,064,428 thousand and \$1,666,165 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Instruments held for trading and those designated as upon initial recognition at FVTPL were as follows:

	December 31		Note
	2018	2017	
<u>Current financial assets at FVTPL</u>			
Financial assets mandatorily classified as at FVTPL			
Open-end funds and other securities	\$ 326,644	\$ -	a
Operating securities - proprietary	30,576,084	-	b
Operating securities - underwriting	336,852	-	b
Operating securities - hedging	1,350,068	-	b
Buy options - futures	671	-	c
Futures margin - own funds	92,768	-	c
Derivative assets - OTC			
Interest rate swap contracts	426,348	-	g
Currency swap contracts	13,133	-	h
Cross currency swap contracts	65,336	-	i
Convertible bond asset swap - interest rate swap	379	-	j
Convertible bond asset swap - options	<u>33,988</u>	<u>-</u>	j
	<u>\$ 33,222,271</u>	<u>\$ -</u>	
Current financial assets held for trading			
Open-end funds and other securities	\$ -	\$ 353,019	a
Operating securities - proprietary	-	54,621,454	b
Operating securities - underwriting	-	1,115,003	b
Operating securities - hedging	-	4,589,315	b
Buy options - futures	-	2,420	c
Futures margin - own funds	-	332,532	c
Derivative assets - OTC			
Interest rate swap contracts	-	220,342	g
Currency swap contracts	-	45,971	h
Cross currency swap contracts	-	55,371	i
Convertible bond asset swap - interest rate swap	-	1,105	j
Convertible bond asset swap - options	-	25,260	j
Forward exchange contracts	-	2,499	k
Equity swap contracts	<u>-</u>	<u>84,473</u>	l
	<u>\$ -</u>	<u>\$ 61,448,764</u>	



	December 31		Note
	2018	2017	
<u>Non-current financial assets at FVTPL</u>			
Financial assets mandatorily classified as at FVTPL			
Operating securities - proprietary	\$ 99,998	\$ -	n
Stocks other than listed and traded over the counter	<u>74,386</u>	<u>-</u>	n
	<u>\$ 174,384</u>	<u>\$ -</u>	
Financial assets held for trading			
Operating securities - proprietary	<u>\$ -</u>	<u>\$ 100,033</u>	n
<u>Current financial liabilities at FVTPL</u>			
Current financial liabilities held for trading			
Liabilities on sale of borrowed securities - hedged	\$ 581,637	\$ 28,180	d
Liabilities on sale of borrowed securities - non-hedged	55,420	-	d
Investments in bonds with resale agreements - short sales	832,106	2,024,165	e
Warrant liabilities	5,076,940	6,426,103	f
Warrant redeemed	(4,829,335)	(5,721,732)	f
Sell options - futures	68	54	c
Derivative liabilities - OTC			
Interest rate swap contracts	93,067	155,442	g
Currency swap contracts	2,354	29,826	h
Cross currency swap contracts	32,511	72,134	i
Convertible bond asset swap - interest rate swap	12,388	2,770	j
Convertible bond asset swap - options	190,843	350,928	j
Equity swap contracts	<u>-</u>	<u>2,878</u>	l
	<u>2,047,999</u>	<u>3,370,748</u>	
Financial liabilities designated as at FVTPL			
Structured instruments	971,997	-	m
Financial liabilities at FVTPL, designated as upon initial recognition			
Structured instruments	<u>-</u>	<u>365,616</u>	m
	<u>\$ 3,019,996</u>	<u>\$ 3,736,364</u>	

a. Open-end funds and other securities

	December 31	
	2018	2017
Open-end funds	\$ 326,700	\$ 347,699
Other securities	<u>294</u>	<u>1,908</u>
	326,994	349,607
Valuation adjustment	<u>(350)</u>	<u>3,412</u>
	<u>\$ 326,644</u>	<u>\$ 353,019</u>

Other securities are securities purchased by the Group who is entrusted by investors under systematic investment plans ("SIPs") (investments made in periodic fixed amounts into SIPs trading accounts). For each individual security, a reconciliation account is used to reconcile the number of securities.

b. Securities held for operations

	December 31	
	2018	2017
<u>Operating securities - proprietary</u>		
Bonds		
Government bonds	\$ 566,016	\$ 2,186,726
Corporate bonds	7,582,991	19,738,806
Financial bonds	14,489,446	22,100,876
Beneficiary securities of financial asset securitization	<u>600,000</u>	<u>600,000</u>
	23,238,453	44,626,408

	December 31	
	2018	2017
Listed stocks	\$ 243,640	\$ 1,468,826
Stocks and convertible bonds traded over the counter	4,853,350	5,639,429
Beneficiary certificates	733,234	759,043
Exchange traded funds	1,369,249	975,630
Emerging stocks	310,463	852,246
Open-end funds - OTC	4,591	4,864
Warrants	-	326
	<u>30,752,980</u>	<u>54,326,772</u>
Valuation adjustment	<u>(176,896)</u>	<u>294,682</u>
	<u>\$ 30,576,084</u>	<u>\$ 54,621,454</u>

Operating securities - underwriting

Listed stocks	\$ 73,459	\$ 487,748
Stocks and convertible bonds traded over the counter	<u>273,943</u>	<u>547,106</u>
	347,402	1,034,854
Valuation adjustment	<u>(10,550)</u>	<u>80,149</u>
	<u>\$ 336,852</u>	<u>\$ 1,115,003</u>

Operating securities - hedging

<u>Warrants - hedging</u>		
Listed stocks	\$ 608,135	\$ 1,847,235
Stocks traded over the counter	238,574	792,061
Exchange traded funds	200,124	409,236
Warrants	18,416	127,270
<u>Structured instruments - hedging</u>		
Listed stocks	5,923	-
Open-end funds	339,919	99,000
<u>Equity swap - hedging</u>		
Listed stocks	-	944,510
Stocks traded over the counter	<u>-</u>	<u>90,488</u>
	1,411,091	4,309,800
Valuation adjustment	<u>(61,023)</u>	<u>279,515</u>
	<u>\$ 1,350,068</u>	<u>\$ 4,589,315</u>

As of December 31, 2018 and 2017, bonds held by the Group's dealing department and underwriting department, invested under resale agreements, and financial offshore preferred stocks were sold under repurchase agreements for the aggregate face amounts of \$25,996,506 thousand and \$41,573,135 thousand, respectively.

c. Futures and options

1) The Group's objective and strategy of engaging in futures and option transactions is to expand its investment channels, to develop various services aggressively, and to utilize its working capital more efficiently. The Group uses futures contracts also to hedge risks from the exercise of warrants and risks from price fluctuations in warrant liabilities held.

2) Contract amount and fair value were as follows:

		December 31, 2018				
Item	Instrument Type	Opening Position		Contract Amount/ Premium Paid (Received)	Fair Value	
		Long/ Short	Volume			
Futures	Stock index futures contracts	Long	29	\$ 54,383	\$ 54,486	
	Single stock futures contracts	Long	614	76,768	75,140	
	Currency futures contracts	Long	34	88,639	90,211	
	Commodity futures contracts	Long	8	14,407	14,402	
	Stock index futures contracts	Short	671	570,372	565,798	
	Single stock futures contracts	Short	1,157	313,128	311,984	
	Commodity futures contracts	Short	70	120,177	119,857	
	Interest rate futures contracts	Short	74	359,492	367,246	
	Options	Option contracts - put	Long	455	1,172	671
		Option contracts - put	Short	10	(94)	(68)



Item	Instrument Type	December 31, 2017			
		Opening Position		Contract Amount/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
Futures	Stock index futures contracts	Long	868	\$ 984,228	\$ 997,330
	Single stock futures contracts	Long	2,965	705,862	684,711
	Currency futures contracts	Long	322	377,248	377,386
	Commodity futures contracts	Long	77	107,116	107,323
	Interest rate futures contracts	Long	54	226,109	225,198
	Stock index futures contracts	Short	1,775	3,124,623	3,155,697
	Single stock futures contracts	Short	2,233	480,334	479,458
	Currency futures contracts	Short	373	343,360	343,913
	Commodity futures contracts	Short	104	116,264	120,026
	Interest rate futures contracts	Short	59	272,033	272,319
Options	Option contracts - call	Long	549	1,941	2,116
	Option contracts - put	Long	190	410	304
	Option contracts - call	Short	6	(33)	(36)
	Option contracts - put	Short	45	(73)	(18)

The fair value of futures and options as of the balance sheet date was based on the closing price multiplied by the number of open contracts and calculated with each contract of futures and option, respectively.

3) Gains (losses) from futures and option transactions for the years ended December 31, 2018 and 2017, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Losses from Futures Transactions	Gains (Losses) from Option Transactions	Gains (Losses) from Futures Transactions	Losses from Option Transactions
Non-hedging and realized	\$ 152,612	\$ 8,374	\$ (480,009)	\$ (5,282)
Non-hedging and unrealized	1,382	7	(41,726)	121
Hedging and realized	(89,240)	(6,483)	(68,710)	(1,735)
Hedging and unrealized	(3,056)	(482)	(1,688)	-
	<u>\$ 61,698</u>	<u>\$ 1,416</u>	<u>\$ (592,133)</u>	<u>\$ (6,896)</u>

d. Liabilities on sale of borrowed securities

	December 31	
	2018	2017
<u>Liabilities on sale of borrowed securities - hedged</u>		
Listed stocks	\$ 457,582	\$ 11,280
Stocks traded over the counter	133,748	17,900
Exchange traded funds	23,742	-
Valuation adjustment	<u>772</u>	<u>-</u>
	615,844	29,180
	<u>(34,207)</u>	<u>(1,000)</u>
	<u>\$ 581,637</u>	<u>\$ 28,180</u>
<u>Liabilities on sale of borrowed securities - non-hedged</u>		
	47,131	-
	<u>10,296</u>	<u>-</u>
Listed stocks	57,427	-
Stocks traded over the counter	<u>(2,007)</u>	<u>-</u>
Valuation adjustment	<u>\$ 55,420</u>	<u>\$ -</u>

e. Investments in bonds with resale agreements - short sales

	December 31	
	2018	2017
Government bonds	\$ 846,357	\$ 1,979,160
Corporate bonds	-	42,773
	<u>846,357</u>	<u>2,021,933</u>
Valuation adjustment	(14,251)	2,232
	<u>\$ 832,106</u>	<u>\$ 2,024,165</u>

f. Warrants

1) The Group's objective and strategy of issuing warrants is, by holding underlying securities, to hedge risks from the exercise of warrants and risks from changes in warrant positions held. The Group's hedging strategy is to minimize the market value risks. The changes in market values of the underlying securities are highly correlated to those of the warrants, and the Group evaluates and adjusts the positions held periodically.

2) Warrant liabilities and warrant redeemed were as follows:

	December 31	
	2018	2017
Warrant liabilities	\$ 10,946,092	\$ 9,894,892
Less: Gains on changes in fair value of warrant liabilities	(5,869,152)	(3,468,789)
	<u>5,076,940</u>	<u>6,426,103</u>
Warrant redeemed	8,814,019	7,714,221
Less: Losses on changes in fair value of warrant redeemed	(3,984,684)	(1,992,489)
	<u>4,829,335</u>	<u>5,721,732</u>
Net of warrant liabilities	<u>\$ 247,605</u>	<u>\$ 704,371</u>

The Group can exercise a warrant either by issuing the underlying securities or making cash payments.

The fair value of warrants was calculated at the last closing price at the end of December 31, 2018 and 2017, respectively.

3) Gains (losses) from issuance of call (put) warrants for the years ended December 31, 2018 and 2017, were as follows:

	For the Year Ended December 31	
	2018	2017
Gains on changes in fair value of call (put) warrant liabilities	\$ 21,559,225	\$ 8,967,481
Losses on changes in fair value for redeem of call (put) warrants - realized	(16,286,297)	(6,852,206)
Losses on changes in fair value for redeem of call (put) warrants - unrealized	(3,984,684)	(1,992,489)
Gains on exercise of call (put) warrants before maturity	15,580	527
Expenses arising from the issuance of call (put) warrants	(125,665)	(114,104)
	<u>\$ 1,178,159</u>	<u>\$ 9,209</u>

g. Interest rate swaps

1) The Group's objective and strategy of engaging in interest rate swap ("IRS") transactions is to profit from short-term fluctuations of interest rates.

2) The outstanding IRS contracts were as follows:

	December 31, 2018	
	Nominal Amount	Fair Value
For trading purposes	\$ 37,551,684	\$ 333,281
	December 31, 2017	
	Nominal Amount	Fair Value
For trading purposes	\$ 39,162,722	\$ 64,900

The fair value was the present value of future interest income and expense discounted at the yield rate.

3) For gains (losses) resulting from IRS transactions, refer to Note 28.



h. Currency swaps

1) The Group's objective and strategy of engaging in currency swap transaction is to achieve fund dispatching and hedge risk of exchange rate.

2) The outstanding contracts were as follows:

		December 31, 2018				
		Call Price		Put Price		Fair Value
For trading purposes	AUD	600	USD	433	\$	18
	CAD	408	USD	300		(11)
	CNH	228,000	USD	33,047		4,120
	EUR	11,800	USD	13,466		2,417
	HKD	43,072	USD	5,500		37
	NTD	402,631	HKD	102,370		1,281
	NTD	71,659	JPY	256,200		344
	NTD	12,567	NZD	600		198
	NTD	1,286,994	USD	41,800		2,973
	NTD	42,800	ZAR	20,000		424
	NZD	127	USD	87		3
	NZD	300	NTD	6,210		(24)
	USD	434	AUD	600		300
	USD	600	CAD	809		167
	USD	3,414	EUR	3,000		(798)
	USD	4,200	CNH	29,000		(602)
	USD	5,500	HKD	43,076		(1)
	USD	10,400	NTD	320,367		(725)
	USD	87	NZD	127		65
	USD	3,000	ZAR	43,060		593
		December 31, 2017				
		Call Price		Put Price		Fair Value
For trading purposes	AUD	5,000	NTD	116,235	\$	98
	AUD	380	USD	292		46
	CNH	198,047	USD	30,059		7,949
	EUR	3,500	NTD	124,651		283
	EUR	1,100	USD	1,314		43
	NTD	7,499,428	USD	250,300		32,179
	NTD	499,676	EUR	14,100		(3,646)
	NTD	573,690	AUD	25,000		(7,596)
	NTD	63,463	JPY	239,450		30
	NTD	404,728	HKD	105,600		1,605
	NTD	171,909	CNH	38,000		(1,851)
	NTD	6,669	SGD	300		(27)
	NTD	10,503	NZD	500		(97)
	NTD	7,000	ZAR	3,000		(259)
	USD	38,800	NTD	1,157,331		788
	USD	671	GBP	500		(79)
	USD	22,810	CNH	150,529		(4,000)
	USD	2,619	EUR	2,200		(370)
	USD	2,727	AUD	3,580		(1,006)
	USD	3,441	ZAR	45,801		(7,908)
	USD	191	NZD	272		(37)

The fair value was calculated by spot and forward exchange rate, revealed by Bank SinoPac Co., Ltd. ("Bank SinoPac") of each currency swap contract between balance sheet dates and maturity dates.

3) For gains (losses) resulting from currency swap transactions, refer to Note 28.

i. Cross currency swaps

1) The Group's objective and strategy of engaging in cross currency swap ("CCS") transactions is to hedge the risks arising from interest rate and exchange rate.

2) The outstanding CCS contracts were as follows:

	December 31, 2018	
	Nominal Amount	Fair Value Price
For trading purposes	\$ 6,480,517	\$ 32,825

	December 31, 2017	
	Nominal Amount	Fair Value Price
For trading purposes	\$ 6,787,786	\$ (16,763)

The fair value was the present value of future interest income and expense discounted at the yield rate.

3) For gains (losses) resulting from CCS transactions, refer to Note 28.

j. Convertible bond asset swaps

1) The Group's objective and strategy of engaging in convertible bond asset swap ("CBAS") transactions is to diversify its financial instruments, to lower the capital pressure from underwriting convertible bonds, to reinforce its capability in underwriting convertible bonds, reduce risks, and to enliven the second market for convertible bonds. A description of the CBAS transactions is as follows:

CBAS transactions have three types: Fixed income, call options and combination of both types.

In fixed income transactions, the Group sells convertible bonds, acquired from dealing or underwriting transactions, to counterparties and uses the selling price received as a nominal amount. During the contract term, the Group takes the pre-agreed interest rate in exchange for the coupon rate and the interest compensation on the convertible bonds with counterparties. It also acquires the right to purchase the convertible bonds from the counterparties any time before the expiration date of the contract.

In call option transactions, the Group sells the call option on convertible bonds acquired from dealing or underwriting transactions to counterparties who then have the right to purchase the underlying convertible bonds from the Group any time before the expiration date of the contract. Conversely, the Group can pay a premium to counterparties to purchase the call option to acquire the underlying convertible bonds any time before the expiration date of the contract.

2) The outstanding CBAS contracts were as follows:

	December 31, 2018		
	Nominal Amount	Premiums Paid (Received)	Fair Value
a) Fixed income transactions			
Interest rate swap	\$ 445,600	\$ -	\$ (12,009)
Long call option on convertible bonds	-	33,845	22,010
b) Long call option on convertible bonds	140,000	11,106	11,978
Short call option on convertible bonds	4,047,100	(277,623)	(190,843)

	December 31, 2017		
	Nominal Amount	Premiums Paid (Received)	Fair Value
a) Fixed income transactions			
Interest rate swap	\$ 315,100	\$ -	\$ (1,665)
Long call option on convertible bonds	-	31,540	25,260
b) Short call option on convertible bonds	4,007,100	(319,235)	(350,928)

The fair value was computed using the model approved by the TPEX. The parameters used in the model (including convertible bond market prices, underlying stock prices, interest rates, etc.) were based on public information and available in the market; thus, the possibility of a risk-free arbitrage opportunity was minimal.

3) For gains (losses) resulting from CBAS transactions, refer to Note 28.

k. Forward exchanges

1) The Group's objective and strategy of engaging in forward exchange transactions is to profit from fluctuations of exchange rates and to hedge exchange risk of holding foreign bonds.

2) The outstanding forward exchange contracts were as follows: (No outstanding forward exchange contracts as of December 31, 2018)

December 31, 2017		
Currencies	Maturity Date	Contract Amount (In Thousands)
USD/NTD	January 31 to March 7, 2018	Buy NTD240,088/Sell USD8,000

3) For gains (losses) resulting from forward exchange transactions, refer to Note 28.



i. Equity Swap

- 1) The Group's objective and strategy of engaging in equity swap contracts is to expand its investment channels and to utilize its resources more efficiently.
- 2) The outstanding equity swap contracts were as follows: (No outstanding equity swap contracts as of December 31, 2018)

Long/Short	Underlying Securities	December 31, 2017		
		Volume	Price	Fair Value
Short	Egis	371,000	\$ 94,118	\$ 84,031
	Global Unichip	104,000	29,177	26,520
	Macronix	15,779,369	741,759	697,445
	Epistar	5,863,000	292,128	264,713
	Taiwan Mobile	216,000	231,004	232,199
	BizLink - KY	162,000	43,434	45,117

- 3) As of December 31, 2017, deposits received from customers for equity swap transactions were \$537,430 thousand, recognized as "other current financial liabilities".
- 4) For gains (losses) resulting from equity swap transactions, refer to Note 28.

m. Structured instruments

- 1) The Group's objective and strategy of engaging in structured instrument transactions is to diversify its financial instruments, to increase profits, to enhance its hedging methods, to raise profitability, and to lower the risk of holding convertible bonds. A description of the transactions is as follows:

There are three types of structured instrument transactions authorized by the TPEX market: Principal-guaranteed note ("PGN") transactions, equity-linked note ("ELN") transactions and credit-linked note ("CLN") transactions. For PGN and ELN transactions, the Group signs contract with counterparties, receives all (PGN transaction) or part (ELN transaction) of the contract price and settles the contract with cash on the expiration date according to the return on the underlying assets. In substance, the transactions include buying or selling of fixed-income instruments and rewards-linked options on the underlying assets. As for CLN transactions, the Group combines the credit spread of convertible bonds, acquired from underwriting and dealing transactions, with fixed-income instruments and sells them to counterparties.

- 2) The outstanding structured instrument transactions were as follows:

	December 31, 2018		
	Nominal Amount	Premiums Paid (Received)	Fair Value
Equity-linked note transactions	\$ 178,360	\$ (178,425)	\$ (147,878)
Credit-linked note transactions	21,800	(21,800)	(22,116)
Principal-guaranteed note transactions	800,907	(802,913)	(802,003)
	December 31, 2017		
	Nominal Amount	Premiums Paid (Received)	Fair Value
Equity-linked note transactions	\$ 70,914	\$ (70,926)	\$ (69,086)
Credit-linked note transactions	120,000	(120,000)	(120,500)
Principal-guaranteed note transactions	175,481	(176,280)	(176,030)

The fair value was computed using the model approved by the TPEX. The parameters used in the model (including underlying asset prices, interest rates, etc.) were based on public information and available in the market; thus, the possibility of a risk-free arbitrage opportunity was minimal.

- 3) For gains (losses) resulting from structured instrument transactions, refer to Note 28.

n. Non-current financial assets at FVTPL

	December 31	
	2018	2017
Operating securities - proprietary	\$ 99,977	\$ 99,828
Stocks other than listed and traded over the counter	144,106	-
	244,083	99,828
Valuation adjustment	(69,699)	205
	<u>\$ 174,384</u>	<u>\$ 100,033</u>

The Group deposited government bonds with the Central Bank of Republic of China ("CBC") as guarantee deposits and reserve funds for indemnity obligations for the bills finance business and trust business. The fair value of the bonds was calculated based on the reference price in hundreds on the last day of December 2018 and 2017.

Investments in stocks other than listed and traded over the counter previously measured at cost under IAS 39 have been classified as financial assets at FVTPL and financial assets at FVTOCI under IFRS 9 and were remeasured at fair value. Their reclassification, information for 2017, and fair value valuation techniques and inputs are shown in Notes 3, 12 and 37.

8. FINANCIAL ASSETS AT FVTOCI - 2018

Equity Instruments at FVTOCI

	December 31, 2018
<u>Non-current</u>	
Domestic investment	
Listed stocks and stocks traded over the counter	\$ 2,587,724
Stocks other than listed and traded over the counter	595,832
Real estate investment trust	82,510
Foreign investment	
Listed stocks	<u>115,562</u>
	<u>\$ 3,381,628</u>

To generate dividend income steadily, the Group invested in high-growth and high-dividend yield stocks. Since the Group holds some equity instruments for medium to long-term strategic investment purposes than as held-for-trading, the equity investments are designated as at FVTOCI. The management believes that recognition of short-term changes in fair value in profit or loss would be inconsistent with the Group's strategy to hold the investments for long-term strategic purposes; therefore, the designation of the investment as at FVTOCI is appropriate. These investments were classified as available-for-sale financial assets and financial assets at cost under IAS 39. Their reclassification, information for 2017, and fair value valuation techniques and inputs are shown in Notes 3, 12, 13 and 37.

The Group regularly assesses the dividend policies and changes in yield of the issuing companies, in order to adjust the amount of investment and decided whether to dispose the stocks. The fair value on the date of disposal was \$1,313,677 thousand and the cumulative gain or loss transferred from other equity to retained earnings was \$33,887 thousand.

Dividends that the Group still held and derecognized during the year were as follows:

	December 31, 2018
Dividends	
Held at the end of the reporting period	\$ 204,418
Derecognized during the reporting period	<u>4,758</u>
	<u>\$ 209,176</u>

9. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2018	2017
Government bonds	\$ 1,358,262	\$ 2,469,319
Financial bonds	1,337,384	127,575
Corporate bonds	<u>762,737</u>	<u>620,239</u>
	<u>\$ 3,458,383</u>	<u>\$ 3,217,133</u>
Contracted resell price	<u>\$ 3,461,448</u>	<u>\$ 3,223,234</u>
Interest rate range	0.00%-3.70%	0.00%-3.05%

10. MARGIN LOANS RECEIVABLE, NOTES AND ACCOUNTS RECEIVABLE, AND OTHER RECEIVABLES

	December 31	
	2018	2017
Measured at amortized cost		
Margin loans receivable	\$ 14,391,644	\$ 23,210,090
Less: Loss allowance	<u>(178,008)</u>	<u>(1,323,153)</u>
	<u>\$ 14,213,636</u>	<u>\$ 21,886,937</u>
Notes receivable	\$ 1,360	\$ 1,520
Accounts receivable		
Accounts receivable for settlement	5,509,668	9,236,699
Settlement price	1,105,404	-
Accounts receivable for sale of securities	764,988	389,567
Margin loans interest receivable	243,590	260,242
Bonds interest receivable	145,933	354,146
Others	<u>230,870</u>	<u>312,762</u>
	8,000,453	10,553,416



	December 31	
	2018	2017
Less: Loss allowance	\$ (428)	\$ (23)
	<u>8,000,025</u>	<u>10,553,393</u>
	<u>\$ 8,001,385</u>	<u>\$ 10,554,913</u>
Other receivables	\$ 348,561	\$ 331,945
Less: Loss allowance	<u>(25,167)</u>	<u>(114,791)</u>
	<u>\$ 323,394</u>	<u>\$ 217,154</u>

Margin loans receivable was secured by securities bought by customers in financing transactions. As of December 31, 2018 and 2017, the annual interest rates of securities financing were 6.35%-7.375% and 6.35%-7.25%, respectively.

For the year ended December 31, 2018

The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Furthermore, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures loss allowance receivable at the end of the reporting period. For accounts receivables and other receivables with significant increase in credit risk since initial recognition, the measurement is based on lifetime expected credit losses. For margin loans receivable without significant increase in credit risk since initial recognition, the measurement is based on 12 months expected credit losses. The expected credit losses on margin loans receivable are estimated by reference to past default experiences and industrial economic conditions while considering current observable information and forward-looking general economic conditions, including Taiwan's economic growth rate, Taiwan capitalization weighted stock index (TAIEX), central bank's discount rate and Hang Seng Hong Kong 35 index.

As of December 31, 2018, the gross carrying amount of margin loans receivable measured by expected credit losses were as follows:

Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31, 2018
There has been no significant increase in credit risk since initial recognition	12 month ECL	0.00001328%-0.66%	\$ 13,087,206
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	0.97%	1,123,703
The asset is credit-impaired	Lifetime ECL - credit-impaired	61.56%-100%	180,735
			<u>\$ 14,391,644</u>

The aging of accounts receivable was as follows:

	December 31	
	2018	2017
Up to 60 days	\$ 7,996,883	\$ 10,547,882
More than 60 days	<u>3,142</u>	<u>5,534</u>
	<u>\$ 8,000,025</u>	<u>\$ 10,553,416</u>

The above aging schedule was based on the number of past due days from the record date.

For the years ended December 31, 2018 and 2017, the movements of loss allowance were as follows:

	For the Year Ended December 31				
	2018			2017	
	Margin Loans Receivable	Accounts Receivable	Other Receivables	Margin Loans Receivable	Accounts Receivable
Beginning balance per IAS 39	\$ 831	\$ -	\$ 1,322,322	\$ 23	\$ 114,791
Adjustment on initial application of IFRS 9	<u>(829)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning balance per IFRS 9	2	-	1,322,322	23	114,791
Provision for bad debts	7,208	10,599	127,318	373	1,865
Write-offs	-	-	(1,326,754)	-	-
Amounts recovered from prior year write-off	-	-	-	(23)	(208)
Reclassification	-	-	-	-	(91,899)
Translation adjustments	<u>148</u>	<u>217</u>	<u>36,948</u>	<u>55</u>	<u>618</u>
Ending balance	<u>\$ 7,358</u>	<u>\$ 10,816</u>	<u>\$ 159,834</u>	<u>\$ 428</u>	<u>\$ 25,167</u>

For the year ended December 31, 2017

The credit policy of 2018 is the same as that of 2017. When it comes to decide the collectability of accounts receivable, the Group considers the movements of credit quality for the period from the original credit date to balance sheet date. The Group estimates loss allowance based on the collectability of each accounts receivable and the historical default loss rate of margin loans receivable.

For the Year Ended December 31, 2017			
	Margin Loans Receivable	Accounts Receivable	Other Receivables
Beginning balance	\$ 142,626	\$ -	\$ -
Provision for bad debts	1,218,642	23	91,899
Reclassification	-	-	23,172
Translation adjustments	(38,115)	-	(280)
Ending balance	<u>\$ 1,323,153</u>	<u>\$ 23</u>	<u>\$ 114,791</u>

Some of the borrowers of SinoPac Securities (Asia) pledged shares of China Huishan Dairy Holdings Company Limited (“Huishan Dairy”) as collateral for margin loans. Due to a plunge in its stock price, Huishan Dairy requested the Stock Exchange of Hong Kong Limited to halt trading of its shares on March 24, 2017; thus, the market value of the collateral fell below the maintenance margin. As for SinoPac Securities (Asia)’s margin loans receivable collateralized by Huishan Dairy’s shares, SinoPac Securities (Asia) fully recognized allowance for impairment loss of HK\$261 million in the second quarter of 2017, which was assessed as uncollectible, and was written off in the second quarter of 2018.

SinoPac Securities (Asia) will continuously monitor the aftermath of the case to maximize its interest and protect its rights, including appointing a lawyer to take legal actions against those customers who fail to pay off their debts.

11. FUTURES EXCHANGES MARGINS RECEIVABLE

	December 31	
	2018	2017
Futures exchanges margins receivable	\$ 617	\$ 9,089
Less: Loss allowance	-	(3,677)
	<u>\$ 617</u>	<u>\$ 5,412</u>

SinoPac Futures was entrusted to engage in futures trading, and because of market volatility, its clients defaulted on their payments by the settlement date. As of December 31, 2018, due to a decrease in stock index caused by European debt crisis in 2011, the amount of \$4,364 thousand was in default. SinoPac Futures had installment agreements with the clients, of which \$617 thousand (recognized as “futures exchange margins receivable”) was expected to be paid off within one year, and the remaining of \$3,747 thousand (recognized as “overdue receivables”) was due over one year. In February 2018, the collapse of U.S. stock market had a knock-on effect on Taiwan stock market and caused \$37,158 thousand in default. The amount was categorized under “overdue receivables” and recognized as an impairment loss in full (Note 20). SinoPac Futures has taken legal actions against those customers.

12. FINANCIAL ASSETS AT COST

	December 31, 2017
<u>Non-current</u>	
Stocks other than listed and traded over the counter	<u>\$ 559,190</u>
Management believed that the fair value of above stocks other than listed and traded over the counter held by the Group cannot be reliably measured because the range of reasonable fair value estimations was so significant. Therefore, the stocks were measured at cost less impairment at the end of the reporting period.	
During 2017, the Group assessed that the carrying amounts of financial assets at cost - current, were unrecoverable and thus recognized \$21,980 thousand as an impairment loss (recognized as “other gains and losses”).	

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
<u>Current</u>	
Listed stocks and stocks traded over the counter	3,084,965
Valuation adjustment	<u>114,061</u>
	<u>\$ 3,199,026</u>
<u>Non-current</u>	
Listed stocks	\$ 51,095
Valuation adjustment	<u>35,834</u>
	<u>\$ 86,929</u>



14. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. The unconsolidated structured entities in which the Group had an interest at the reporting date were as follows:

Type of Structured Entity	Nature and Purpose	The Group's Ownership
Funds	Funds under management by the third party The issuance of units to investors for raising fund	a. The Group invests in those funds under management by the third party. b. The Group is entitled to receive management fee based on the assets under management.

b. The total assets of the funds unrecognized in the consolidated balance sheets were as follows:

	December 31	
	2018	2017
Funds	\$ 3,935,786	\$ 4,535,679

c. The carrying amounts recognized in the consolidated balance sheets of funds in respect of the Group's involvement with structured entities were as follows:

	December 31	
	2018	2017
Current financial assets at FVTPL	\$ 876,428	\$ 841,860

The maximum exposure to loss was the carrying amount of the funds.

d. As of December 31, 2018 and 2017, the Group did not provide any financial support to those unconsolidated structured entities.

15. PROPERTY AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold Improvements	Properties and Equipment - Others	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 1,364,737	\$ 771,685	\$ 421,942	\$ 333,084	\$ 60,877	\$ 2,952,325
Additions	-	-	96,822	16,568	6,266	119,656
Disposals	-	-	(48,257)	(30,246)	(14,842)	(93,345)
Translation adjustments	-	-	5,572	3,111	-	8,683
Transfer from other non-current assets	-	-	10,668	37,296	300	48,264
Balance at December 31, 2018	\$ 1,364,737	\$ 771,685	\$ 486,747	\$ 359,813	\$ 52,601	\$ 3,035,583
<u>Accumulated depreciations</u>						
Balance at January 1, 2018	\$ -	\$ 282,345	\$ 273,215	\$ 228,440	\$ 33,250	\$ 817,250
Depreciation expense	-	15,034	71,727	48,556	11,282	146,599
Disposals	-	-	(46,887)	(30,235)	(14,842)	(91,964)
Translation adjustments	-	-	4,704	2,435	-	7,139
Balance at December 31, 2018	\$ -	\$ 297,379	\$ 302,759	\$ 249,196	\$ 29,690	\$ 879,024
Carrying amounts at December 31, 2018	\$ 1,364,737	\$ 474,306	\$ 183,988	\$ 110,617	\$ 22,911	\$ 2,156,559
<u>Cost</u>						
Balance at January 1, 2017	\$ 1,388,772	\$ 775,874	\$ 419,630	\$ 362,633	\$ 57,664	\$ 3,004,573
Additions	-	-	66,326	25,852	13,063	105,241
Disposals	-	-	(54,464)	(51,533)	(12,640)	(118,637)
Translation adjustments	-	-	(16,213)	(10,416)	-	(26,629)
Transfer from other non-current assets	-	-	6,663	6,548	2,790	16,001
Reclassification to investment property	(24,035)	(4,189)	-	-	-	(28,224)
Balance at December 31, 2017	\$ 1,364,737	\$ 771,685	\$ 421,942	\$ 333,084	\$ 60,877	\$ 2,952,325

(Continued)

	Land	Buildings	Equipment	Leasehold Improvements	Properties and Equipment - Others	Total
<u>Accumulated depreciations</u>						
Balance at January 1, 2017	\$ -	\$ 269,650	\$ 271,580	\$ 234,057	\$ 33,418	\$ 808,705
Depreciation expense	-	15,106	69,535	54,329	12,456	151,426
Disposals	-	-	(54,132)	(50,379)	(12,624)	(117,135)
Translation adjustments	-	-	(13,768)	(9,567)	-	(23,335)
Reclassification to investment property	-	(2,411)	-	-	-	(2,411)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 282,345</u>	<u>\$ 273,215</u>	<u>\$ 228,440</u>	<u>\$ 33,250</u>	<u>\$ 817,250</u>
Carrying amounts at December 31, 2017	<u>\$ 1,364,737</u>	<u>\$ 489,340</u>	<u>\$ 148,727</u>	<u>\$ 104,644</u>	<u>\$ 27,627</u>	<u>\$ 2,135,075</u>

(Concluded)

For the years ended December 31, 2018 and 2017, the Group had executed evaluation for impairments losses, and there was no indication of impairment existed.

For the partial land and buildings pledged as collateral to financial institutions for short-term borrowings and overdraft credit facilities, refer to Note 32.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	29-56 years
Equipment	2-6 years
Leasehold improvements	3-15 years
Property and equipment - others	5-6 years

16. INVESTMENT PROPERTY

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2018	<u>\$ 133,326</u>	<u>\$ 97,097</u>	<u>\$ 230,423</u>
Transfer from property and equipment	-	-	-
Balance at December 31, 2018	<u>\$ 133,326</u>	<u>\$ 97,097</u>	<u>\$ 230,423</u>
<u>Accumulated depreciations</u>			
Balance at January 1, 2018	\$ -	\$ 45,383	\$ 45,383
Depreciation expense	-	1,666	1,666
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 47,049</u>	<u>\$ 47,049</u>
Carrying amounts at December 31, 2018	<u>\$ 133,326</u>	<u>\$ 50,048</u>	<u>\$ 183,374</u>
<u>Cost</u>			
Balance at January 1, 2017	\$ 109,291	\$ 92,908	\$ 202,199
Transfer from property and equipment	24,035	4,189	28,224
Balance at December 31, 2017	<u>\$ 133,326</u>	<u>\$ 97,097</u>	<u>\$ 230,423</u>
<u>Accumulated depreciations</u>			
Balance at January 1, 2017	\$ -	\$ 41,377	\$ 41,377
Depreciation expense	-	1,595	1,595
Transfer from property and equipment	-	2,411	2,411
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 45,383</u>	<u>\$ 45,383</u>
Carrying amounts at December 31, 2017	<u>\$ 133,326</u>	<u>\$ 51,714</u>	<u>\$ 185,040</u>

The investment property is depreciated on a straight-line basis over the estimated useful lives of 29 to 61 years.



As of December 31, 2018 and 2017, the fair values of the investment property were \$268,794 thousand and \$255,954 thousand, respectively. The fair values were based on the prices from 2016 to 2018 of similar properties in the vicinity. The fair values were estimated by management by referring to unobservable inputs (Level 3) than by the valuations of independent experts.

For the part of investment property pledged as collateral to financial institutions for short-term borrowings and overdraft credit facilities, refer to Note 32.

17. GOODWILL

	For the Year Ended December 31	
	2018	2017
<u>Cost</u>		
Beginning balance	\$ 396,142	\$ 349,912
Additional amounts recognized from business combinations	-	59,412
Translation adjustments	<u>4,855</u>	<u>(13,182)</u>
Ending balance	<u>\$ 400,997</u>	<u>\$ 396,142</u>
<u>Accumulated impairment losses</u>		
Beginning balance	69,561	69,617
Impairment losses recognized	50,698	3,559
Translation adjustments	<u>2,396</u>	<u>(3,615)</u>
Ending balance	<u>\$ 122,655</u>	<u>\$ 69,561</u>
Net ending balance	<u>\$ 278,342</u>	<u>\$ 326,581</u>

SinoPac Securities (Cayman) acquired Tung Shing Holding Ltd. in April 2016 and reported only provisional amount when the accounting treatment was not finalized before the consolidated financial statements were published. According to the purchase price allocation (PPA) report obtained after the acquisition date, the fair value on the acquisition date of Tung Shing Holding Ltd.'s other intangible assets - customer relations was \$161,985; thus, SinoPac Securities (Cayman) increased the goodwill and decreased other intangible assets - customer relationships by \$59,412.

As of December 31, 2018, the Group's goodwill consisted of the following:

- a. The carrying amount of \$147,944 thousand was from the Corporation's mergers with the securities brokerage businesses of Pacific Securities Co., Ltd. ("Pacific Securities") and East Asia Securities.
- b. The carrying amount of \$63,582 thousand was from the Corporation's equity transactions with Sinopac Futures' non-controlling interests and from Sinopac Futures' merger with the futures brokerage business of Pacific Securities.
- c. The carrying amount of \$66,816 thousand was from Sinopac Securities (Cayman)'s acquisition of the brokerage and financing business of Tung Shing.
- d. The goodwill from Sinopac Securities (Cayman)'s equity transactions with SinoPac Asset Management's non-controlling interests were impaired and recognized as impairment loss in full at the end of 2017.

The Group tests goodwill for impairment annually and whenever there is an indication that it may be impaired. In assessing whether goodwill is impaired, the Group considers the Corporation and each of its investees (including SinoPac Futures, SinoPac Asset Managements and Tung Shing) as CGUs and estimates individually their recoverable amounts based on their value in use. When calculating the value in use of each CGU, the Group projects future cash flows based on objective evidence such as actual profitability, operation and business cycle under the going concern assumption; the Group estimates future cash inflows for the next 5 years and the salvage value of the assets and discounts them at the weighted average cost of capital. The Group's most recent impairment tests of goodwill were carried out on October 31, 2018 and 2017.

For the years ended December 31, 2018 and 2017, the Corporation's actual net profits excluding share of profit or loss from subsidiaries were \$395,925 thousand and \$1,677,284 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were \$1,073,630 thousand and \$854,198 thousand, respectively. In 2018, the changes in market environment, such as increasing bond yields and the trade war between China and the U.S., led to lower-than-expected performance of the proprietary trading business. In 2017, the actual result significantly beat expectation. The Corporation assessed that the recoverable amount of the goodwill was higher than its carrying amount, and thus no impairment occurred.

For the years ended December 31, 2018 and 2017, SinoPac Futures' actual net profits were \$280,707 thousand and \$301,709 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were \$276,166 thousand and \$282,822 thousand, respectively. Based on the result of the impairment tests, SinoPac Futures assessed that the recoverable amount of the goodwill was higher than its carrying amount and thus no impairment occurred in 2018 and 2017.

For the years ended December 31, 2018 and 2017, the actual net losses attributed to the CGU of Tung Shing were \$67,918 thousand and \$999,229 thousand, respectively, and the forecasted net profits used in the goodwill impairment tests were \$82,482 thousand and \$147,337 thousand, respectively. In 2018, an impairment loss of \$50,698 thousand was recognized based on the result of impairment tests. However, due to recognition of a large amount of provision for financing bad debts in 2017, the actual growth didn't meet expectation.

18. OTHER INTANGIBLE ASSETS

	Computer Software	Client Relationship	Membership Fee	Total
<u>Cost</u>				
Balance at January 1, 2018	\$ 233,108	\$ 696,311	\$ 41,413	\$ 970,832
Additions	52,200	-	-	52,200
Transfer from other non-current assets	17,918	-	-	17,918
Disposals	(30,789)	-	-	(30,789)
Translation adjustments	1,660	4,486	-	6,146
Balance at December 31, 2018	<u>\$ 274,097</u>	<u>\$ 700,797</u>	<u>\$ 41,413</u>	<u>\$ 1,016,307</u>
<u>Accumulated amortizations</u>				
Balance at January 1, 2018	\$ 129,583	\$ 178,273	\$ -	\$ 307,856
Amortization expense	42,412	80,803	-	123,215
Disposals	(29,211)	-	-	(29,211)
Translation adjustments	1,462	1,079	-	2,541
Balance at December 31, 2018	<u>\$ 144,246</u>	<u>\$ 260,155</u>	<u>\$ -</u>	<u>\$ 404,401</u>
Carrying amounts at December 31, 2018	<u>\$ 129,851</u>	<u>\$ 440,642</u>	<u>\$ 41,413</u>	<u>\$ 611,906</u>
<u>Cost</u>				
Balance at January 1, 2017	\$ 245,227	\$ 767,917	\$ 41,413	\$ 1,054,557
Additions	39,418	-	-	39,418
Acquisitions through business combinations (Note 17)	-	(59,412)	-	(59,412)
Transfer from other non-current assets	6,136	-	-	6,136
Disposals	(52,819)	-	-	(52,819)
Translation adjustments	(4,854)	(12,194)	-	(17,048)
Balance at December 31, 2017	<u>\$ 233,108</u>	<u>\$ 696,311</u>	<u>\$ 41,413</u>	<u>\$ 970,832</u>
<u>Accumulated amortizations</u>				
Balance at January 1, 2017	\$ 150,352	\$ 79,744	\$ -	\$ 230,096
Amortization expense	36,534	99,583	-	136,117
Disposals	(52,819)	-	-	(52,819)
Translation adjustments	(4,484)	(1,054)	-	(5,538)
Balance at December 31, 2017	<u>\$ 129,583</u>	<u>\$ 178,273</u>	<u>\$ -</u>	<u>\$ 307,856</u>
Carrying amounts at December 31, 2017	<u>\$ 103,525</u>	<u>\$ 518,038</u>	<u>\$ 41,413</u>	<u>\$ 662,976</u>

The membership fee is considered to have an indefinite useful life and will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Other intangible assets with finite useful lives were amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	3-5 years
Client relationship	8-15 years

19. GUARANTEE DEPOSITS PAID

	December 31	
	2018	2017
Operation guarantee deposits	\$ 1,012,519	\$ 1,010,904
Clearing and settlement funds	361,721	381,241
Guarantee deposits on issuance of structured instruments	143,304	143,304
Rental deposits (Notes 31 and 34)	75,018	91,336
Deposit for unsettled lawsuit	29,383	13,782
Others	10,729	14,212
	<u>\$ 1,632,674</u>	<u>\$ 1,654,779</u>



The operation guarantee deposits include cash, government bonds or financial bonds deposited with government-designated banks by the Corporation and its domestic subsidiaries in accordance with the Regulations Governing Securities Firms and the Regulations Governing Futures Commission Merchants and by the overseas subsidiaries in accordance with the regulations of the local authorities.

The clearing and settlement funds are cash deposited with the TWSE, the TPEx, the TAIFEX, and foreign stock and futures exchanges to engage in securities and futures trading (for both its customers and its own account) by the Corporation and its domestic subsidiaries in accordance with the Regulations Governing Securities Firms and the Regulations Governing Futures Commission Merchants and by the overseas subsidiaries in accordance with the regulations of the local authorities.

Guarantee deposits on issuance of structured notes are cash deposited with the TPEx by the Corporation to engage in structured note transactions.

20. OVERDUE RECEIVABLES

	December 31	
	2018	2017
Overdue receivables	\$ 198,820	\$ 18,418
Less: Loss allowance	<u>(195,073)</u>	<u>(15,855)</u>
	<u>\$ 3,747</u>	<u>\$ 2,563</u>

For the years ended December 31, 2018 and 2017, the movements of loss allowance were as follows:

	For the Year Ended December 31	
	2018	2017
Beginning balance	\$ 15,855	\$ 19,331
ECL recognized/Provision for bad debts	92,340	219
Amounts written off	(4,572)	-
Amounts recovered	(449)	(18)
Reclassification	<u>91,899</u>	<u>(3,677)</u>
Ending balance	<u>\$ 195,073</u>	<u>\$ 15,855</u>

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured and credit borrowing	<u>\$ 1,491,446</u>	<u>\$ 4,047,648</u>
Interest rate range		
Secured and credit borrowing	3.65%- 3.97099%	2.13571%- 3.22671%
Maturity date		
Secured and credit borrowing	2019.01.18- 2019.01.25	2018.01.02- 2018.03.02

For the collateral for short-term borrowings, refer to Note 32.

b. Long-term borrowings

To meet the funding requirements, SinoPac Securities (Cayman) obtained syndicated loans with financial institutions on December 18, 2018 and November 26, 2015 in the amounts of US\$60,000 thousand and US\$120,000 thousand, respectively. The terms of the syndicated loans were three years. The dates of first drawdowns were December 28, 2018 and January 8, 2016, respectively. The loans could be taken on revolving basis. SinoPac Securities (Cayman) could not pledge its ownership interest to others during the terms of the loans. The amounts of the credit line used were as follows:

	December 31	
	2018	2017
Credit borrowings	<u>\$ 1,291,561</u>	<u>\$ 2,627,447</u>
Interest rate range	4.15%	2.85%-3.00%
Maturity date	2019.01.25	2018.01.04- 2018.03.05

22. COMMERCIAL PAPER PAYABLE

	December 31	
	2018	2017
Commercial paper payable	\$ 8,600,000	\$ 19,350,000
Less: Discount on commercial paper payable	<u>(2,142)</u>	<u>(19,834)</u>
	<u>\$ 8,597,858</u>	<u>\$ 19,330,166</u>
Annual discount rate	0.58%-0.74%	0.40%-0.70%
Maturity date	2019.01.03-2019.01.24	2018.01.04-2018.12.25

The above commercial papers were published by financial institutions.

23. BONDS PAYABLE

	December 31	
	2018	2017
Unsecured domestic bonds	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

For the purpose of raising operating capital and strengthening financial structure, the Corporation's Board resolved to offer domestic unsecured bonds within maximum issue amount of \$5 billion on September 27, 2017. The Corporation issued the first domestic unsecured bonds in the amount of \$3 billion on December 8, 2017, with the maturity of 3 years and fixed interest rate of 0.90%. Principal will be repaid in full on December 8, 2020, and interests will be paid annually.

24. LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	December 31	
	2018	2017
Financial bonds	\$ 13,351,908	\$ 17,079,537
Corporate bonds	7,391,969	15,978,623
Convertible bonds	2,794,692	3,737,321
Government bonds	1,098,508	2,408,100
Beneficiary securities of financial asset securitization	600,000	600,000
Financial offshore preferred stocks	<u>-</u>	<u>74,457</u>
	<u>\$ 25,237,077</u>	<u>\$ 39,878,038</u>
Contracted repurchase price	<u>\$ 25,302,585</u>	<u>\$ 40,073,889</u>
Interest rate range	0.00%-4.30%	0.00%-6.25%

Liabilities for bonds with attached repurchase agreements will all be matured within one year and will be repurchased on the contracted dates in the amount of agree-upon price plus interest

25. NOTES AND ACCOUNTS PAYABLE

	December 31	
	2018	2017
Accounts payable		
Accounts payable for settlement	\$ 14,248,600	\$ 18,675,807
Accounts payable for securities purchased	114,884	38,089
Settlement proceeds	33,626	21,046
Others	<u>565,171</u>	<u>241,956</u>
	<u>\$ 14,962,281</u>	<u>\$ 18,976,898</u>

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The pension plans of oversea subsidiaries are also a defined contribution plan. The making of the plan also the rules of local authority.



b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. The following employees of the Corporation are entitled to receive retirement benefits under this plan: (a) those who have served either 10 years and 60 years old; (b) those who have served either 25 years or have served over 15 years and are 55 years old; and (c) those hired on or before May 19, 1997 and with more than 20 service years. In addition, employees hired on or before March 15, 1996 and have served at least five years are eligible to receive severance benefits. The pension and severance benefits are based on the average of one month's basic salary before retirement or termination. The provision of the employee's pension is calculated at 6% of the salary (bonus excepted). The defined benefit pension fund, which is deposited in separate accounts administered by the employees' pension plan committee and the employees' pension plan supervisory committee.

The subsidiaries, SinoPac Futures and SinoPac Securities Investment Service, adopt a pension plan under the Labor Standards Law, which is also categorized as a defined benefit plan. The employee's pension is scrutinized based on the years of service and the average one month fixed salary before retirement. The defined benefit pension fund, which is deposited in separate accounts, is administered by the employees' pension plan committee and the employees' pension plan supervisory committee.

Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of funded defined benefit obligation	\$ 1,170,940	\$ 1,145,944
Fair value of plan assets	<u>(777,855)</u>	<u>(789,310)</u>
Net defined benefit liability	<u>\$ 393,085</u>	<u>\$ 356,634</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	\$ 1,145,944	\$ (789,310)	\$ 356,634
Service cost			
Current service cost	16,689	-	16,689
Net interest expenses (income)	<u>14,133</u>	<u>(9,927)</u>	<u>4,206</u>
Recognized in profit or loss	<u>30,822</u>	<u>(9,927)</u>	<u>20,895</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,723)	(8,723)
Actuarial loss - changes in demographic assumptions	3,297	-	3,297
Actuarial loss - experience adjustments	12,383	-	12,383
Actuarial loss - changes in financial assumptions	<u>29,731</u>	<u>-</u>	<u>29,731</u>
Recognized in other comprehensive income	<u>45,411</u>	<u>(8,723)</u>	<u>36,688</u>
Contributions from the employer	-	(19,624)	(19,624)
Benefits paid	<u>(51,237)</u>	<u>49,729</u>	<u>(1,508)</u>
Balance at December 31, 2018	<u>\$ 1,170,940</u>	<u>\$ (777,855)</u>	<u>\$ 393,085</u>
Balance at January 1, 2017	<u>1,138,315</u>	\$ (826,910)	<u>311,405</u>
Service cost			
Current service cost	18,063	-	18,063
Past service cost	(924)	-	(924)
Net interest expenses (income)	<u>16,812</u>	<u>(12,458)</u>	<u>4,354</u>
Recognized in profit or loss	<u>33,951</u>	<u>(12,458)</u>	<u>21,493</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	4,269	4,269
Actuarial loss - changes in demographic assumptions	1,466	-	1,466
Actuarial loss - experience adjustments	9,146	-	9,146
Actuarial loss - changes in financial assumptions	<u>30,766</u>	<u>-</u>	<u>30,766</u>
Recognized in other comprehensive income	<u>41,378</u>	<u>4,269</u>	<u>45,647</u>
Contributions from the employer	-	(20,522)	(20,522)
Benefits paid	<u>(67,700)</u>	<u>66,311</u>	<u>(1,389)</u>
Balance at December 31, 2017	<u>\$ 1,145,944</u>	<u>\$ (789,310)</u>	<u>\$ 356,634</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate(s)	1.00%	1.25%
Expected rate(s) of salary increase	1.75%	1.75%
Turnover rate	0.43%-1.51%	0.43%-1.85%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	\$ (29,857)	\$ (30,796)
0.25% decrease	\$ 30,981	\$ 32,002
Expected rate(s) of salary increase		
0.25% increase	\$ 30,672	\$ 31,762
0.25% decrease	\$ (29,712)	\$ (30,722)
Turnover rate		
110% of the turnover rate in default	\$ (2,477)	\$ (3,497)
90% of the turnover rate in default	\$ 2,499	\$ 3,540

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	\$ 40,428	\$ 40,278
The average duration of the defined benefit obligation	10 years	10-11 years

27. EQUITY

a. Capital stock

	December 31	
	2018	2017
Number of shares authorized (in thousands)	1,900,000	1,900,000
Shares authorized	\$ 19,000,000	\$ 19,000,000
Number of shares issued and fully paid (in thousands)	1,621,224	1,621,224
Shares issued	\$ 16,212,238	\$ 16,212,238

The outstanding shares' par value is \$10, and each share has voting rights and right to receive dividends.

b. Capital surplus

The capital surplus from employee share options may not be used for any purpose. The capital surplus arising from issuance of common stock, treasury stock transaction and consolidation excess may be used to offset a deficit. In addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital at a limited percentage of the Corporation's capital surplus once a year.



c. Appropriation of earnings and dividend policy

Under the appropriation of earnings policy as set forth in the amended Articles, when the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing as special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board as the basis for proposing a distribution plan, which should be resolved in the stockholders meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of compensation of employees and remuneration of directors before and after amendment, refer to Note 28 j employee benefits expenses.

According to the Articles, based on the Corporation's operation development business plan, long-term financial plan and the interest of stockholders, the principle of distributing dividends is 70% cash dividends and 30% stock dividends; however, the Corporation may lower the cash dividend ratio depending on its needs for the capital.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Regulation Governing Securities Firms, a special reserve must be set aside every year at 20% of net income until the reserve equals the Corporation's paid-in capital. Special reserve may be used to offset deficit. If the Corporation has no deficit and the special reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital.

Under Rule No. 10500278285 issued by the FSC, the Corporation should set aside 0.5% to 1% of net income after tax as a special reserve, upon the distribution of earning from 2016 to 2018 to develop the financial technology ("Fintech") and to protect the interest of securities brokers. Starting from 2017, the same amount of special reserve can be reversed based on the amount of employee transformation training expenditures, employee transfer and settlement expenditures arising from the development of Fintech.

Under Rule No. 1010012865 issued by the FSC, when distributing earnings, the Corporation should set aside a special reserve in the amount that equals to a deficit in the stockholder's equity. The special reserve could be distributed, and any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Under Article No. 15 of the Financial Holding Company Act, the Corporation's Board (on the behalf of the stockholder) resolved the appropriation and distribution of 2017 and 2016 earnings on June 27, 2018 and June 28, 2017, respectively, as follows:

	Earnings Appropriation and Distribution		Dividends Per Share (NTS)	
	2017	2016	2017	2016
Legal reserve	\$ 109,085	\$ 102,658		
Special reserve	475,521	319,202		
Cash dividends	<u>506,251</u>	<u>604,718</u>	\$0.3123	\$0.3730
	<u>\$ 1,090,857</u>	<u>\$ 1,026,578</u>		

The appropriation and distribution of 2018 earnings proposed by the Corporation's Board on March 13, 2019 were as follows:

	Appropriation of Earnings	Dividends Per Share (NTS)
Legal reserve	\$ 43,017	
Special reserve	88,370	
Cash dividends	<u>450,155</u>	\$0.2776
	<u>\$ 581,542</u>	

The appropriation and distribution of 2018 earnings are subject to the Corporation's Board's meeting (on the behalf of the stockholder) in June 2019.

d. Other equity

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Beginning balance	\$ (504,058)	\$ (135,540)
Effect of change in tax rate	16,692	-
Recognized during the year		
Exchange differences on translating the financial statements of foreign operations	110,925	(434,398)
Related income tax on translating the financial statements of foreign operations	<u>(18,660)</u>	<u>65,880</u>
Ending balance	<u>\$ (395,101)</u>	<u>\$ (504,058)</u>

2) Unrealized gains (losses) on financial assets at FVTOCI

	Amount
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>476,779</u>
Balance at January 1, 2018 per IFRS 9	<u>476,779</u>
Effect of change in tax rate	(1,075)
Recognized during the year	
Unrealized gains (losses) - equity instruments	(249,868)
Related income tax	<u>(5,726)</u>
Other comprehensive income recognized during the year	<u>(256,669)</u>
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>(33,887)</u>
Balance at December 31, 2018	<u>\$ 186,223</u>

3) Unrealized gains (losses) on available-for-sale financial assets

	Amount
Balance at January 1, 2017	\$ 26,990
Recognized during the year	
Unrealized gains (losses) on revaluation of available-for-sale financial assets	313,688
Related income tax	(2,130)
Cumulative unrealized gains (losses) of available-for-sale financial assets reclassified to gains (losses) due to disposal	<u>(194,744)</u>
Balance at December 31, 2017	<u>\$ 143,804</u>
Balance at January 1, 2018 per IAS 39	\$ 143,804
Adjustment on initial application of IFRS 9	<u>(143,804)</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

28. BREAKDOWN ON CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ITEM

a. Brokerage handling fee revenue

	<u>For the Year Ended December 31</u>	
	2018	2017
Handling fee revenues from brokered trading	\$ 4,889,191	\$ 4,444,438
Handling fees from securities financing	32,341	30,530
Others	<u>194</u>	<u>1,172</u>
	<u>\$ 4,921,726</u>	<u>\$ 4,476,140</u>

b. Revenues from underwriting business

	<u>For the Year Ended December 31</u>	
	2018	2017
Processing fee revenues from underwriting operations	\$ 136,384	\$ 119,170
Revenues from underwriting securities on a firm commitment basis	117,738	149,057
Revenues from underwriting consultation	50,220	43,518
Handling fee revenues from underwriting securities on best-efforts basis	<u>35,830</u>	<u>39,199</u>
	<u>\$ 340,172</u>	<u>\$ 350,944</u>

c. Gains (losses) on sale of operating securities

	<u>For the Year Ended December 31</u>	
	2018	2017
Proprietary		
Listed securities	\$ (151,190)	\$ 730,711
Over-the-counter (OTC) securities	<u>(404,225)</u>	<u>699,334</u>
	<u>\$ (555,415)</u>	<u>\$ 1,430,045</u>



	For the Year Ended December 31	
	2018	2017
Underwriting		
Listed securities	\$ (58,148)	\$ (8,728)
Over-the-counter (OTC) securities	<u>91,371</u>	<u>63,380</u>
	<u>\$ 33,223</u>	<u>\$ 54,652</u>
Hedging		
Listed securities	\$ (641,707)	\$ 200,358
Over-the-counter (OTC) securities	<u>(296,984)</u>	<u>163,842</u>
	<u>\$ (938,691)</u>	<u>\$ 364,200</u>
d. Revenue from interest		
	For the Year Ended December 31	
	2018	2017
Margin loans interest revenue	\$ 1,077,219	\$ 1,229,081
Bond interest revenue	1,045,003	1,310,896
Bond investments under resale agreements interest revenue	49,896	25,823
Others	<u>47,938</u>	<u>24,486</u>
	<u>\$ 2,220,056</u>	<u>\$ 2,590,286</u>
e. Valuation gains (losses) on operating securities at FVTPL		
	For the Year Ended December 31	
	2018	2017
Operating securities:		
Proprietary	\$ (461,393)	\$ 625,360
Underwriting	(90,699)	48,702
Hedging	<u>(342,841)</u>	<u>222,642</u>
	<u>\$ (894,933)</u>	<u>\$ 896,704</u>
f. Gains (losses) from derivatives - OTC		
	For the Year Ended December 31	
	2018	2017
Equity swap	\$ 347,080	\$ (522,470)
Interest rate swap	283,104	(85,765)
Convertible bond asset swap	136,210	(308,918)
Cross currency swap	(549)	(64,501)
Forward exchange	(13,641)	6,469
Structured instruments	(15,919)	15,929
Currency rate swap	<u>(441,340)</u>	<u>542,786</u>
	<u>\$ 294,945</u>	<u>\$ (416,470)</u>
g. Other operating income (expenses)		
	For the Year Ended December 31	
	2018	2017
Foreign exchange gains (losses)	\$ 211,104	\$ (449,554)
Management service revenue	134,916	191,766
Others	<u>103,364</u>	<u>89,203</u>
	<u>\$ 449,384</u>	<u>\$ (168,585)</u>

h. Finance costs

	For the Year Ended December 31	
	2018	2017
Bond with attached repurchase agreement interest expenses	\$ 649,882	\$ 623,517
Borrowing costs	282,428	311,126
Securities financing interest expenses	45,953	44,040
Others	<u>13,771</u>	<u>11,692</u>
	<u>\$ 992,034</u>	<u>\$ 990,375</u>

i. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Salaries expense	\$ 3,191,433	\$ 3,316,925
Insurance expense	201,947	189,426
Pension expense		
Defined contribution plan	118,959	104,519
Defined benefit plan (Note 26)	20,895	21,493
Other employee benefits expense	<u>120,636</u>	<u>115,477</u>
	<u>\$ 3,653,870</u>	<u>\$ 3,747,840</u>

j. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.5% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

For the years ended December 31, 2018 and 2017, the Corporation accrued the compensation of employees and remuneration of directors, based on the aforementioned rates as follows:

	2018		2017	
	Estimated Amounts	Estimated Rates	Estimated Amounts	Estimated Rates
Compensation of employees	<u>\$ 2,618</u>	0.5%	<u>\$ 6,150</u>	0.5%
Remuneration of directors	<u>\$ 4,800</u>	0.9%	<u>\$ 6,577</u>	0.5%

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate and will be adjusted in next year.

The cash distribution of the compensation of employees of \$2,618 thousand and the remuneration of directors of \$4,800 thousand for the year ended December 31, 2018 were approved by the Corporation's Board on January 29 and March 13, 2019, respectively.

The cash distribution of the compensation of employees of \$6,150 thousand and the remuneration of directors of \$6,577 thousand for the year ended December 31, 2017 were approved by the Corporation's Board on February 7 and March 14, 2018, respectively.

The actual amounts of compensation of employees and remuneration of directors paid are the same as that recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's Board (on the behalf of the stockholder) is available on the Market Observation Post System website of the TWSE.

k. Depreciation and amortization expense

	For the Year Ended December 31	
	2018	2017
Property and equipment	\$ 146,599	\$ 151,426
Intangible assets	<u>123,215</u>	<u>136,117</u>
	269,814	287,543
Investment property (included in other gains and losses)	<u>1,666</u>	<u>1,595</u>
	<u>\$ 271,480</u>	<u>\$ 289,138</u>



l. Other operating expense

	For the Year Ended December 31	
	2018	2017
Information technology expense	\$ 436,750	\$ 401,794
Rental expense	350,443	326,261
Taxes	143,554	138,112
Entertainment expense	88,821	80,854
Depository service expense	86,040	76,973
Postage expenses	73,238	76,058
Losses on doubtful debts	-	1,310,783
Others	453,614	459,539
	<u>\$ 1,632,460</u>	<u>\$ 2,870,374</u>

m. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Financial income	\$ 357,365	\$ 278,642
Cross-selling income	53,777	53,331
Dividend income	38,123	24,410
Transaction bonus	34,393	48,486
Rental income	19,723	20,516
Foreign exchange gains (losses)	12,000	(18,882)
Reversal gain from decommissioning obligations	2,530	9,123
Reversal gain from contingent loss	-	6,724
Impairment loss on financial assets	-	(22,537)
Valuation gains (losses) on non-financial assets	(40,081)	1,676
Impairment loss on goodwill	(50,698)	(3,559)
Others	16,022	32,699
	<u>\$ 443,154</u>	<u>\$ 430,629</u>

29. INCOME TAX

Under a Ministry of Finance Ruling No. 910458039 dated February 12, 2003, a financial holding company ("FHC") and its domestic subsidiaries in which the FHC holds interest of 90% or above for 12 months within a tax year may choose to adopt the linked-tax system for income tax filings. The Corporation uses the linked-tax system for income tax filings with its parent company SinoPac Holdings and the subsidiaries of SinoPac Holdings. Thus, these companies jointly file the tax returns and the returns on undistributed retained earnings, with SinoPac Holdings as the taxpayer.

The Corporation, SinoPac Holdings and the subsidiaries of SinoPac Holdings adopted the linked-tax system to reduce the income tax liabilities and maximize the synergy.

a. Income tax recognized in profit or loss

Major components of tax expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	\$ 284,173	\$ 266,719
In respect of prior periods	569	73,356
	<u>284,742</u>	<u>340,075</u>
Deferred tax		
In respect of the current period	(49,873)	(193,130)
Adjustments to deferred tax attributable to changes in tax rates and laws	(27,608)	-
In respect of prior periods	(1,740)	(24,565)
	<u>(79,221)</u>	<u>(217,695)</u>
Income tax expense recognized in profit or loss	<u>\$ 205,521</u>	<u>\$ 122,380</u>

Reconciliations of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate (2018: 20%; 2017: 17%)	\$ 134,586	\$ 212,691
Nondeductible expenses in determining taxable income	57,238	44,051
Deductible expenses in determining taxable income	-	(4,171)
Tax-exempt income	27,802	(469,129)
Additional income tax under the Alternative Minimum Tax Act	-	206,822
Unrecognized deductible temporary differences	(39,092)	(142,907)
Unrecognized loss carryforwards	31,324	212,712
Adjustments for prior years' current and deferred tax	(1,171)	48,791
Nondeductible income tax paid on overseas income	265	117
Adjustments of tax rates	(27,608)	-
Effect of different tax rate of group entities operating in other jurisdictions	<u>22,177</u>	<u>13,403</u>
Income tax expense recognized in profit or loss	<u>\$ 205,521</u>	<u>\$ 122,380</u>

In 2018, the applicable corporate income tax rate used by the group entities in the ROC is 20%. The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in Hong Kong is 16.5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 19,078	\$ -
In respect of the current period		
Exchange differences on translation	(18,660)	65,880
Remeasurement of defined benefit plans	7,338	7,760
Unrealized losses on financial assets at FVTOCI	(5,726)	-
Unrealized losses on available-for-sale financial assets	<u>-</u>	<u>(2,130)</u>
	<u>\$ 2,030</u>	<u>\$ 71,510</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Receivable from the linked-tax system	\$ 100,132	\$ 100,132
Tax refund receivable	<u>214</u>	<u>-</u>
	<u>\$ 100,346</u>	<u>\$ 100,132</u>
Current tax liabilities		
Payable to the linked-tax system	\$ 234,329	\$ 269,263
Income tax payable	<u>73,342</u>	<u>12,645</u>
	<u>\$ 307,671</u>	<u>\$ 281,908</u>



d. Deferred tax assets and liabilities:

For the year ended December 31, 2018

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
<u>Deferred tax assets</u>						
Share of loss of foreign subsidiaries	\$ 71,848	\$ 56,223	\$ -	\$ -	\$ -	\$ 128,071
Exchange differences on translation of foreign financial statement	94,587	-	(1,968)	-	-	92,619
Unrealized losses on foreign exchange	76,865	(4,992)	-	-	-	71,873
Pension expense	49,220	5,338	10,799	-	-	65,357
Losses from outstanding issuance of warrants	-	70,022	-	-	(23,358)	46,664
Loss allowances	2,126	29,904	-	(141)	-	31,889
Client relationship	17,861	10,038	-	-	-	27,899
Unrealized valuation losses from warrants - hedging	5,798	966	-	-	-	6,764
Unrealized impairment losses	4,901	865	-	-	-	5,766
Unrealized valuation losses from structured instruments	287	5,212	-	-	-	5,499
Unrealized valuation losses from foreign funds	-	3,689	-	1,581	-	5,270
Loss carryforwards	4,078	(1,396)	-	(13)	-	2,669
Unrealized decommission obligations	1,401	459	-	-	-	1,860
Unrealized valuation losses from foreign bonds	-	734	-	-	(129)	605
Unrealized valuation losses from foreign futures and options	1,644	(1,233)	-	-	-	411
Liquidation losses of financial assets at cost	434	(434)	-	-	-	-
Unrealized valuation losses from derivatives	<u>8,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,335)</u>	<u>-</u>
	<u>\$ 339,385</u>	<u>\$ 175,395</u>	<u>\$ 8,831</u>	<u>\$ 1,427</u>	<u>\$ (31,822)</u>	<u>\$ 493,216</u>
<u>Deferred tax liabilities</u>						
Unrealized valuation gains from derivatives	\$ (18,350)	\$ (91,333)	\$ -	\$ -	\$ 8,335	\$ (101,348)
Unrealized gains on financial assets at FVTOCI	(6,092)	-	(6,801)	-	-	(12,893)
Unrealized valuation gains from liabilities on sale of borrowed securities - hedged	(3,306)	(7,225)	-	-	-	(10,531)
Amortizations of goodwill	(6,534)	1,202	-	-	-	(5,332)
Unrealized gains on foreign exchange	(4)	(2,065)	-	-	-	(2,069)
Unrealized valuation gains from foreign funds	(283)	208	-	-	-	(75)
Unrealized valuation gains from foreign securities	(1,311)	1,251	-	-	-	(60)
Unrealized valuation gains from foreign bonds	(129)	-	-	-	129	-
Unrealized valuation gains from foreign futures and options	(1,788)	1,788	-	-	-	-
Gains from outstanding issuance of warrants	<u>(23,358)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,358</u>	<u>-</u>
	<u>\$ (61,155)</u>	<u>\$ (96,174)</u>	<u>\$ (6,801)</u>	<u>\$ -</u>	<u>\$ 31,822</u>	<u>\$ (132,308)</u>

For the year ended December 31, 2017

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
<u>Deferred tax assets</u>						
Exchange differences on translation of foreign financial statement	\$ 28,707	\$ -	\$ 65,880	\$ -	\$ -	\$ 94,587
Unrealized losses on foreign exchange	27,240	49,625	-	-	-	76,865
Share of loss of foreign subsidiaries	-	145,254	-	-	(73,406)	71,848
Pension expense	41,997	(537)	7,760	-	-	49,220
Client relationship	6,654	11,207	-	-	-	17,861
Unrealized valuation losses from derivatives	18,112	16,436	-	-	(26,213)	8,335
Unrealized valuation losses from warrants - hedging	1,101	4,697	-	-	-	5,798
Unrealized impairment losses	1,190	3,711	-	-	-	4,901
Loss carryforwards	2,881	1,194	-	3	-	4,078
Loss allowances	2,126	-	-	-	-	2,126
Unrealized valuation losses from foreign futures and options	2,879	(1,235)	-	-	-	1,644
Unrealized decommission obligations	1,755	(354)	-	-	-	1,401
Unrealized contingent losses	1,143	(709)	-	-	-	434
Unrealized valuation losses from structured instruments	49	238	-	-	-	287
Liquidation losses of financial assets at cost	1,434	(1,434)	-	-	-	-
Losses from outstanding issuance of warrants	<u>2,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,235)</u>	<u>-</u>
	<u>\$ 139,503</u>	<u>\$ 228,093</u>	<u>\$ 73,640</u>	<u>\$ 3</u>	<u>\$ (101,854)</u>	<u>\$ 339,385</u>
<u>Deferred tax liabilities</u>						
Share of profit of foreign subsidiaries	\$ (73,406)	\$ -	\$ -	\$ -	\$ 73,406	\$ -
Unrealized gains on foreign exchange	(251)	247	-	-	-	(4)
Unrealized valuation gains from foreign bonds	(323)	194	-	-	-	(129)
Unrealized valuation gains from foreign funds	(94)	(189)	-	-	-	(283)
Unrealized valuation gains from foreign securities	(715)	(596)	-	-	-	(1,311)
Unrealized valuation gains from foreign futures and options	(63)	(1,725)	-	-	-	(1,788)
Unrealized valuation gains from liabilities on sale of borrowed securities - hedged	(7,119)	3,813	-	-	-	(3,306)
Available-for-sale financial assets	(3,962)	-	(2,130)	-	-	(6,092)
Amortizations of goodwill	(30,316)	23,782	-	-	-	(6,534)
Unrealized valuation gains from derivatives	(34,232)	(10,331)	-	-	26,213	(18,350)
Gains from outstanding issuance of warrants	<u>-</u>	<u>(25,593)</u>	<u>-</u>	<u>-</u>	<u>2,235</u>	<u>(23,358)</u>
	<u>\$ (150,481)</u>	<u>\$ (10,398)</u>	<u>\$ (2,130)</u>	<u>\$ -</u>	<u>\$ 101,854</u>	<u>\$ (61,155)</u>

e. Related information on unused loss carryforward

As of December 31, 2018, the Corporation had \$13,341 thousand of unused loss carryforwards. The amount can be used through 2023.



- f. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets was recognized in the consolidated balance sheets were as follows:

	December 31	
	2018	2017
Unused loss carryforwards	\$ <u>2,484,735</u>	\$ <u>2,587,547</u>

- g. Income tax assessments

The income tax returns of the Corporation through 2014 had been examined by the tax authorities, of which the 2007 to 2014 tax returns were disallowed items, such as the allocation principle of operating expenses and interest expenses as well as the amortization; therefore, the Corporation filed appeals for the authorities' reconsideration of the assessments. Even if this matter was still unresolved, the Corporation accrued and paid \$104,190 thousand assessed by the tax authorities as additional income tax expenses. Under directive No. 10701031420 issued by Ministry of Finance on December 28, 2018, SinoPac Futures planned to apply and adopt share-based payment.

The income tax returns of SinoPac Futures through 2016 had been examined by the tax authorities, of which the 2012 to 2016 tax returns were disallowed the treatment of amortization arising from the merger with Pacific Securities' brokerage business. Consequently, SinoPac Futures filed appeals for the authorities' reconsideration of the assessments. Even if this matter was still unresolved, SinoPac Futures accrued income tax expenses in advance. Under directive No. 10701031420 issued by Ministry of Finance on December 28, 2018, SinoPac Futures planned to apply and adopt share-based payment.

The income tax returns of SinoPac Securities Investment Service through 2017 had been examined by the tax authorities.

30. EARNINGS PER SHARE

Unit: NTS Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	\$ <u>0.29</u>	\$ <u>0.70</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic earnings per share	\$ <u>467,410</u>	\$ <u>1,128,744</u>

Shares

Unit: Thousand Share

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	1,621,224	1,621,224

31. RELATED-PARTIES TRANSACTIONS

The parent company, ultimate parent entity and ultimate controlling party is SinoPac Holdings who wholly owned the Corporation as of December 31, 2018 and 2017.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

- a. Name of related parties and their relationships with the Group

Name of Related Party	Relationship with the Group
SinoPac Financial Holdings Company Limited ("SinoPac Holdings")	Parent company
Bank SinoPac Co., Ltd. ("Bank SinoPac")	Fellow subsidiaries
SinoPac Securities Investment Trust Co., Ltd.	Fellow subsidiaries
SinoPac Leasing Corp. ("SinoPac Leasing")	Fellow subsidiaries
SinoPac Call Center Co., Ltd. ("SinoPac Call Center")	Fellow subsidiaries
SinoPac Venture Capital Corp.	Fellow subsidiaries
SinoPac Life Insurance Agent Co., Ltd. ("SinoPac Life Insurance")	Associates
SinoPac Property Insurance Agent Co., Ltd.	Associates
RSP Information Service Co., Ltd.	Associates
SinoPac Capital International Ltd.	Associates

(Concluded)

Name of Related Party	Relationship with the Group
Hsinex International Corp.	Others
Chung Hwa Pulp Corp.	Others
China Color Printing Co., Ltd.	Others
Chinese National Futures Association	Others
Taiwan Securities Association (“TSA”)	Others
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Others
Chunghwa Post Co., Ltd.	Others (Note 1)
E Ink Holdings Inc. (“E Ink”)	Others
Aidatek Electronics, Inc.	Others
Sunmax Biotechnology Co., Ltd.	Others
TaiGen Biotechnology Co., Ltd.	Others
Taiwan Research-based Biopharmaceutical Manufacturers Association	Others
Mega Financial Holding Ltd. (“Mega Holdings”)	Others (Note 1)
Chung Kuo Insurance Co., Ltd.	Others (Note 2)
Mega International Investment Trust Co., Ltd.	Others (Note 2)
Taipei Fubon Bank (“Fubon Bank”)	Others
Yuen Foong Paper Co., Ltd.	Others
YFY Capital Co., Ltd.	Others
Yuen Foong Yu Biotech Co., Ltd.	Others
YFY Inc.	Others
YFY Paradigm Investment Co., Ltd.	Others
Shin Foong Specialty and Applied Materials Co., Ltd.	Others
BoardTek Electronics Corp.	Others
Union Paper Corp.	Others
Top Taiwan III Venture Capital Co., Ltd. (Top Taiwan III Venture Capital)	Others
Cheng Yu Co., Ltd.	Others
Hsiang Yuan Investment Ltd.	Others
Shen’s Art Printing Co., Ltd.	Others
Asia Cement Corp.	Others
Adimmune Corp.	Others (Note 1)
Cathay Securities Corp.	Others (Note 3)
Andros Pharmaceuticals Co., Ltd.	Others
Fu Jen Investment Ltd.	Others
Top Taiwan V Venture Capital Co., Ltd. (“Top Taiwan V Venture Capital”)	Others
IP Fund Six Co., Ltd. (“IP Fund Six “)	Others
Parawin Venture Capital Corp. (“Parawin Venture Capital”)	Others
China Power Venture Capital Corp. (“China Power Venture Capital”)	Others
Hua VI Venture Capital Corp. (“Hua VI Venture Capital”)	Others (Note 4)
Hua Da Venture Capital Corp. (“Hua Da Venture Capital”)	Others (Note 4)
Yu-Ji Venture Capital Corp. (“Yu-Ji Venture Capital”)	Others
Sipix Technology Inc.	Others
Taiwan Futures Exchange Corp. (“TAIFEX”)	Others (Note 1)
Taiwan Stock Exchange Corp. (“TWSE”)	Others
Taiwan Hopax Chemicals Mfg. Co., Ltd.	Others
Netronix Inc.	Others
SharHope Medicine Co., Ltd.	Others
SinoPac RMB Money Market Fund	Others
SinoPac Fund	Others
SinoPac Hi-Tech Fund	Others
SinoPac Small and Medium Fund	Others
SinoPac Pilot Fund	Others
SinoPac Balance Fund	Others
SinoPac TAIEX ETF	Others
SinoPac Emerging Markets Corporate Bond Fund	Others
SinoPac CSI 300 Dividend Index Fund	Others
SinoPac EURO STOXX 50 Index Fund	Others
SinoPac S&P 500 Low Volatility High Dividend Index Fund	Others
Accudo Asian Value Arbitrage Fund	Others
Atlas Portfolio Select SPC - Segregated Portfolio	Others
NAM Pacific Regional Strategy Fund	Others (Note 5)
SinoPac Hong Kong Opportunities-Fund Limited	Others
SinoPac Multi Strategy Quant Fund Limited	Others
SinoPac Multi-Series Fund II Limited	Others
SinoPac Multi-Series Fund SPC	Others
SinoPac Structured Fund SPC	Others

(Concluded)

	December 31	
	2018	2017
5) Securities held for operations		
Fellow subsidiaries	\$ -	\$ 41,316
Others	<u>1,214,126</u>	<u>1,106,519</u>
	<u>\$ 1,214,126</u>	<u>\$ 1,147,835</u>
6) Bond investments under sale agreements		
Others	<u>\$ -</u>	<u>\$ 4,255</u>
7) Security borrowing margin		
Others		
TWSE	<u>\$ 3,288,678</u>	<u>\$ 2,967,626</u>
8) Notes and accounts receivable		
Fellow subsidiaries	\$ 848	\$ 3,327
Others	<u>22,063</u>	<u>31,557</u>
	<u>\$ 22,911</u>	<u>\$ 34,884</u>
9) Other receivables		
Fellow subsidiaries	\$ 2,804	\$ 1,390
Associates	9,339	8,174
Others	<u>432</u>	<u>508</u>
	<u>\$ 12,575</u>	<u>\$ 10,072</u>
10) Current tax assets		
SinoPac Holdings	<u>\$ 100,132</u>	<u>\$ 100,132</u>
11) Restricted current assets		
Fellow subsidiaries		
Bank SinoPac	<u>\$ 1,525,000</u>	<u>\$ 1,125,000</u>
12) Prepayments		
Fellow subsidiaries	<u>\$ 24</u>	<u>\$ 15</u>
13) Other current assets - other		
Others	<u>\$ 5</u>	<u>\$ 5</u>
14) Other intangible assets (acquisition cost)		
Others	<u>\$ 75</u>	<u>\$ -</u>
15) Guarantee deposits paid		
Fellow subsidiaries		
Bank SinoPac	\$ 760,255	\$ 760,255
Others	2,662	2,512
Others	<u>102,054</u>	<u>238,033</u>
	<u>\$ 864,971</u>	<u>\$ 1,000,800</u>
16) Short-term borrowings		
Others		
Fubon Bank	<u>\$ 1,076,301</u>	<u>\$ -</u>



	December 31	
	2018	2017
17) Liabilities for bonds with attached repurchase agreements		
Fellow subsidiaries		
Bank SinoPac	\$ 3,963,434	\$ 53,251
Others	<u>369,007</u>	<u>-</u>
	<u>\$ 4,332,441</u>	<u>\$ 53,251</u>
18) Futures traders' equity		
Fellow subsidiaries	\$ 460,838	\$ 317,455
Others	<u>118,682</u>	<u>210,490</u>
	<u>\$ 579,520</u>	<u>\$ 527,945</u>
19) Notes and accounts payable		
Fellow subsidiaries	\$ 55	\$ 212
Others	<u>-</u>	<u>32,711</u>
	<u>\$ 55</u>	<u>\$ 32,923</u>
20) Other payables		
Fellow subsidiaries	\$ 9,864	\$ 2,674
Others	<u>15,609</u>	<u>15,945</u>
	<u>\$ 25,473</u>	<u>\$ 18,619</u>
21) Current tax liabilities		
SinoPac Holdings	<u>\$ 234,329</u>	<u>\$ 269,263</u>
22) Other current liabilities		
Parent company	<u>\$ -</u>	<u>\$ 24</u>
	For the Year Ended December 31	
	2018	2017
23) Brokerage handling fee revenue		
Fellow subsidiaries	\$ 7,287	\$ 6,758
Others	<u>142,188</u>	<u>130,117</u>
	<u>\$ 149,475</u>	<u>\$ 136,875</u>
24) Revenues from underwriting business		
Fellow subsidiaries	\$ 11,461	\$ 14,121
Others	<u>240</u>	<u>706</u>
	<u>\$ 11,701</u>	<u>\$ 14,827</u>
25) Gains on wealth management		
Fellow subsidiaries	<u>\$ 4,881</u>	<u>\$ 1,506</u>

	For the Year Ended December 31	
	2018	2017
26) Processing fee expenses (included in gains (losses) on sale of securities - proprietary)		
Others	\$ <u>1,143</u>	\$ <u>-</u>
27) Revenues from providing agency service for stock affairs		
Parent company	\$ 9,205	\$ 9,022
Fellow subsidiaries	420	405
Others	<u>12,976</u>	<u>12,300</u>
	<u>\$ 22,601</u>	<u>\$ 21,727</u>
28) Interest revenue		
Fellow subsidiaries	\$ 660	\$ 473
Others	<u>2,411</u>	<u>31</u>
	<u>\$ 3,071</u>	<u>\$ 504</u>
29) Revenue from advisory		
Fellow subsidiaries		
Bank SinoPac	<u>\$ 13,333</u>	<u>\$ 13,333</u>
30) Dividends revenue		
Others	<u>\$ 35,805</u>	<u>\$ 12,998</u>
31) Other operating income		
Associates	\$ 779	\$ 1,055
Others	<u>84,100</u>	<u>105,437</u>
	<u>\$ 84,879</u>	<u>\$ 106,492</u>
32) Brokerage handling fee expense		
Fellow subsidiaries	\$ 132	\$ 4,740
Others		
TWSE	156,381	130,833
TAIFEX	115,396	202,475
Others	<u>11,212</u>	<u>8,397</u>
	<u>\$ 283,121</u>	<u>\$ 346,445</u>
33) Proprietary handling fee expense		
Fellow subsidiaries		
Bank SinoPac	\$ 12,622	\$ 12,813
Others		
TWSE	12,182	8,627
Others	<u>9,428</u>	<u>10,133</u>
	<u>\$ 34,232</u>	<u>\$ 31,573</u>
34) Underwriting operation processing fee expenses		
Others		
TSA	\$ 1,450	\$ 1,356
Others	<u>713</u>	<u>657</u>
	<u>\$ 2,163</u>	<u>\$ 2,013</u>



	For the Year Ended December 31	
	2018	2017
35) Finance costs		
Fellow subsidiaries	\$ 53,574	\$ 3,186
Others	<u>40,581</u>	<u>129</u>
	<u>\$ 94,155</u>	<u>\$ 3,315</u>
36) Expenses arising from issuance of call (put) warrants (included in gains from issuance of call (put) warrants)		
Others		
TWSE	<u>\$ 79,992</u>	<u>\$ 65,467</u>
37) Expense of clearing and settlement		
Others		
TAIFEX	<u>\$ 79,077</u>	<u>\$ 138,983</u>
38) Information technology expense (included in other operating expense)		
Fellow subsidiaries	\$ 107	\$ -
Others	<u>65,056</u>	<u>38,809</u>
	<u>\$ 65,163</u>	<u>\$ 38,809</u>
39) Rental expense (included in other operating expense)		
Fellow subsidiaries	\$ 69,045	\$ 65,490
Others	<u>4,061</u>	<u>317</u>
	<u>\$ 73,106</u>	<u>\$ 65,807</u>

The operating lease contracts signed by the Corporation with the related parties were as follows:

<u>Lessor</u>	<u>Lease Term</u>	<u>Lease Property</u>	<u>Payment Term</u>
<u>Fellow subsidiaries</u>			
SinoPac Leasing	Till December 2019 Till December 2021	Business premise and operation building Equipment	Yearly/monthly Monthly
Bank SinoPac	Till December 2021	Business premise and operation building	Monthly
<u>Others</u>			
Chunghwa Telecom	Till May 2022	Business premise and operation building	Monthly

Rent is determined by both parties in agreement based on the rent of business buildings in vicinity.

	For the Year Ended December 31	
	2018	2017
40) Entertainment expense (included in other operating expense)		
Others	<u>\$ 41</u>	<u>\$ 2,625</u>
41) Stationery and printing (included in other operating expense)		
Others	<u>\$ 4,396</u>	<u>\$ 5,284</u>
42) Postage expense (included in other operating expense)		
Fellow subsidiaries	\$ 5,040	\$ 4,779
Others	<u>33,816</u>	<u>14,525</u>
	<u>\$ 38,856</u>	<u>\$ 19,304</u>

	For the Year Ended December 31	
	2018	2017
43) Miscellaneous disbursements (included in other operating expense)		
Fellow subsidiaries	\$ 3,708	\$ 2,855
Others	<u>1,915</u>	<u>405</u>
	<u>\$ 5,623</u>	<u>\$ 3,260</u>
44) Building management fee (included in other operating expense)		
Fellow subsidiaries	<u>\$ 3,127</u>	<u>\$ -</u>
45) Employee training expense (included in other operating expense)		
Others	<u>\$ 5,088</u>	<u>\$ 2,029</u>
46) Other gains and losses		
<u>Other gains</u>		
Dividend income - others	<u>\$ 14,208</u>	<u>\$ 20,299</u>
Financial income - fellow subsidiaries	\$ 22,445	\$ 17,056
Financial income - others	<u>5,337</u>	<u>4,810</u>
	<u>\$ 27,782</u>	<u>\$ 21,866</u>
Transaction bonus - others	<u>\$ 8,003</u>	<u>\$ 19,625</u>
Cross-selling income - fellow subsidiaries	\$ 6,385	\$ 6,919
Cross-selling income - associates		
SinoPac Life Insurance	46,092	45,230
Others	<u>1,300</u>	<u>1,182</u>
	<u>\$ 53,777</u>	<u>\$ 53,331</u>
Gain on disposal of fund investment		
Others	<u>\$ 680</u>	<u>\$ 31,275</u>
Others		
Parent company	\$ 498	\$ 290
Others	<u>12</u>	<u>45</u>
	<u>\$ 510</u>	<u>\$ 335</u>
<u>Other losses</u>		
Book-keeping handing expense - others	<u>\$ 825</u>	<u>\$ 791</u>
Others - fellow subsidiaries	<u>\$ 378</u>	<u>\$ -</u>

47) Notes and bonds transaction

	For the Year Ended December 31, 2018	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Others	\$ 3,928,879	\$ 4,695,953

	For the Year Ended December 31, 2017	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Fellow subsidiaries	\$ 328,871	\$ 951,471

All transactions with related parties were carried at arm's length.



c. Status of acquiring stocks from related-parties:

Besides information disclosed in Tables 4 and 6, the Group held stocks of other related-parties as follows:

1) Financial assets at FVTPL

Stocks other than listed and traded over the counter

	December 31, 2018		
	Shares (Thousand)	Costs	Carry Amount
IP Fund Six	3,000	\$ 30,000	\$ 21,030
Yu-Ji Venture Capital	2,188	21,875	16,516
Top Taiwan V Venture Capital	1,382	13,821	7,519
China Power Venture Capital	158	1,575	2,202
Top Taiwan III Venture Capital	348	6,975	1,998
		<u>\$ 74,246</u>	<u>\$ 49,265</u>

Listed stock and stocks traded over the counter

	December 31, 2017		
	Shares (Thousand)	Costs	Carry Amount
Mega Holdings	180	\$ 4,202	\$ 4,329
Chunghwa Telecom	30	3,113	3,180
		<u>\$ 7,315</u>	<u>\$ 7,509</u>

2) Financial assets at FVTOCI - 2018

	December 31, 2018		
	Shares (Thousand)	Costs	Carry Amount
<u>Listed stocks and stocks traded over the counter</u>			
Chunghwa Telecom	7,002	\$ 699,606	\$ 791,226
<u>Stocks other than listed and traded over the counter</u>			
TWSE	5,217	285,361	264,345
		<u>\$ 984,967</u>	<u>\$ 1,055,571</u>

3) Available-for-sale financial assets - 2017

	December 31, 2017		
	Shares (Thousand)	Costs	Carry Amount
Chunghwa Telecom	7,002	\$ 699,606	\$ 742,212
Mega Holdings	5,066	113,250	121,837
		<u>\$ 812,856</u>	<u>\$ 864,049</u>

4) Financial assets at cost

	December 31, 2017		
	Shares (Thousand)	Costs	Carry Amount
TWSE	5,217	\$ 285,361	\$ 285,361
TAIFEX	3,183	52,740	52,740
IP Fund Six	3,000	30,000	30,000
Yu-Ji Venture Capital	2,625	26,250	26,250
Parawin Venture Capital	2,187	21,868	21,868
Hua Da Venture Capital	2,000	20,000	20,000
Top Taiwan V Venture Capital	1,626	16,260	16,260
Top Taiwan III Venture Capital	775	7,750	7,750
Hua VI Venture Capital	261	2,609	2,609
China Power Venture Capital	158	1,575	1,575
		<u>\$ 464,413</u>	<u>\$ 464,413</u>

d. The Group acquired management shares of SinoPac Multi Strategy Quant Fund Limited and two other companies established in the Cayman Islands during September 2017 in the amount of \$6 thousand. The management shares were issued to the investment manager in compliance with specific legal procedures, and the holders did not have the rights to participate in profit, assets, and surplus distributions of funds.

e. Compensation of key management personnel

The compensation of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 147,025	\$ 156,820
Retirement benefits	<u>3,024</u>	<u>2,974</u>
	<u>\$ 150,049</u>	<u>\$ 159,794</u>

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged to financial institutions as the collateral for commercial paper issued, short-term borrowings and a bank overdraft line obtained at the balance sheet dates:

	December 31	
	2018	2017
Time deposits - current	\$ 1,715,000	\$ 1,320,000
Property and equipment, net	1,685,079	1,698,831
Investment property, net	<u>157,776</u>	<u>159,299</u>
	<u>\$ 3,557,855</u>	<u>\$ 3,178,130</u>

The above assets pledged to Bank SinoPac were as follows:

	December 31	
	2018	2017
Time deposits - current	\$ 1,525,000	\$ 1,125,000
Property and equipment, net	<u>1,270,221</u>	<u>1,279,365</u>
	<u>\$ 2,795,221</u>	<u>\$ 2,404,365</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Plaintiff Mr. Jane sued an employee of the Corporation, Mr. Jun, for infringement from 2012 to 2014 under civil law and held the Corporation for joint and several liabilities. Based on the evidences presented for this trial, there was no solid proof that the Corporation should be jointly liable for damages for Mr. Jun's actions; furthermore, many violations accused by Mr. Jane were a result of his own actions and he knowingly did so. Though, the Corporation might be responsible, it was accountable for only a part but all of the compensation. Taiwan Taoyuan District Court dismissed Mr. Jane's claims, and the Corporation won. Mr. Jane appealed. In July 2016, the Corporation won the lawsuit before the High Court with no penalty for damage. However, Mr. Jane appealed again. This case was still under the process in the Supreme Court.

b. As of December 31, 2018, Bank SinoPac and the Corporation had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their financial transaction system. They jointly signed a letter of indemnity to the system manufacturer for which the total compensation was not more than US\$1,300 thousands, to obtain a proxy of the manufacturer thereof to apply for the aforesaid tax concession. The compensation distributable to the Corporation was US\$433 thousands.

c. In August 2017, Mr. Huang, the former operation manager of the Corporation accused the Corporation in the Taiwan Taichung District Court of unlawful dismissal and wanted to retain his employment and be paid monthly salaries until reinstatement date. Upon investigation, the job performance of the plaintiff did not reach the goals when he was on the job, and the Corporation already paid him severance fee. However, the plaintiff was not satisfied and applied for mediation by the Labor Bureau to settle the disputes he filed one after another, but they did not reach a consensus. This case is now in trial stage at the Taiwan Taichung District Court. The Corporation appointed external lawyer to deal with the subsequent litigation. After the evaluation, this case is not expected to have significant effect on the operation of the Corporation.

d. From 1999 to 2006, the former salesman, Mr. Zhu who worked at Pacific Securities which was merged by SinoPac Securities in 2012, appeared to have debt disputes with Mr. Chen and other three clients due to the repurchase agreement of government bonds. These clients filed for civil complaint at the Taiwan Taipei District Court against SinoPac Securities, demanding compensation of \$13,000 thousand damage compensation. This case happened a long time ago, and Mr. Zhu resigned in 2016. At present, it is only known that Mr. Zhu appeared to fabricate the fact of repurchase agreement of government bonds to fraud his clients. Regarding this case, Mr. Chen also sued the plaintiff Mr. Zhu for criminal lawsuit. Since the plaintiff has not submitted the original copy as an evidence, the existence of the content rights of the plaintiff is still controversial. Therefore, the case may not have negative impact on SinoPac Securities. The case is currently under the jurisdiction of the Taiwan Taipei District Court, and subsequent litigation has been entrusted to an external lawyer.



- e. Plaintiff Mr. Tang filed a civil complaint against the Corporation's subsidiary SinoPac Securities (Asia) in January 2018. The plaintiff claimed that the company committed breach of obligation and was liable for HK\$59,670 thousand loss in stock transfer. However, SinoPac Securities (Asia) transferred the stocks based on the stock purchase and sale agreement and Mr. Tang's order; therefore, no breach of fiduciary duties was found. SinoPac Securities (Asia) entrusted an external lawyer to handle the case and would take all necessary actions to defend the company against the claim.

34. OPERATING LEASE AGREEMENTS

- a. The Group is the lessee

Operating leases are leases of the Group's place of business and transport equipment with lease terms between 1 to 15 years. The leases are renewable on the lessor's consent and 6 months before the expiry of the leases. The rental deposits paid by the Group were recognized under "guarantee deposits paid" (Note 19). The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Within 1 year	\$ 296,235	\$ 226,930
Over 1 year but less than 5 years	425,843	328,157
Over 5 years	<u>25,436</u>	<u>17,316</u>
	<u>\$ 747,514</u>	<u>\$ 572,403</u>

- b. The Group is the lessor

Operating leases are leasing out the investment property (Note 16) owned by the Group with lease terms of 3 years. All operating lease contracts contain market review clauses in the event that the lessee exercise its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2018 and 2017, the Group received rental deposits of \$1,144 thousand, \$1,573 thousand, respectively, recognized as "guarantee deposits received".

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Within 1 year	\$ 6,944	\$ 2,082
Over 1 year but less than 5 years	<u>6,563</u>	<u>2,466</u>
	<u>\$ 13,507</u>	<u>\$ 4,548</u>

35. CAPITAL RISK MANAGEMENT

As part of coping with its business scale requirements, key operational plans and future capital projects, and other company considerations, the Corporation complies with Article 59 of the Regulations Governing Securities Firms on the calculation of a capital adequacy ratio based on operating risks and its capital structure. Thus, for maintaining stable operations, the Corporation's capital adequacy ratio, in principle, is at least 250% for its capital adequacy management objectives.

The Corporation's capital adequacy management procedures are as follows:

- a. The risk management division should calculate, monitor and analyze its regulatory capital adequacy ratio on a regular monthly basis and obtain approval from the chairman of the Board.
- b. The risk management division simulates the capital adequacy ratio based on the Corporation's business plan, policy direction, investment strategy and important event and provides the result to the relevant units.
- c. If the Corporation's capital adequacy ratio seems to fell below the target, the risk management division should report to the management, discuss responsive actions as listed below to be taken and executed after the Board's approval.
 - 1) Issuance of financial bonds.
 - 2) Capital increase.
 - 3) Adjustment of business strategies.

As of December 31, 2018 and 2017, the Corporation's capital adequacy ratios were as follows:

Items	December 31	
	2018	2017
Net eligible capital		
Tier 1 Capital	\$ 25,655,202	\$ 25,656,217
Tier 2 Capital	99,050	64,712
Tier 3 Capital	-	-
Deductible assets	<u>(9,275,629)</u>	<u>(9,145,397)</u>
Net eligible capital	<u>\$ 16,478,623</u>	<u>\$ 16,575,532</u>
Equivalent operating risk		
Market risk equivalent	\$ 2,229,107	\$ 3,832,658
Credit risk equivalent	821,041	1,082,173
Operating risk equivalent	<u>796,022</u>	<u>748,941</u>
Equivalent operating risk	<u>\$ 3,846,170</u>	<u>\$ 5,663,772</u>
Capital adequacy ratio	428%	293%

Note 1: Capital adequacy ratio = Net eligible capital/Equivalent operating risk.

Note 2: Net eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital - Deductible assets.

Note 3: Equivalent operating risk = Market risk equivalent + Credit risk equivalent + Operating risk equivalent.

36. TRUST BUSINESS UNDER THE TRUST LAW

The Corporation offers wealth management, asset allocation or financial planning under Rule No. 1030023199 approved by FSC on July 30, 2014.

Under Enforcement Rules of the Trust Enterprise Act No. 17 indicated that the Corporation should disclose the balance sheet, income statement and trust properties of trust accounts as follows:

a. Balance sheets of trust accounts

Trust Assets	December 31		Trust Liabilities	December 31	
	2018	2017		2018	2017
Bank deposits	\$ 357,086	\$ 288,610	Trust capital	\$ 13,818,132	\$ 10,252,999
Funds	11,804,435	9,979,338	Net profit (loss)	(1,036,352)	374,351
Accounts receivable	<u>12</u>	<u>5</u>	Cumulative loss	<u>(620,247)</u>	<u>(359,397)</u>
Total trust assets	<u>\$ 12,161,533</u>	<u>\$ 10,267,953</u>	Total trust liabilities	<u>\$ 12,161,533</u>	<u>\$ 10,267,953</u>

b. Income statement of trust accounts

	For the Year Ended December 31	
	2018	2017
Trust income		
Revenue from interest	\$ 530,325	\$ 258,382
Realized investment gains (losses)	(20,140)	70,626
Unrealized investment gains (losses)	(1,544,032)	46,656
Trust expenses		
Commission and fees	<u>(2,484)</u>	<u>(1,313)</u>
Profit (loss) before tax	(1,036,331)	374,351
Income tax expense	<u>(21)</u>	<u>-</u>
Net profit (loss)	<u>\$ (1,036,352)</u>	<u>\$ 374,351</u>



c. Properties of trust accounts

	December 31	
	2018	2017
Bank deposits	\$ 357,086	\$ 288,610
Funds	11,804,435	9,979,338
Others	<u>12</u>	<u>5</u>
Total trust assets (Note)	<u>\$ 12,161,533</u>	<u>\$ 10,267,953</u>

Note: As of December 31, 2018 and 2017, the above properties of trust accounts included the amount of \$35,275 thousand and \$43,296 thousand, respectively, under the Offshore Securities Unit (“OSU”) “Wealth Management Business Involving Non-discretionary Money Trust”.

37. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Debt securities	\$ 14,991,415	\$ 6,813,265	\$ 6,329,351	\$ 28,134,031
Listed stocks and stocks traded over the counter	1,211,427	138,718	118,585	1,468,730
Stocks other than listed and traded over the counter	-	-	74,386	74,386
Mutual funds	1,883,813	1,203,072	-	3,086,885
Derivatives	<u>93,439</u>	<u>539,184</u>	<u>-</u>	<u>632,623</u>
	<u>\$ 18,180,094</u>	<u>\$ 8,694,239</u>	<u>\$ 6,522,322</u>	<u>\$ 33,396,655</u>
Financial assets at FVTOCI				
Equity instruments				
Listed stocks and stocks traded over the counter	\$ 2,703,286	\$ -	\$ -	\$ 2,703,286
Stocks other than listed and traded over the counter	-	-	595,832	595,832
Real estate investment trust	<u>-</u>	<u>82,510</u>	<u>-</u>	<u>82,510</u>
	<u>\$ 2,703,286</u>	<u>\$ 82,510</u>	<u>\$ 595,832</u>	<u>\$ 3,381,628</u>
Financial liabilities at FVTPL				
Financial assets held for trading	\$ 1,469,163	\$ -	\$ -	\$ 1,469,163
Derivatives	247,673	331,163	-	578,836
Financial liabilities designated as at FVTPL	<u>-</u>	<u>824,120</u>	<u>147,877</u>	<u>971,997</u>
	<u>\$ 1,716,836</u>	<u>\$ 1,155,283</u>	<u>\$ 147,877</u>	<u>\$ 3,019,996</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets held for trading	<u>\$ 48,909,108</u>	<u>\$ 11,953,654</u>	<u>\$ 686,035</u>	<u>\$ 61,548,797</u>
Available-for-sale financial assets				
Equity instruments	<u>\$ 3,285,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,285,955</u>
Financial liabilities at FVTPL				
Financial liabilities held for trading	\$ 2,756,770	\$ 613,978	\$ -	\$ 3,370,748
Financial liabilities at FVTPL, designated as upon initial recognition	<u>-</u>	<u>296,530</u>	<u>69,086</u>	<u>365,616</u>
	<u>\$ 2,756,770</u>	<u>\$ 910,508</u>	<u>\$ 69,086</u>	<u>\$ 3,736,364</u>

For the year ended December 31, 2018, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Levels 1 and 2 because the Group determined these investments were not in an active market based on market quotation and liquidity. There were no transfers between Levels 1 and 2 for the year ended December 31, 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the Year Ended December 31, 2018				
Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Debt Instruments	Equity Instruments	Equity Instruments	
Beginning balance per IAS 39	\$ -	\$ 686,035	\$ -	\$ 686,035
Adjustment on initial application of IFRS 9	-	<u>132,052</u>	<u>712,602</u>	<u>844,654</u>
Beginning balance per IFRS 9	-	818,087	712,602	1,530,689
Recognized in profit or loss	(22,492)	29,074	-	6,582
Recognized in other comprehensive income	-	-	(116,770)	(116,770)
Purchases	-	14,716	-	14,716
Sales/settlements	-	(496,900)	-	(496,900)
Transfers into Level 3	6,351,843	23,040	-	6,374,883
Transfers out of Level 3	-	<u>(195,046)</u>	-	<u>(195,046)</u>
Ending balance	<u>\$ 6,329,351</u>	<u>\$ 192,971</u>	<u>\$ 595,832</u>	<u>\$ 7,118,154</u>
Recognized in other gains and losses - unrealized	<u>\$ (22,492)</u>	<u>\$ (23,930)</u>	<u>\$ (116,770)</u>	<u>\$ (163,192)</u>
Financial Liabilities				Financial Liabilities at FVTPL
Beginning balance				\$ 69,086
Recognized in profit or loss				(28,708)
Purchases				1,101,835
Sales/settlements				<u>(994,336)</u>
Ending balance				<u>\$ 147,877</u>
Recognized in other gains and losses - unrealized				<u>\$ 28,708</u>
Financial Assets				For the Year Ended December 31, 2017
Financial Assets				Equity Instrument at FVTPL
Beginning balance				\$ 533,184
Recognized in profit or loss				(163,206)
Reclassification				145,378
Purchases				516,511
Sales/settlements				<u>(345,832)</u>
Ending balance				<u>\$ 686,035</u>
Recognized in other gains and losses - unrealized				<u>\$ (78,090)</u>
Financial Liabilities				Financial Liabilities Designated as at FVTPL
Beginning balance				\$ 420,911
Recognized in profit or loss				(1,972)
Purchases				2,069,150
Sales/settlements				<u>(2,419,003)</u>
Ending balance				<u>\$ 69,086</u>
Recognized in other gains and losses - unrealized				<u>\$ 1,972</u>

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities were determined as follows:

- a) With standard terms and conditions on active market trading of financial assets and financial liabilities at fair value, respectively, of the quoted market price decision. If quoted market prices are not available, then using a valuation technique. The Group uses valuation techniques and assumptions used in the estimates, as well as the market participants to price financial instruments when used as estimates and assumptions consistent.



b) If derivatives have quoted market price, then the quoted market price as fair value. If quoted market prices are not available, non-option derivative using derivatives during the existence applicable the yield curve to calculate the discounted cash flow analysis of the fair value, and option derivatives using option pricing model to calculate fair value. The Group adopts valuation techniques used in the estimates and assumptions, as well as the market participants to price financial instruments when used as estimates and assumptions consistent.

c) Other financial assets and financial liabilities (except to the above) in accordance with the fair value of the discounted cash flow analysis based on the generally accepted pricing models decisions.

4) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculates counterparties' EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the PD of counterparties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counterparties.

5) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

December 31, 2018

Financial Instruments Measured at Fair Value	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	The Relationship Between Inputs and Fair Value
Non-derivative financial instruments					
Financial assets at FVTPL - current					
Operating securities - Emerging stocks	\$ 118,585	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%	The higher discount factor of liquidity, the lower fair value
Operating securities - International bonds	6,329,351	OTC quotes or Bloomberg's theoretical price	Discount factor of liquidity	Could not estimated	Since discount factor of liquidity for the International bonds listed on OTC couldn't be estimated, the bonds were categorized as level 3.
Financial assets at FVTPL - noncurrent					
Stocks other than listed and traded over the counter	74,386	Market approach or asset approach	Other shareholder and discount factor of liquidity	20%-35%	The higher other shareholder and discount factor of liquidity the lower fair value
Financial assets at FVTOCI - noncurrent					
Stocks other than listed and traded over the counter	595,832	Market approach	Discount factor of liquidity	10%-30%	The higher discount factor of liquidity, the lower fair value
Derivative financial liabilities					
Financial liabilities designated as at FVTPL					
Structured instruments	147,877	Self-built option pricing model	Volatility	3%-54% (Note)	The higher discount factor of liquidity, the lower fair value

Note: The volatility of structured instruments ranged from 3% to 54%.

December 31, 2017

Financial Instruments Measured at Fair Value	Fair Value at December 31, 2017	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	The Relationship Between Inputs and Fair Value
Non-derivative financial instruments					
Financial assets at FVTPL Operating securities - Emerging stocks	\$ 686,035	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%	The higher discount factor of liquidity, the lower fair value
Derivative financial instruments					
Financial liabilities designated as at FVTPL Structured instruments	69,086	Self-built option pricing model	Volatility	15%-48% (Note)	The greater volatility, the higher fair value

Note: The volatility of structured instruments ranged from 15% to 48%.

6) Valuation processes for fair value measurements categorized within Level 3

The Group's Risk Management Division (the "Division") is responsible for independently verifying fair value, confirming that the information needed is correct and consistent before valuing the financial instruments with the use of models, calibrating measurement models in relation to market prices, and updating the inputs required for models so that the model results will closely approximate market status. In addition to maintaining the accuracy of measurement models, the Division also examines periodically the reasonableness of prices.

b. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 61,907,215	\$ -
Loans and receivables (Note 2)	-	68,687,077
Financial assets at FVTPL		
Financial assets held for trading	-	61,548,797
Financial assets mandatorily classified as at FVTPL	33,396,655	-
Financial assets at cost		
Available-for-sale financial assets	-	559,190
Financial assets at FVTOCI		
Equity instruments	3,381,628	-
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 3)	80,819,080	117,188,375
Financial liabilities at FVTPL		
Financial liabilities held for trading	2,047,999	3,370,748
Financial liabilities designated as at FVTPL	971,997	365,616

Note 1: Financial assets measured at amortized cost include cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, receivable of securities business money lending, receivable of money lending - any use, customer margin account, futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable, other receivables, other current financial assets and restricted current assets.

Note 2: Loans and receivables include cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, receivable of securities business money lending, receivable of money lending - any use, customer margin account, futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable, other receivables, other current financial assets and restricted current assets.

Note 3: Financial liabilities measured at amortized cost include short-term borrowings, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, futures trader's equity, equity for each customer in the account, notes and accounts payable, other payables, bonds payable, and long-term borrowings.



Financial liabilities at FVTPL, designated as upon initial recognition, were as follows:

	December 31	
	2018	2017
<u>The difference between carrying amount and contract expiry amount</u>		
Structured instruments at fair value	\$ 971,997	\$ 365,616
Amount payable at maturity	<u>(1,119,874)</u>	<u>(434,931)</u>
	<u>\$ (147,877)</u>	<u>\$ (69,315)</u>

c. Financial risk management objective and policy

1) Risk management organization

The Corporation has a risk management committee under the chairman who is the committee convener. The committee is in charge of deliberating risk management policies, regulations and overall risk limitation. It helps the board of directors fully supervise the risk management and related operations. Further, it set up a risk management division that is guided by the manager and is responsible for planning, managing, assessing and executing daily risk management procedures. The committee deliberates each policy, principle and regulation, which are presented to the board of directors for final approval and executed by the risk management division. The risk management division reviews the results and performance of the risk management committee.

2) Goal and policy of risk management

The Group objectives and policies of risk management are based on the concept of capital allocation to define the overall total exposure limit. Under this concept and risk management principles, the Group pursues steady growth within a certain level of risk.

a) Market risk

Market risk refers to the possible loss due to the change in market price of a financial product as a result of change in such factors as market interest rates, foreign exchange rates, share prices and consumer goods. The financial products held by the Group include equity securities, bonds, derivatives and foreign currency denominated commodities.

The Group applies the concept of risk capital allocation in use to set the overall operating limit and market risk limit through the monitoring of limits, loss advisories and statistical measures to keep an eye on and control market risk in time. Moreover, for the efficient management of market risk, a regular assessment should be presented to the managerial level and Board.

The Group uses value-at-risk (VaR), a statistical measure to estimate and manage market risk. Through a regular stress test, sensitivity test and feedback test, the Group will be able to verify the validity of the risk management system. The Group uses a risk managing tool, risk manager, designed by an internationally renowned institution, MSCI. The system provides more solid, precise quantitative indices and other tools for a more effective risk evaluation.

i. Value-at-risk (VaR)

VaR is a statistical measure that estimates potential losses and is defined as the predicted worst-scenario case due to changes in risk factors under normal circumstances over a specified period and at a specific level of statistical confidence. The VaR is calculated at a 99% confidence level for a one-day holding period, using changes in historical rates and prices.

The Group's VaR values were as follows:

	December 31	
	2018	2017
Equities	<u>\$ 56,985</u>	<u>\$ 115,730</u>
Interest rate	<u>\$ 73,391</u>	<u>\$ 96,795</u>
General	<u>\$ 108,770</u>	<u>\$ 163,429</u>
Net worth ratio	<u>0.42%</u>	<u>0.63%</u>

	For the Year Ended December 31					
	2018			2017		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Equities	\$ 103,248	\$ 40,942	\$ 236,786	\$ 65,753	\$ 36,574	\$ 134,910
Interest rate	72,155	23,926	113,635	67,309	23,703	116,318

Foreign exchange rate risk is mainly due to the purchase of foreign currency-denominated assets. The Group use certain agreed-upon proximal and distal exchanging points on currency swap contracts to manage foreign exchange risk, so the risk is rather low. For information on our foreign currency denominated monetary assets and monetary liabilities at the balance sheet date, refer to Note 43.

The table below shows the VaR for derivatives owned by the Group:

	December 31	
	2018	2017
Futures and options	\$ 19,420	\$ 8,317
Warrants	18,812	56,779
Interest rate swaps	3,726	15,296
Cross currency swaps	4,864	3,753
Currency swaps	252	96
Asset swap options	15,988	31,912
Equity-linked notes	1,291	298
Credit-linked notes	529	1,623
Principal-guaranteed notes	28	150
Forward exchange	-	737

ii. Sensitivity analysis

Aside from using VaR, the Group also uses several different sensitivity interest index (ex. DVP, DV01), Greeks (ex. Delta, Gamma, and Vega) for risk assessment.

b) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet an obligation under a contract. The maximum credit risk exposures to financial loss arises principally from the financial assets recognized in the consolidated balance sheets. Except those listed below, the credit risk amounts of financial assets held by the Group approximated their carrying values.

	December 31			
	2018		2017	
	Carrying Value	Max. Credit Exposure Amount	Carrying Value	Max. Credit Exposure Amount
Interest rate swaps	\$ 426,348	\$ 598,537	\$ 220,342	\$ 378,648
Cross currency swaps	65,336	65,335	55,371	64,328
Asset swap options	33,988	50,171	25,260	32,494
	<u>\$ 525,672</u>	<u>\$ 714,043</u>	<u>\$ 300,973</u>	<u>\$ 475,470</u>

The Group's credit risk of major financial assets are as follows:

i. Cash and cash equivalents

Cash and cash equivalents are mainly bank deposits and short-term notes whose counterparties are financial institutions with good credit. The Group not only complies with the Regulations Governing Securities Firms when uses its funds but also set transaction limits for short-term notes based on counterparties credit ratings.

ii. Accounts receivable

Receivables are accounts receivable, payments on behalf of others, temporary payments, and default-settlement receivables, arising from various types of business operations and transactions. The Group's receivables are covered by a large number of customers, scattered in different industries and geographical areas. The Group has the provision policy for assets impaired, and for a receivable overdue for more than 6 months, a monthly tracking report should be drawn and submit to the management.

iii. Bonds and derivatives trading

The Group uses risk-based asset allocation to set its caps for total credit risk exposure. Through risk diversification, it monitors and manages the credit limits by single client, single entity, and single corporation. Through the internal rating system, the Group gives out an exposure limit corresponding to its trading object. It also sets trading and exposure limits by type of product and department. At the same time, the credit rating of the trading object should be above the acceptable level set by the Group. Besides managing by product, the Group should also consider the risk involved when of different departments handle the same financial instruments as well as the types of commodities being transacted.

The Group has set a credit risk limit monitoring panel to keep track of trading opponents daily and regularly prepare credit risk reports for the managerial level and Board's review. Of the overall transactions of the Group as of December 31, 2018, 53% in the financial service sector and 10% in the electronic industry. In addition, the transaction amounts for trading objects with credit ratings of TWA+ and above has a market share of 84%.

iv. Brokerage

By using a financing concentration system and Merton's probability default (PD) model, the Group can monitor the stock that has a higher default risk, analyze any abnormal condition and control the default risk. The periodical analysis of the financing concentration system should be reported to management and the Board.



v. Security borrowing collateral price and securities borrowing margin

Security borrowing margin is the premium placed on the TWSE and financial institutions with good credit rating which means the credit risk is rather low. Security borrowing collateral price is the premium on a hedge transaction, and all the institutions holding premiums have good credit rating.

vi. Guarantee deposit paid

Refundable deposit paid mainly serves as the guarantee bond and clearing and settlement fund. It is the legal deposit paid to financial institutions designated by relevant authorities to hold these deposits. The clearing and settlement fund is the legal deposit paid to the Stock Exchange. The risk for both guaranty bond and clearing and settlement fund are rather low.

vii. Restricted assets

Restricted assets are mainly the bank deposits used as collateral for loans obtained by the Group. The financial institutions holding these restricted assets all have good credit rating.

c) Liquidity risk

Liquidity risk is the risk that a security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit.

The Group has multiple sources of funding besides its own equity fund. It can also get the funding through borrowing from banks or, issuing commercial paper and corporate bonds. Any emergencies should be reported to the general manager and the chairman immediately and be subjected to the following response measures:

- i. Using a secured loan and to issue commercial paper.
- ii. Selling the property trading stock and bonds.
- iii. Financing through other non-financial institutions.

For ensuring capital needs for business development of the subsidiary of the Corporation, mid-term and long-term capital was fulfilled with credit lines from financial institutions and will be approved by authorized person on demand.

As of December 31, 2018 and 2017, the credit lines unused were \$73,406,782 thousand and \$52,491,177 thousand, respectively.

The table below shows the analysis of the remaining contractual maturity for financial liabilities as of December 31, 2018 and 2017:

December 31, 2018	Payment Period				Total
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	
Short-term borrowings	\$ 1,494,483	\$ -	\$ -	\$ -	\$ 1,494,483
Commercial paper payable	8,600,000	-	-	-	8,600,000
Current financial liabilities at fair value through profit or loss	2,797,625	45,254	324,994	-	3,167,873
Liabilities for bonds with attached repurchase agreements	24,433,310	869,275	-	-	25,302,585
Securities financing refundable deposits	2,640,923	-	-	-	2,640,923
Deposits payable for securities financing	2,917,232	-	-	-	2,917,232
Securities lending refundable deposits	3,659,120	-	-	-	3,659,120
Futures traders' equity	16,259,506	-	-	-	16,259,506
Equity for each customer in the account	77,558	-	-	-	77,558
Notes and accounts payable	14,962,281	-	-	-	14,962,281
Other payables	683,374	-	-	-	683,374
Bonds payable	6,658	27,057	3,020,803	-	3,054,518
Long-term borrowings	1,295,283	-	-	-	1,295,283
	<u>\$ 79,827,353</u>	<u>\$ 941,586</u>	<u>\$ 3,345,797</u>	<u>\$ -</u>	<u>\$ 84,114,736</u>

December 31, 2017	Payment Period				
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	Total
Short-term borrowings	\$ 4,062,161	\$ -	\$ -	\$ -	\$ 4,062,161
Commercial paper payable	17,050,000	2,300,000	-	-	19,350,000
Current financial liabilities at FVTPL	2,367,294	904,432	533,953	-	3,805,679
Liabilities for bonds with attached repurchase agreements	33,485,144	899,553	5,689,192	-	40,073,889
Securities financing refundable deposits	2,510,216	-	-	-	2,510,216
Deposits payable for securities financing	2,882,815	-	-	-	2,882,815
Securities lending refundable deposits	5,275,319	-	-	-	5,275,319
Futures traders' equity	17,149,716	-	-	-	17,149,716
Equity for each customer in the account	107,905	-	-	-	107,905
Notes and accounts payable	18,976,898	-	-	-	18,976,898
Other payables	863,204	-	-	-	863,204
Other financial liabilities - current	537,430	-	-	-	537,430
Bonds payable	6,140	29,293	3,045,567	-	3,081,000
Long-term borrowings	<u>2,633,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,633,325</u>
	<u>\$ 107,907,567</u>	<u>\$ 4,133,278</u>	<u>\$ 9,268,712</u>	<u>\$ -</u>	<u>\$ 121,309,557</u>

The analysis of the remaining contractual maturities of financial liabilities is based on the earliest due date and prepared on the basis of undiscounted cash flows.

d. Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under agreement to repurchase.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bears the interest rate risk and credit risk; thus, it does not derecognize it.

Analysis of financial assets and related liabilities not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	December 31, 2018				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
<u>Transactions under agreements to repurchase</u>					
Financial assets at FVTPL	\$ 19,998,462	\$ 18,708,327	\$ 19,998,462	\$ 18,708,327	\$ 1,290,135
Bond investments under resale agreements	2,686,211	2,738,987	2,686,211	2,738,987	(52,776)

Category of Financial Asset	December 31, 2017				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
<u>Transactions under agreements to repurchase</u>					
Financial assets at FVTPL	\$ 37,328,435	\$ 34,643,923	\$ 37,328,435	\$ 34,643,923	\$ 2,684,512
Bond investments under resale agreements	1,110,263	1,088,767	1,110,263	1,088,767	21,496

e. Offsetting of financial assets and financial liabilities

The Group has partial of receivables from securities sale and payables from securities purchase which meeting offsetting condition, and then offset them on the balance sheet.

The Group engages in transactions with net settlement contracts or similar agreements with counterparties, ex: Global master repurchase agreement, global securities lending agreement and similar repurchasing agreement or reverse-repurchasing agreement. Above executable net settlement contracts or similar agreements allowed net settlement of financial assets and financial liabilities by the choice of both parties. If one party defaulted, the other one may choose to net settlement.



The offsetting information of financial assets and financial liabilities are shown as follows:

December 31, 2018

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 539,184	\$ -	\$ 539,184	\$ 123,281	\$ -	\$ 415,903
Bond investments under resale agreements	3,458,383	-	3,458,383	3,458,383	-	-
Accounts receivable for sale of securities	3,054,889	2,289,901	764,988	-	-	764,988
	<u>\$ 7,052,456</u>	<u>\$ 2,289,901</u>	<u>\$ 4,762,555</u>	<u>\$ 3,581,664</u>	<u>\$ -</u>	<u>\$ 1,180,891</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 331,163	\$ -	\$ 331,163	\$ 123,281	\$ -	\$ 207,882
Liabilities for bonds with attached repurchase agreements	25,237,077	-	25,237,077	21,398,212	-	3,838,865
Accounts payable for securities purchased	2,404,785	2,289,901	114,884	-	-	114,884
	<u>\$ 27,973,025</u>	<u>\$ 2,289,901</u>	<u>\$ 25,683,124</u>	<u>\$ 21,521,493</u>	<u>\$ -</u>	<u>\$ 4,161,631</u>

December 31, 2017

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 435,021	\$ -	\$ 435,021	\$ 151,865	\$ -	\$ 283,156
Bond investments under resale agreements	3,217,133	-	3,217,133	3,217,133	-	-
Accounts receivable for sale of securities	1,826,459	1,436,892	389,567	-	-	389,567
	<u>\$ 5,478,613</u>	<u>\$ 1,436,892</u>	<u>\$ 4,041,721</u>	<u>\$ 3,368,998</u>	<u>\$ -</u>	<u>\$ 672,723</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 613,978	\$ -	\$ 613,978	\$ 151,865	\$ -	\$ 462,113
Liabilities for bonds with attached repurchase agreements	39,878,038	-	39,878,038	35,702,262	-	4,175,776
Accounts payable for securities purchased	1,474,981	1,436,892	38,089	-	-	38,089
	<u>\$ 41,966,997</u>	<u>\$ 1,436,892</u>	<u>\$ 40,530,105</u>	<u>\$ 35,854,127</u>	<u>\$ -</u>	<u>\$ 4,675,978</u>

38. FINANCIAL RATIOS BASED ON THE FUTURES TRADING ACT.

a. All financial ratios of the Corporation's future department and SinoPac Futures Corporation are summarized as follows:

1) The Corporation's futures department

		December 31, 2018			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$934,570}{\$903}$	= 1,034.96	≥ 1	Conformity	
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$925,381}{\$213}$	= 4,344.51	≥ 1	Conformity	
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$934,570}{\$400,000}$	= 234%	$\geq 60\%$ $\geq 40\%$	Conformity	
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$928,692}{\$818}$	= 113,532%	$\geq 20\%$ $\geq 15\%$	Conformity	

		December 31, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$938,553}{\$798}$	= 1,176.13	≥ 1	Conformity	
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$929,017}{\$255}$	= 3,643.20	≥ 1	Conformity	
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$938,553}{\$400,000}$	= 235%	$\geq 60\%$ $\geq 40\%$	Conformity	
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$919,869}{\$18,061}$	= 5,093%	$\geq 20\%$ $\geq 15\%$	Conformity	

2) SinoPac Futures Corporation

		December 31, 2018			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$2,464,274}{\$172,732}$	= 14.27	≥ 1	Conformity	
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$18,276,377}{\$16,368,492}$	= 1.12	≥ 1	Conformity	
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$2,464,274}{\$715,000}$	= 345%	$\geq 60\%$ $\geq 40\%$	Conformity	
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$2,269,751}{\$3,517,801}$	= 65%	$\geq 20\%$ $\geq 15\%$	Conformity	

		December 31, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$2,330,943}{\$132,054}$	= 17.65	≥ 1	Conformity	
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$18,887,694}{\$17,040,862}$	= 1.11	≥ 1	Conformity	
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$2,330,943}{\$715,000}$	= 326%	$\geq 60\%$ $\geq 40\%$	Conformity	
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$2,028,829}{\$4,263,369}$	= 48%	$\geq 20\%$ $\geq 15\%$	Conformity	



- b. The management department of SinoPac Futures Corporation renders discretionary investment services. As shown below, the ratios of discretionary investment account to stockholders' equity as of December 31, 2018 and 2017 were in conformity with the benchmark stipulated in the Regulations Governing Managed Futures Enterprises.

Calculation Formula	December 31, 2018		December 31, 2017		Benchmark
	Equation	Ratios	Equation	Ratios	
$\frac{\text{Amount of discretionary investment account}}{\text{Stockholder's equity}}$	$\frac{\$121,900}{\$103,323}$	= 1.18	$\frac{\$73,500}{\$108,267}$	= 0.68	≤ 10.00

39. SPECIFIC RISK FROM FUTURES DEALING, BROKERING AND MANAGEMENT

a. Futures dealing

The Group pays margin deposits when entering into futures contracts. The Group also pays margin deposits for short option contracts. The margin account of the Group is reevaluated on the basis of the market prices of the outstanding futures and option contracts. If the margin is less than the maintenance level, the Group should either deposit additional margin or write off the contracts.

For the outstanding futures and options contracts as of December 31, 2018 and 2017, refer to Note 7.

b. Futures brokering

Customers pay margin deposits when entering into futures transactions and short option contracts. Customers gain or lose a lot on the leverage resulting from the margin deposits. For the protection SinoPac Futures and SinoPac Securities (Asia) from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures and option contracts. SinoPac Futures and SinoPac Securities (Asia) will inform customers immediately to put in additional margin deposits when their margin accounts fall below an agreed level (the "maintenance margin"). If the customers fail to do so, their position will be settled by writing off the contracts.

As of December 31, 2018 and 2017, the outstanding futures and options held by customers of SinoPac Futures and SinoPac Securities (Asia) were as follows:

	December 31	
	2018	2017
Futures - carrying value	\$ 38,406,193	\$ 29,944,342
- unrealized gains (losses) from outstanding contracts	698,666	(1,317,257)
Options - market value of long options	94,481	145,224
- market value of short options	(78,576)	(243,179)
Customers' margin accounts	16,259,506	17,149,716

c. Futures management

The term "discretionary futures trading" refers to a managed futures enterprise accepting commissions from specified persons and performing analyses and making judgments on futures trading in order to execute futures trading operations on behalf of, and with trading funds consigned by, the principal. Before engaging in consignments with the Management Department of SinoPac Futures Corporation for discretionary futures trading, principals should note these characteristics of futures transactions: Low margin and high finance-leverage. Because of these characteristics, principals could earn high profits or suffer serious losses. Thus, principals should be closely considered in evaluating the various factors affecting futures trading before actually making the trade. Discretionary futures trading are not risk-free transactions, and the Management Department of SinoPac Futures Corporation will not use a past trading performance to guarantee minimum profitability.

40. SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group's business scope of each segment, refer to Table 4 and 6. The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

Item	For the Year Ended December 31, 2018						
	The Corporation	SinoPac Future Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
Revenue	\$ 5,543,216	\$ 1,217,538	\$ 1,052,939	\$ 233,094	\$ 8,046,787	\$ (318,169)	\$ 7,728,618
Expenditure and expense	(5,225,226)	(994,391)	(1,324,991)	(348,410)	(7,893,018)	394,177	(7,498,841)
Other gains and losses	234,325	173,363	162,037	(126,784)	442,941	213	443,154
Profit (loss) before tax	552,315	396,510	(110,015)	(242,100)	596,710	76,221	672,931
Income tax expense	(84,905)	(115,803)	-	(4,813)	(205,521)	-	(205,521)
Profit (loss)	\$ 467,410	\$ 280,707	\$ (110,015)	\$ (246,913)	\$ 391,189	\$ 76,221	\$ 467,410

Item	For the Year Ended December 31, 2017						
	The Corporation	SinoPac Future Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
Revenue	\$ 6,725,835	\$ 1,110,077	\$ 1,750,628	\$ 284,513	\$ 9,871,053	\$ (292,443)	\$ 9,578,610
Expenditure and expense	(5,168,531)	(889,189)	(2,636,771)	(429,897)	(9,124,388)	366,273	(8,758,115)
Other gains and losses	<u>(348,648)</u>	<u>121,280</u>	<u>104,509</u>	<u>(704,587)</u>	<u>(827,446)</u>	<u>1,258,075</u>	<u>430,629</u>
Profit (loss) before tax	1,208,656	342,168	(781,634)	(849,971)	(80,781)	1,331,905	1,251,124
Income tax benefit (expense)	<u>(79,912)</u>	<u>(40,459)</u>	<u>-</u>	<u>(2,009)</u>	<u>(122,380)</u>	<u>-</u>	<u>(122,380)</u>
Profit (loss)	<u>\$ 1,128,744</u>	<u>\$ 301,709</u>	<u>\$ (781,634)</u>	<u>\$ (851,980)</u>	<u>\$ (203,161)</u>	<u>\$ 1,331,905</u>	<u>\$ 1,128,744</u>

The segment profit is the performance of each segment. The amounts provided to chief operating decision maker who can distribute resource and evaluate the achievement.

The Group did not provide total assets amounts of segment to operating decision makers, so the amounts should be \$0.

The Group mainly engages in dealing, underwriting and brokering of marketable securities, financing the acquisition, short-sales by customers and futures dealing in Taiwan and Hong Kong. For geographical information, refer to the result of the segments revenue and operating analysis. No other single customers contributed 10% or more to the Group's revenue.

41. ADDITIONAL DISCLOSURES

a. The significant transactions:

- 1) Financing provided to other: Table 1.
- 2) Endorsement/guarantee provided: None.
- 3) Acquisition of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 4) Disposal of individual real estates at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Total discount of commissions and fees to related parties amounting to at least NT\$5 million: None.
- 6) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
- 7) Intercompany relationship and significant intercompany transactions: Table 3.

b. The related information of investees: Table 4.

c. Information on established branch units or representative offices overseas: Table 5.

d. Information of investment in Mainland China: Table 6.

42. DISCLOSURES REQUIRED UNDER MINISTRY OF FINANCE RULING NO. 10703209011 DATED JUNE 1, 2018

The Corporation invested non-registered in the member of IOSCO MMoU or did not acquire the licenses of securities and futures which approved by IOSCO MMoU included SinoPac Securities (Cayman), SinoPac Asia, SinoPac Financial Consulting (Shanghai), SinoPac International Holdings, Tung Shing Bullion (Brokers), Tung Shing Financial Services (Brokers) and SinoPac Services (Brokers), information on these investees' operating activities was as follows:

- a. Balance sheets: Tables 7 to 10.
- b. Statements of comprehensive income: Tables 11 to 17.
- c. Securities held: Tables 18 to 19.
- d. Derivative financial transactions and the source of capital: None.
- e. Revenues from assets management business, service contents and litigation: None

The Corporation invested and acquired a 10.9375% ownership interest in a Cayman Islands-based company, SMS Consumer Fund L.P. Since the Corporation had no control over the investee and the related investment was not material to the Corporation, the investee's operating results was not disclosed.



43. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign Currencies/New Taiwan Dollars in Thousands

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,028,740	30.744	\$ 31,627,904
NTD	933,784	1.000	933,784
HKD	485,376	3.922	1,903,659
CNY	984,097	4.476	4,404,817
EUR	124,265	35.236	4,378,623
AUD	14,362	21.686	311,460
JPY	2,105,258	0.278	585,763
ZAR	61,204	2.130	130,388
<u>Financial liabilities</u>			
Monetary items			
USD	895,539	30.744	27,532,062
NTD	428,232	1.000	428,232
HKD	412,274	3.921	1,616,580
CNY	577,573	4.476	2,585,118
EUR	122,018	35.239	4,299,764
JPY	1,960,964	0.278	545,593
AUD	7,713	21.633	166,849
	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,756,491	29.845	\$ 52,422,981
NTD	1,453,344	1.000	1,453,344
HKD	614,541	3.809	2,340,604
CNY	1,186,811	4.578	5,433,124
EUR	158,177	35.673	5,642,665
AUD	96,004	23.272	2,234,257
JPY	2,010,531	0.264	531,343
ZAR	143,411	2.424	347,697
<u>Financial liabilities</u>			
Monetary items			
USD	1,420,674	29.843	42,397,203
NTD	638,109	1.000	638,109
HKD	549,326	3.807	2,091,472
CNY	676,025	4.578	3,094,745
EUR	134,311	35.681	4,792,414
AUD	70,061	23.272	1,630,495
JPY	1,884,424	0.264	497,948

Except for the information summarized above, the Group still had undue currency swap contracts as of December 31, 2018 and 2017. For information on outstanding currency swap contracts, refer to Note 7.

The foreign currency exchange gains for the years ended December 31, 2018 and 2017 recognized were \$223,104 thousand and \$468,436 thousand, respectively. It is impractical to disclose net foreign currency exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

TABLE 1

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Uncollectible Accounts	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Other receivable	Yes	\$2,737,840 (Note 1)	\$2,706,128 (Note 1)	\$1,291,561 (Note 1)	4.3%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$3,555,187 (Note 1)	\$3,555,187 (Note 1)
2	SinoPac Capital (Asia)	SinoPac Securities (Cayman)	Other receivable	Yes	1,169,346 (Note 2)	- (Note 2)	- (Note 2)	-	Short-term financing	-	Operating turnover	-	-	-	- (Note 2)	- (Note 2)
3	SinoPac Securities (Asia)	SinoPac Securities (Cayman)	Other receivable	Yes	1,461,683 (Note 3)	- (Note 3)	- (Note 3)	-	Short-term financing	-	Operating turnover	-	-	-	- (Note 3)	- (Note 3)

Note 1: In March, April and November 2018, the Board of SinoPac Securities (Cayman) approved the credit lines of US\$46,000 thousand, US\$20,000 thousand and US\$22,000 thousand, respectively, to SinoPac Securities (Asia). The highest balance and the ending balance were determined based on the credit line of US\$94,000 thousand and US\$88,000 thousand (approximately NT\$2,737,840 thousand and NT\$2,706,128 thousand, respectively). The financing limit for each borrower and the aggregate financing limit were calculated based on the net worth of SinoPac Securities (Cayman) as of December 31, 2018, which was US\$115,610 thousand (approximately NT\$3,555,187 thousand). As of December 31, 2018, the actual borrowing amount was US\$42,000 thousand (approximately NT\$1,291,561 thousand) that was eliminated in the consolidated report.

Note 2: In August 2017, the Board of SinoPac Capital (Asia) approved the credit line of US\$40,000 thousand to SinoPac Securities (Cayman) and terminated the credit line in April 2018. The highest balance was determined based on the credit line of US\$40,000 thousand (approximately NT\$1,169,346 thousand).

Note 3: In August 2017, the Board of SinoPac Securities (Asia) approved the credit line of US\$50,000 thousand to SinoPac Securities (Cayman) and terminated the credit line in April 2018. The highest balance was determined based on the credit line of US\$50,000 thousand (approximately NT\$1,461,683 thousand).

TABLE 2

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for uncollectible accounts
					Amount	Action Taken		
The Corporation	SinoPac Holdings	Parent company	\$ 100,132 (Note 1)	-	\$ -	-	\$ -	\$ -
	SinoPac Securities (Asia)	Grandson company	114,428 (Note 2)	-	-	-	-	-
SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiary of SinoPac Securities (Cayman)	1,291,561 (Note 3)	-	-	-	-	-
SinoPac Capital (Asia)	SinoPac Securities (Asia)	Parent company of SinoPac Capital (Asia)	148,330 (Note 4)	-	-	-	-	-
SinoPac International Holdings	SinoPac Services (Brokers)	Subsidiary of SinoPac International Holdings	122,156 (Notes 5 and 6)	-	-	-	-	-

Note 1: The balance was mainly the receivable from adopting the linked-tax system (included in "current tax assets").

Note 2: The balance was mainly the receivable from sale of securities and sub-brokerage fee revenue. It was eliminated in the consolidated report.

Note 3: The balance was mainly the other receivable from financing, and it was eliminated in the consolidated report.

Note 4: The balance was mainly the receivable from sale of securities, and it was eliminated in the consolidated report.

Note 5: The balance was mainly the other receivable from payments made on behalf of others, and it was eliminated in the consolidated report.

Note 6: Since SinoPac Services (Brokers)'s net worth was negative, SinoPac International Holdings used the other receivables against the negative portion till zero.



TABLE 3

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

RELATED-PARTIES TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Transaction Company	Counter-party	Relationship with Transaction Company	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Terms	Percentage to Consolidated Revenue/Assets (%)
0	The Corporation	SinoPac Futures	Subsidiaries	Notes and accounts receivable	\$ 10,663	Based on contract	0.01
		SinoPac Futures	"	Futures trading margin	502,498	Based on contract	0.45
		SinoPac Futures	"	Future commission revenue	144,012	Based on contract	1.86
		SinoPac Futures	"	Proprietary handling fee expense	18,308	Based on contract	0.24
		SinoPac Futures	"	Rent revenue	6,784	Based on contract	0.09
		SinoPac Securities Investment Service	"	Other operating expense - professional service fees	90,000	Based on contract	1.16
		SinoPac Securities (Asia)	"	Cash in banks	32,037	Based on contract	0.03
		SinoPac Securities (Asia)	"	Notes and accounts receivable	114,428	Based on contract	0.10
		SinoPac Securities (Asia)	"	Brokerage handling fee revenue	17,569	Based on contract	0.23
		SinoPac Securities (Europe)	"	Brokerage handling fee expense	10,453	Based on contract	0.14
1	SinoPac Futures	The Corporation	Parent company	Notes and accounts payable	10,663	Based on contract	0.01
		The Corporation	"	Futures traders' equity	502,498	Based on contract	0.45
		The Corporation	"	Future commission expense	144,012	Based on contract	1.86
		The Corporation	"	Brokerage handling fee revenue	18,308	Based on contract	0.24
		The Corporation	"	Rent expense	6,784	Based on contract	0.09
		SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Customers' margin accounts	844,502	Based on contract	0.76
		SinoPac Securities (Asia)	"	Futures traders' equity	275,028	Based on contract	0.25
		SinoPac Securities (Asia)	"	Brokerage handling fee revenue	14,966	Based on contract	0.19
		SinoPac Securities (Asia)	"	Brokerage handling fee expense	14,481	Based on contract	0.19
2	SinoPac Securities Investment Service	The Corporation	Parent company	Revenue from advisory	90,000	Based on contract	1.16
3	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Other receivables	1,291,561	Based on contract	1.17
		SinoPac Securities (Asia)	"	Other gains and losses - financial income	81,764	Based on contract	1.06
4	SinoPac Securities (Europe)	The Corporation	Parent company	Brokerage handling fee revenue	10,453	Based on contract	0.14
5	SinoPac Securities (Asia)	The Corporation	Parent company	Notes and accounts payable	146,465	Based on contract	0.13
		The Corporation	"	Brokerage handling fee expense	17,569	Based on contract	0.23
		SinoPac Futures	Subsidiaries to subsidiaries	Futures traders' equity	844,502	Based on contract	0.76
		SinoPac Futures	"	Customers' margin accounts	275,028	Based on contract	0.25

(Continued)

No.	Transaction Company	Counter-party	Relationship with Transaction Company	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Terms	Percentage to Consolidated Revenue/Assets (%)
5	SinoPac Securities (Asia)	SinoPac Futures	Subsidiaries to subsidiaries	Brokerage handling fee expense	\$ 14,966	Based on contract	0.19
		SinoPac Futures	"	Brokerage handling fee revenue	14,481	Based on contract	0.19
		SinoPac Securities (Cayman)	"	Long-term borrowings	1,291,561	Based on contract	1.17
		SinoPac Securities (Cayman).	"	Finance costs	81,764	Based on contract	1.06
		SinoPac Capital (Asia)	"	Notes and accounts receivable	59,017	Based on contract	0.05
		SinoPac Capital (Asia)	"	Notes and accounts payable	148,329	Based on contract	0.13
		SinoPac Capital (Asia)	"	Administrative fee revenues	56,862	Based on contract	0.74
6	SinoPac Solutions and Services	SinoPac Capital (Asia)	Subsidiaries to subsidiaries	Bonds investment under resale agreements	63,670	Based on contract	0.06
7	SinoPac Capital (Asia)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Notes and accounts payable	59,017	Based on contract	0.05
		SinoPac Securities (Asia)	"	Notes and accounts receivable	148,329	Based on contract	0.13
		SinoPac Securities (Asia)	"	Administrative fee expenses	56,862	Based on contract	0.74
		SinoPac Solutions and Services	"	Liabilities for bonds with attached repurchase agreements	63,670	Based on contract	0.06
8	SinoPac International Holdings	SinoPac Services (Brokers)	Subsidiaries to subsidiaries	Other receivables	122,156	Based on contract	0.11
9	SinoPac Services (Brokers)	SinoPac International Holdings	Subsidiaries to subsidiaries	Other payables	122,156	Based on contract	0.11

Note: The above amounts were eliminated in the consolidated report.

(Concluded)



TABLE 4

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Date of Incorporation	Financial Supervisory Commission Approved Date and Ref. No	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Operating Revenues (Loss) of the Investee	Net Income (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2018	December 31, 2017	Shares	%	Carrying Amount					
The Corporation	SinoPac Futures	Taiwan	January 31, 1994	November 16, 1993 Ref. No.: (82) Tai-Cai-Zheng (fa) Letter No. 30579	Futures brokering, dealing, advisory, managed enterprise and securities investment consulting services	\$827,096	\$827,096	93,830,278	100.0	\$2,465,043	\$1,258,757	\$280,707	\$280,707	\$ 208,627	Subsidiary
	SinoPac Securities (Cayman)	Cayman Islands	April 30, 1998	April 30, 1998 Ref. No.: (87) Tai-Cai-Zheng (II) Letter No. 01097	Investment holding company	4,664,305	4,664,305	137,752,581	100.0	3,555,187	(162,842)	(229,647)	(229,647)	-	Subsidiary
	SinoPac Securities Investment Service	Taiwan	June 14, 1995	April 18, 2001 Ref. No.: (90) Tai-Cai-Zheng (IV) Letter No. 112817	Securities investment consulting and offshore fund distributor business	86,028	86,028	15,000,000	100.0	179,911	107,394	8,498	8,498	3,330	Subsidiary
SinoPac Securities (Cayman)	SinoPac Securities (Europe)	United Kingdom	May 7, 1999	January 10, 1999 Ref. No.: (88) Tai-Cai-Zheng (II) Letter No. 104674	Brokerage agency service	108,242	108,242	2,000,000	100.0	61,258	15,704	(4,972)	(4,972)	-	Indirect subsidiary
	SinoPac Securities (Asia)	Hong Kong	April 12, 1994	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Stock and futures brokerage and dealing business	4,169,663	4,169,663	82,106	100.0	3,498,824	972,357	(110,015)	(125,151)	-	Indirect subsidiary
	SinoPac Asset Management (Asia)	Hong Kong	October 25, 1994	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Asset management and investment consulting	497,100	497,100	95,550,000	100.0	271,982	86,364	(29,532)	(29,532)	-	Indirect subsidiary
SinoPac International Holdings	SinoPac International Holdings	British Virgin Islands	January 22, 1998	January 4, 2016 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1040050641	Investment holding company	1,894,412	1,894,412	2,000,000	100.0	128,165	(48,897)	(3,484)	(3,484)	-	Indirect subsidiary (Note 1)
	SinoPac Asia	British Virgin Islands	June 5, 2001	May 30, 2001 Ref. No.: (90) Tai-Cai-Zheng (II) Letter No. 133194	Liquidated	-	193,692	-	-	-	-	297	297	-	Indirect subsidiary (Note 2)
SinoPac Securities (Asia)	SinoPac Capital (Asia)	Hong Kong	October 3, 1995	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Proprietary trading	1,739,260	1,739,260	418,000,000	100.0	1,616,547	148,511	(62,196)	(62,196)	-	Indirect subsidiary
	SinoPac Solutions and Services	Hong Kong	September 9, 2013	August 9, 2013 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1020029368	Fund administration services	79,292	79,292	46,800,000	100.0	95,547	72,504	20,099	20,099	-	Indirect subsidiary
	SinoPac (Asia) Nominees	Hong Kong	October 3, 1995	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Trust account on overseas stock	-	-	2	100.0	-	-	-	-	-	Indirect subsidiary
SinoPac International Holdings	SinoPac Services (Brokers)	Hong Kong	September 3, 1996	January 4, 2016 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1040050641	Liquidating	(74,193)	(74,193)	10,000	100.0	(89,323)	-	(3,399)	(3,399)	-	Indirect subsidiary (Notes 1 and 4)
	SinoPac Bullion (Brokers)	Hong Kong	August 22, 2011	January 4, 2016 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1040050641	Liquidated	-	(38,894)	-	-	-	-	39,082	39,082	-	Indirect subsidiary (Notes 1 and 3)
	SinoPac Financial Services (Brokers)	Hong Kong	August 19, 1998	January 4, 2016 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1040050641	Liquidated	-	91,875	-	-	-	-	(84,580)	(84,580)	-	Indirect subsidiary (Notes 1 and 3)

Note 1: The original investment amount of SinoPac International Holdings was the price of acquisition in April 2016 and the original investment amount of its subsidiaries was the carrying amount on that date.

Note 2: SinoPac Asia was approved by the FSC in October 2017 to liquidate. Its capital was returned and the liquidation was completed in March 2018.

Note 3: SinoPac Bullion (Brokers) and SinoPac Financial Service (Brokers) were approved by the FSC in April 2017 to liquidate, SinoPac Bullion (Brokers) and SinoPac Financial Service (Brokers) completed liquidation in September 2018 and December 2018, respectively.

Note 4: SinoPac Services (Brokers) was approved by the FSC in December 2018 to liquidate and was still under the process of liquidation.

TABLE 5

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES
INFORMATION ON OVERSEAS BRANCHES AND REPRESENTATIVE OFFICES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Overseas Branches and Representative Offices	Location	Date of Incorporation	Financial Supervisory Commission Approved Date and Ref. No	Main Businesses and Products	Operating Revenues	The Branch's Profit or Loss for the Period	Operating Capital				Any Accounts and Transactions with the Head Office	Note
							December 31, 2017	Increase Operating Capital	Decrease Operating Capital	December 31, 2018		
SinoPac Securities (Asia) Ltd. Shanghai Representative Office	Shanghai, China	December 3, 1999	February 5, 1997 Ref. No.: (86) Tai-Cai-Zheng (II) Letter No. 12154	Business research and survey research industry technology	\$ -	\$(12,837)	\$ -	\$ -	\$ -	\$ -	-	

TABLE 6

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 1)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
SinoPac Financial Consulting (Shanghai)	Management consulting, investment and information consulting	\$ 61,503 (US\$ 2,000 thousand)	Investment in Mainland China directly	\$ 61,503 (US\$ 2,000 thousand)	\$ -	\$ -	\$ 61,503 (US\$ 2,000 thousand)	\$ 11,927	100.00%	\$ 11,927	\$ 53,404	\$ -
Beijing Shengzhuang Household Chemicals Ltd.	Processing production development of cosmetics and sale of self-made product	243,058 (CNY54,300 thousand)	Indirect investment in Mainland China through a third-area (Hyun Xing Investment Ltd.)	25,562 (US\$ 831 thousand)	-	-	25,562 (US\$ 831 thousand)	24	1.2635%	-	25,562	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$87,056 (US\$2,831 thousand)	\$99,846 (US\$3,247 thousand)	\$10,350,124

Note 1: The recognition of share of profit or loss of SinoPac Financial Consulting (Shanghai) as of December 31, 2018 was based on the audited financial statement conducted by international accounting firm which cooperate with ROC accounting firm.

Note 2: Share of profit or loss of foreign currency are translated into New Taiwan dollar at the average exchange rates for the period, others are translated at the end of December 2018.



TABLE 7

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

BALANCE SHEET
DECEMBER 31, 2018
(In U.S. Dollars)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 163,045	-
Other receivables	42,015,058	25
Prepayments	180,180	-
Total current assets	42,358,283	25
NON-CURRENT ASSETS		
Investments accounted for using equity method	128,781,815	75
TOTAL	\$ 171,140,098	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 13,500,000	8
Other payables	29,736	-
Total current liabilities	13,529,736	8
NON-CURRENT LIABILITIES		
Long-term borrowings	42,000,000	25
Total liabilities	55,529,736	33
EQUITY		
Capital stock	137,752,581	80
Capital surplus	4,220,663	2
Accumulated deficit	(24,617,556)	(14)
Exchange differences on translation of foreign financial statements	(1,745,326)	(1)
Total equity	115,610,362	67
TOTAL	\$ 171,140,098	100

TABLE 8

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.

BALANCE SHEET
DECEMBER 31, 2018
(In CNY)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,904,213	98
Accounts receivable	11,479	-
Prepayments	37,101	-
Total current assets	11,952,793	98
NON-CURRENT ASSETS		
Guarantee deposits	185,681	2
TOTAL	\$ 12,138,474	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 45,000	-
Other payables	161,964	1
Other current liabilities	938	-
Total current liabilities	207,902	1
Total liabilities	207,902	1
EQUITY		
Capital stock	12,220,600	101
Accumulated deficit	(290,028)	(2)
Total equity	11,930,572	99
TOTAL	\$ 12,138,474	100

TABLE 9

SINOPAC INTERNATIONAL HOLDINGS LTD.

**BALANCE SHEET
DECEMBER 31, 2018
(In H.K. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,430,658	74
Other receivables	8,369,766	26
Total current assets	32,800,424	100
TOTAL	\$ 32,800,424	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	\$ 74,366	-
Current tax liabilities	2,507	-
Other current liabilities	87,741	-
Total current liabilities	164,614	-
Total liabilities	164,614	-
EQUITY		
Capital stock	15,488,000	47
Retained earnings	17,147,810	53
Total equity	32,635,810	100
TOTAL	\$ 32,800,424	100

Note: As of December 31, 2018, the investment accounted for using equity method was the credit balance of HK\$22,745,240; therefore, SinoPac International Holdings reclassified HK\$31,105,712 of other receivables from its subsidiaries against such credit balance until it became zero.

TABLE 10

SINOPAC SERVICES (BROKERS) LTD.

**BALANCE SHEET
DECEMBER 31, 2018
(In H.K. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,253,434	86
NON-CURRENT ASSETS		
Property and equipment	18,202	-
Guarantee deposits	1,126,661	14
Total non-current assets	1,144,863	14
TOTAL	\$ 8,398,297	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	\$ 31,143,537	371
Total liabilities	31,143,537	371
EQUITY		
Capital stock	10,000	-
Accumulated deficit	(22,755,240)	(271)
Total equity	(22,745,240)	(271)
TOTAL	\$ 8,398,297	100



TABLE 11

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Financing costs	\$ (3,206,362)	(42)
Operating expense	<u>(39,778)</u>	<u>(1)</u>
Total expenditure and expense	<u>(3,246,140)</u>	<u>(43)</u>
OPERATING LOSS	<u>(3,246,140)</u>	<u>(43)</u>
NON-OPERATING INCOME AND EXPENSES		
Share of loss of subsidiaries accounted for using equity method	(5,398,482)	(71)
Other gains and losses	<u>1,031,426</u>	<u>14</u>
Total non-operating income and expenses	<u>(4,367,056)</u>	<u>(57)</u>
NET LOSS FOR THE YEAR	(7,613,196)	(100)
OTHER COMPREHENSIVE LOSS		
Exchange differences on translation of foreign financial statements	<u>(375,933)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (7,989,129)</u>	<u>(105)</u>

TABLE 12

SINOPAC ASIA LTD. (Note)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Operating expense	\$ (2,567)	(26)
OPERATING LOSS	<u>(2,567)</u>	<u>(26)</u>
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	<u>12,421</u>	<u>126</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 9,854</u>	<u>100</u>

Note: SinoPac Asia repaid its capital and completed liquidation in March 2018. Therefore, its balance sheet has no balance, and thus only statement of comprehensive income is disclosed.

TABLE 13

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In CNY)

	Amount	%
REVENUE		
Revenue from advisory	\$ 4,996,071	100
EXPENDITURE AND EXPENSE		
Employee benefits expenses	(517,250)	(10)
Other operating expense	<u>(1,390,082)</u>	<u>(28)</u>
Total expenditure and expense	<u>(1,907,332)</u>	<u>(38)</u>
OPERATING GAINS	<u>3,088,739</u>	<u>62</u>
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	<u>352,564</u>	<u>7</u>
PROFIT BEFORE TAX	3,441,303	69
INCOME TAX EXPENSE	<u>(827,644)</u>	<u>(17)</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,613,659</u>	<u>52</u>

TABLE 14

SINOPAC INTERNATIONAL HOLDINGS LTD.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSE		
Other operating expense	\$ (102,894)	(11)
OPERATING LOSS	(102,894)	(11)
NON-OPERATING INCOME AND EXPENSES		
Share of loss of subsidiaries accounted for using equity method	(12,706,628)	(1,404)
Other gains and losses	11,874,310	1,312
Total non-operating income and expenses	(832,318)	(92)
LOSS BEFORE TAX	(935,212)	(103)
INCOME TAX BENEFIT	29,897	3
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (905,315)	(100)

TABLE 15

SINOPAC BULLION (BROKERS) LTD. (Note)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSE		
Other operating expense	\$ (420)	-
OPERATING LOSS	(420)	-
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	10,156,410	100
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 10,155,990	100

Note: SinoPac Bullion (Brokers) completed liquidation in September 2018. Therefore, its balance sheet has no balance, and thus only statement of comprehensive income is disclosed.

TABLE 16

SINOPAC FINANCIAL SERVICES (BROKERS) LTD. (Note)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSE		
Other operating expense	\$ (2,205)	-
OPERATING LOSS	(2,205)	-
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	(21,977,136)	(100)
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (21,979,341)	(100)

Note: SinoPac Financial Services (Brokers) completed liquidation in December 2018. Therefore, its balance sheet has no balance, and thus only statement of comprehensive income is disclosed.



TABLE 17

SINOPAC SERVICES (BROKERS) LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In H.K. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Depreciation and amortization expense	\$ (542,360)	(61)
Operating expense	(513,817)	(58)
Total expenditure and expense	(1,056,177)	(119)
OPERATING LOSS	(1,056,177)	(119)
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	172,900	19
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (883,277)	(100)

TABLE 18

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

SECURITIES HELD
DECEMBER 31, 2018
(In U.S. Dollars, Unless Stated Otherwise)

Security Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
			Shares	Carrying Value	Percentage of Ownership	Net Worth	
<u>Stock</u> SinoPac Securities (Europe)	Subsidiary	Investments accounted for using equity method	2,000,000	\$ 1,992,028	100.00	\$ 1,992,028	
SinoPac Securities (Asia)	Subsidiary	Investments accounted for using equity method	82,106	113,777,500	100.00	107,966,895	
SinoPac Asset Management (Asia)	Subsidiary	Investments accounted for using equity method	95,550,000	8,844,531	100.00	8,844,531	
SinoPac International Holdings	Subsidiary	Investments accounted for using equity method	2,000,000	4,167,756	100.00	4,167,756	

Note: Net worth was calculated based on the investee's audited financial statements of the same period.

TABLE 19

SINOPAC INTERNATIONAL HOLDINGS LTD.

SECURITIES HELD
DECEMBER 31, 2018
(In H.K. Dollars, Unless Stated Otherwise)

Security Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
			Shares	Carrying Value	Percentage of Ownership	Net Worth	
<u>Stock</u> SinoPac Services (Brokers)	Subsidiary	Investments accounted for using equity method	10,000	\$ (22,745,240)	100.00	\$ (22,745,240)	Note 2
SinoPac Bullion (Brokers)	Subsidiary	Investments accounted for using equity method	-	-	-	-	Note 3
SinoPac Financial Services (Brokers)	Subsidiary	Investments accounted for using equity method	-	-	-	-	Note 4

Note 1: Net worth was calculated based on investee's audited financial statements of the same period.

Note 2: SinoPac Services (Brokers) was approved by the FSC in December 2018 to liquidate and is under the process of liquidation. Since the subsidiary had negative net worth, SinoPac International Holdings used the other receivables from the subsidiary against the negative portion till zero.

Note 3: SinoPac Bullion (Brokers) was approved by the FSC in April 2017 to liquidate and completed the liquidation proceeding in September 2018.

Note 4: SinoPac Financial Services (Brokers) was approved by the FSC in April 2017 to liquidate and completed the liquidation proceeding in December 2018.

Analyses of Financial Standing and Operating Results & Risk Management Evaluation

I. Analysis of Financial Standing

Unit: NT\$ Thousands

Item	Year	2018	2017	Difference	
				Amount	%
Current assets		101,835,374	142,118,409	(40,283,035)	(28.34)
Property and equipment		2,156,559	2,135,075	21,484	1.01
Intangible assets		890,248	989,557	(99,309)	(10.04)
Other non-current		5,912,863	2,960,759	2,952,104	99.71
Current liabilities		80,101,634	116,356,970	(36,255,336)	(31.16)
Non-current liabilities		4,818,098	6,046,809	(1,228,711)	(20.32)
Capital stock		16,212,238	16,212,238	-	-
Capital surplus		476,766	476,766	-	-
Retained earnings		9,395,186	9,471,271	(76,085)	(0.80)
Other equity interest		(208,878)	(360,254)	151,376	42.02
Total assets		110,795,044	148,203,800	(37,408,756)	(25.24)
Total liabilities		84,919,732	122,403,779	(37,484,047)	(30.62)
Total equity		25,875,312	25,800,021	75,291	0.29

II. Analysis of Operating Results

Unit: NT\$ Thousands

Item	Year	2018	2017	Difference	
				Amount	%
Revenue		7,728,618	9,578,610	(1,849,992)	(19.31)
Expenditure and expense		7,498,841	8,758,115	(1,259,274)	(14.38)
Net operating income		229,777	820,495	(590,718)	(72.00)
Other gains and losses		443,154	430,629	12,525	2.91
Profit before tax		672,931	1,251,124	(578,193)	(46.21)
Income tax expense		205,521	122,380	83,141	67.94
Net profit		467,410	1,128,744	(661,334)	(58.59)

III. Short-term Liquidity Analysis

(I) Short-term Liquidity Analysis for 2017 and 2018

Unit: %

Item	Year	2018	2017	Variance
Cash flow ratio		24.10	0.64	3,665.63
Cash flow adequacy ratio		-	-	-
Cash reinvestment ratio		59.45	0.44	13,411.36

**(II) Cash Flow Analysis for 2019**

					Unit: NT\$ Thousands	
Cash Balance at Beginning of Year (1)	Expected Net Cash Inflow from Operating Activities (2)	Expected Total Cash Flow (3)	Expected Cash Balance Year-end (1)+(2)+(3)	Expected Capital Resources for Cash Uses		
				Investment Plan	Financing Plan	
8,721,980	8,139,537	(11,953,971)	4,907,546	-	-	

IV. Principal Capital Expenditures and Analysis of Funding Resources

					Unit: NT\$ Thousands				
Expansion Plan	Actual or Expected Sources of Capital Renovation	Actual or Expected Completion date	Total Forecast Amount	Actual or Expected Capital Allocation					
				2017	2018	2019	2020	2021	
Office equipment and equipment replacement	Own capital	By end 2017	10,443	10,443	-	-	-	-	-
Relocation and renovation of branch offices	Own capital	By end 2017	40,458	40,458	-	-	-	-	-
Addition, renewal and upgrade of computer mainframe and network system, trading equipment and software	Own capital	By end 2017	108,101	108,101	-	-	-	-	-
Office equipment and equipment replacement	Own capital	By end 2018	20,829	-	20,829	-	-	-	-
Relocation and renovation of branch offices	Own capital	By end 2018	57,533	-	57,533	-	-	-	-
Addition, renewal and upgrade of computer mainframe and network system, trading equipment and software	Own capital	By end 2018	156,780	-	156,780	-	-	-	-
Office equipment and equipment replacement	Own capital	By end 2019	14,590	-	-	14,590	-	-	-
Relocation and renovation of branch offices	Own capital	By end 2019	97,830	-	-	97,830	-	-	-
Addition, renewal and upgrade of computer mainframe and network system, trading equipment and software	Own capital	By end 2019	310,514	-	-	310,514	-	-	-

V. Risk Management Evaluation**(I) Earnings Impact from Interest Rate and Exchange Rate Fluctuations and Inflation, and Countermeasures taken****A. Interest Rate**

The benchmark interest rate for short selling and margin trade financing offered by the Company is based on the cost of capital and market rates and complies with government policy. Since the credit and debit of interest rate

income are offsetting, interest rate fluctuation has little effect on this operation. For our bond business, interest rate fluctuations cause market risk. To minimize the risk from such fluctuations, the Company exerts strict control over the limit, VaR controlling mechanism, interest rate sensitivity, and the stop-loss measure. The Company hedges the risk through Interest Rate Swaps (IRS).

As of the end of 2018 the exposure of the Company to interest-rate sensitive products amounted to NT\$65.56 million. This risk value constituted only 0.25% of the net worth of the Company. As for the sensitivity indicators, the total DV01 was NT\$15.9362 million. After deducting the market interest rate and bond derivative trading in the opposite direction, the total DV01 was NT\$15.6267 million.

Regarding interest rate fluctuations in the future, the Company will adjust the position required for the operation according to market conditions and business needs. In addition, we will continue to monitor and manage the risks related to the position in compliance with Company regulations, strict risk value and interest-rate sensitivity controlling mechanisms.

B. Exchange Rate

Below are the currency exchange-rate risks the Company potentially faces:

1. Exchange-rate risks in overseas reinvestments

Exchange-rate fluctuations might influence the overseas reinvestment venture and the Company's net worth. SinoPac Securities generally makes such investments for sustainable long-term business development. Net worth valuations are calculated in the financial report, which will be reflected in the Company's book value, not in the current quarter's profit/loss. When such an investment is disposed of it will have a small impact on the Company's profit/loss statement.

2. Exchange-rate risks in general business operations

The Company is an integrated securities service firm whose primary income source is tied to the domestic market. Therefore, exchange rate is a matter of little consequence in terms of the Company's overall operations. However, the exchange rate does impact the Company's foreign-currency savings and product trades that involve foreign currency. We have also established foreign currency risk management guidelines, to stipulate relevant risk-management procedures and amount ceilings to contain the risks within the Company's capacity.

C. Inflation

The consumer price index decreased by 0.05% year-over-year in 2018, and the core consumer price index (excludes food and energy) increased by 1.22%. This year's increase was primarily due to higher cruel oil prices and increasing consumption amid a general economic recovery. Since securities firms do not have purchasing cost issues, they are less exposed to inflation trends.

(II) The Impact on the Company's Business and Financial Status following the Modification of Foreign and Domestic Policy or Law, and the Risk Management Measures to deal with such

Important changes to government policies and laws relevant to securities business in 2018:

Here are the amendments to securities-related laws and regulations in 2018 that had impact on the Company's business.



A. Securities firm finances and management

1. The Directions Governing Foreign Currency Risk Ceiling of Securities Firms are amended, where the US\$50 million foreign currency risk ceiling is deleted and the amount being no higher than 15% of the net worth is kept.
2. Amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies
 - (1) To ease restrictions on securities firms engaging in derivatives trading, which shall be subject to provisions set out in other laws and regulations according to the type of business.
 - (2) To ease restrictions on investment professionals and exempt them from making an announcement while trading ordinary corporate bonds or general bank debentures without equity characteristics; provided that, given subordinated debts are riskier, transactions of subordinated debts shall still be publicly announced according to the Regulations.
 - (3) To amend the range of derivatives set out in the Regulations according to the definition in the International Financial Reporting Standards (IFRS) No. 9 Financial Instruments.
3. Amendments to the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets
 - (1) To set out that a securities firm shall establish an internal whistleblower system and designate a unit with independent exercise of powers to be responsible for the processing and investigation of whistleblower reports.
 - (2) To set out that a securities firm shall establish a dedicated information security unit and chief officer in order to facilitate differentiated management.

B. Brokerage

To amend the Securities Transaction Tax Act, where a buy order and a sell order for a listed or OTC-listed stock are of the same kind and equal quantity, and are executed on the spot market through the same brokerage account on the same day, the securities transaction tax levied at the rate of 0.15% based on the transaction amount for each sell order has been extended again by 3 years and 8 months to December 31, 2021. In addition, such measure also applies to transactions of securities dealers.

C. Proprietary Trading

1. Amendments to the Regulations Governing the Issuance of Exchange Traded Notes by Securities Firms
 - (1) For the purpose of introducing the US and South Korean Exchange Traded Notes (ETNs) system.
 - (2) Exchange Traded Notes require a filing of issuance registration to become effective.
 - (3) For ETNs that track the performance of a foreign index, it shall obtain permission from the Central Bank of the Republic of China (Taiwan), or CBC, with respect to any inward or outward remittance of funds.

D. Investment

1. To allow securities firms to make equity investment in domestic, foreign, or Mainland Chinese private equity funds.
2. When a securities firm directly makes equity investment in private equity funds in the form of limited

partnership, it shall be limited to serve as a limited partner ("LP"); If intended to serve as a common partner, the said investment shall be indirectly exercised by a limited liability subsidiary in which the securities firm makes equity investment.

E. Other important regulations

1. The Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission have been enacted, and the Directions Governing the Internal Control System for Anti-Money Laundering and Countering Terrorism Financing of the Securities and Futures Sector and relevant regulations have been repealed. The amendments to the Regulations are meant to escalate the legal rank to strengthen the requirement for securities firms in implementing AML/CFT practices.
 - (1) The basis of the amendments is in reference to the Financial Action Task Force (FATF) recommendations and evaluation methodology.
 - (2) The securities and futures sector shall realistically perform their responsibilities and obligations of identifying ultimate beneficiary (or beneficial owner) of legal persons or institutional clients.
 - (3) To enhance due diligence of high-risk customers.

The aforementioned amendments are positive and favorable to the Company's operation without negative impact on the Company's finance and businesses.

(III) Major Issues in Other Aspects

A. Risk Management Association

SinoPac Securities' "Risk Management Committee" under the Chairman is responsible for reviewing and evaluating company's risk management policies, system and overall risk limit as well as for assisting the Board of Directors in the supervision of all risk management related businesses. In addition, there is also the independent Risk Management Division under the Office of the President that devises risk management mechanism that encompassing all aspects of control in order to monitor, measure and evaluates daily risk.

Risk management related policies, principles, and systems are reviewed by the Risk Management Committee, approved by the Board of Directors, and promoted by the Risk Management Division. The division will periodically evaluate and review the execution results and management performance of subsidiaries and affiliated companies.

B. Risk Management Goal and Policy

The goal of the risk management system is to maintain an adequate Bank of International Settlement (BIS) Ratio to manage risk, distribute risks actively, provide loss (damage) control, and seek stable growth under proper levels of risk measurement. The explanation for each risk area is as below:



1. Credit Risk

- (1) Adopting the concept of risk capital allocation, an upper limit is established for the Company overall credit risk exposure; following the principle of risk diversification, controls over credit limits are set as to each customer, each enterprise, and each business group.
- (2) Differentiated credit ratings, the setting of credit limits and the measurement of credit risks are used as the principal emphasis; through the credit rating mechanism, a corresponding upper limit for the risk exposure amount is given to different trading counterparties, with such upper limits to be regularly reviewed.
- (3) Trading limits and risk exposure status are to be separately established based on the types of products and the department, and the credit ratings of the investment target and the trading counterparty both must be above the rating permitted by the Company; control must be asserted over each individual product, and risk management across departments and across products is to be considered.
- (4) The prevention of the risk of default by the brokerage business is through monitoring of changes in financing with the use of the system concerning the degree of financing concentration and the Merton PD default probability formula, thereby analyzing unusual individual stocks and regularly reviewing and making adjustments and paying attention to the financing ratio of stocks and the default risk with respect to controls over the daily trading limits.
- (5) In terms of risk reports, to draw on the credit risk limit control platform to monitor counterparties' credit conditions and compile statistics of the utilization of credit risk limit for limit control on a daily basis; to prepare the Consolidated Statement of Financing Amount on a daily basis in order to control the consolidated exposure to a single financing target of the Company and its subsidiaries; to regularly prepare credit risk reports, the contents of which including credit rating distribution of the Company's positions as well as counterparties' credit risk exposure profile, and report the credit risk profile at the Board of Directors' meeting on a regular basis.

2. Market Risk

- (1) Adopting the concept of risk capital allocation, an upper limit is established for the Company overall operational position limits and the market value-at-risk limits.
- (2) Irrespective of whether engaged in underwriting services or proprietary operations, market risk is controlled through such methods as limit controls, stop-loss rules, value-at-risk assessments and limits, and the middle counter risk control system is used to monitor position gains and losses, limits and stop-loss warnings.
- (3) Value-at-risk (VaR) to measure and manage market risk and stress tests, sensitivity analysis and back testing are regularly conducted to verify the effectiveness of the value-at-risk system. Besides, SinoPac Securities adopts interest sensitivity index (Total D value, DV01), Greeks (Delta, Gamma, Vega) and many other indexes to evaluate market risk. Moreover, to enhance the abilities of risk management, SinoPac Securities introduced MSCI, an internationally known institution, and uses its VaR system, Risk Manager, and its related equipment. Combined with our ongoing risk management systems, we can have more exactly and accurately quantitative models to evaluate the risk more effectively.

- (4) In addition to conducting daily monitoring of changes in the positions of the proprietary unit and of the underwriting unit, changes in gains and losses and status of value-at-risk, the various risk management reports or statements are to be submitted on a regular basis, the contents of which are to include the profit and loss daily report of domestic and foreign positions, the daily profit and loss report of domestic positions, the value-at-risk report, the foreign exchange risk position control report, and the market risk report; and reports are to be made regularly to the Board of Directors concerning the status of market risks.
- (5) The hedging for investment positions regardless of whether warrant issuance or proprietary operations, follow the requirements of laws and regulations, and operational limits and stop-loss standards must be established based on the nature of business; at the same time, the operational rules of such hedging operations must also contain rules with respect to hedging strategies. For example, the risk management department must confirm the distribution of equity warrant hedge coefficients and net worth after-hedging and must supervise the actual hedge situation.

3. Operational Risk

To mitigate the risks that may arise from inadequate or defective internal operations and control mechanism, any line of business must first be approved by a rigorous internal audit process before being developed, and at the same time an information risk management system and standard operating procedures are to be established to lower man-made operational risks. The Company has already established an online operational risk incident reporting mechanism. Each quarter, an overview of loss from operational risk incidents is reported to the board of directors, in order to implement an operational risk management mechanism, and to establish an operational risk loss database, so that operational risk control is strengthened.

4. Liquidity risk

For the purpose of controlling the Company liquidity risks from its investment positions, in addition to requiring that invested equity securities must meet a certain degree of market liquidity, a liquidity risk report is submitted every month, conducting liquidity risk assessment, and a report is regularly made to the Asset Liability Committee meeting and the Board of Directors concerning the status of the liquidity risk of the Company positions.

5. Other Risk Types

In terms of the control and management of financial instrument valuation models, all newly introduced financial instrument valuation models must provide relevant information (i.e., new instrument explanation documentation and contract samples, explanation documentation of the model's methods, and reasonable explanation of the definition of the input and output parameters and the selection of model parameters, etc.), and be reviewed independently by the Risk Management Section and be verified before being placed online to reduce the risk of the model. Other risks, such as legal risks, system risks, or incident risks, will continue to be under observation and will be decreased by the Company.



C. Risk Management Methods and Information Quantifying Risk Exposure

The risk management methods for each company is as stated above, and information quantifying risk exposure is disclosed as follows:

1. Approximate amount of market risks

December 31, 2018 Unit: NT\$ Millions	
Item	Amount
Interest rate risk	1,289
Equity risk	765
Foreign exchange risk	170
Commodity risk	6
Special concentration risk	0
Total	2,229

2. Approximate amount of credit risks

December 31, 2018 Unit: NT\$ Millions	
Item	Amount
Repurchase agreements	62
Margin lending transaction account	54
Borrowing or lending receivables in connection with securities business	0
Over-the-counter market derivatives	27
General counterparty risk in brokerage trading	497
Counterparty risk for futures and options in brokerage trading-trading	0
Four days accumulated transaction amount of brokerage trading of securities in foreign exchange market	0
On-balance-sheet transactions	181
Off-balance-sheet transactions	0
Asset securitization of originator	0
Non-scheduled settlement	0
Total	821

3. Approximate amount of operational risks

December 31, 2018 Unit: NT\$ Millions			
Item	2015	2016	2017
Gross profit	3,499	3,918	5,850
Risk factor	18%	18%	18%
Approximate amount of risk	796		

4. Approximate amount of business risks

December 31, 2018 Unit: NT\$ Millions	
Item	Amount
Approximate amount of market risks (1)	2,229
Approximate amount of credit risks (2)	821
Approximate amount of operational risks (3)	796
Approximate amount of business risks (4)=(1)+(2)+(3)	3,846

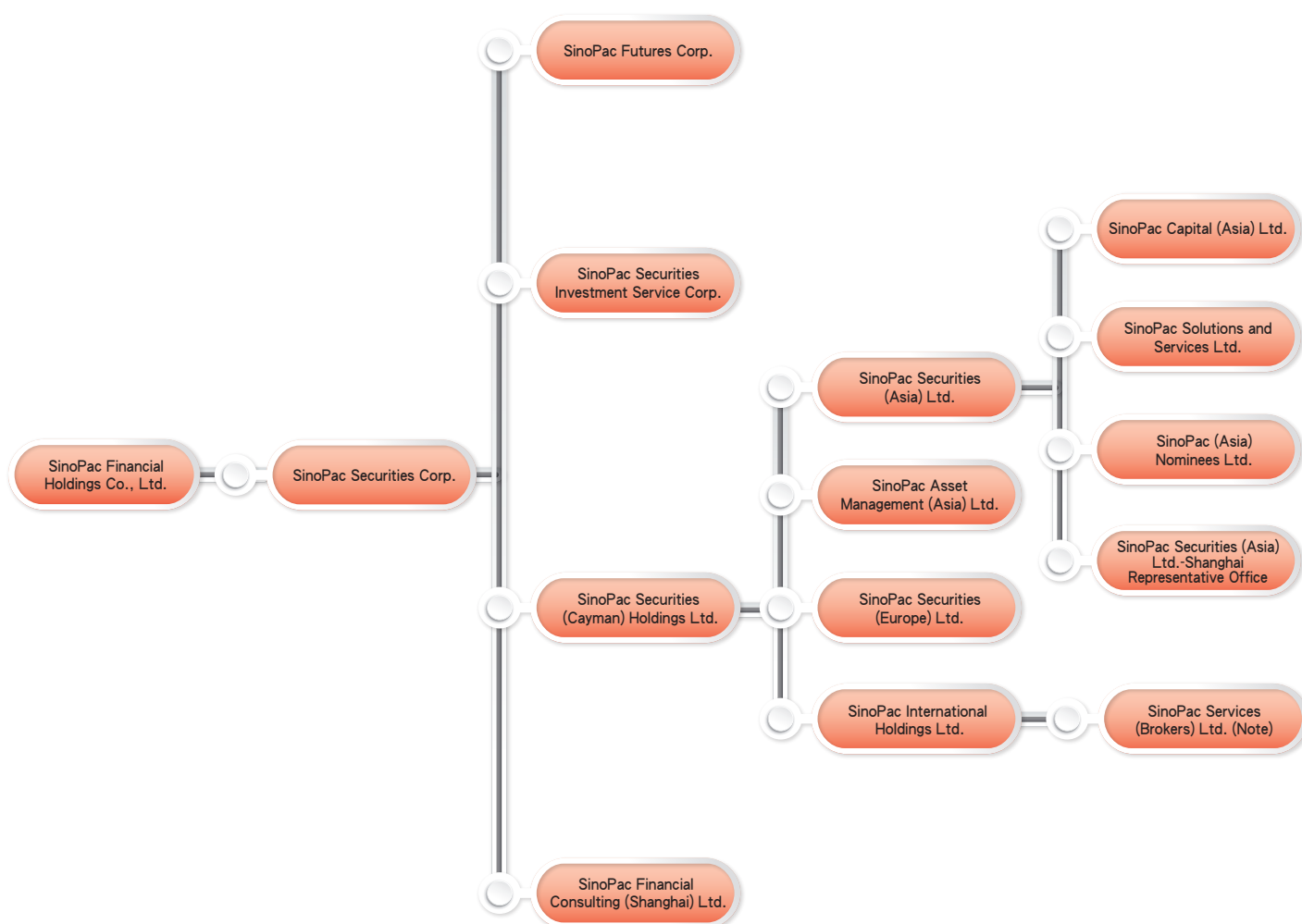
5. Capital Adequacy Ratio

At the end of 2018, SinoPac Securities capital adequacy ratio of credit risk, market risk, and operational risk was 428%, far above the 150% requirement set by the authorities.

Group Information

Subsidiaries and Affiliated Companies

December 31, 2018



Note : On November 28, 2018, the Board approved subsidiary SinoPac Services (Brokers) Ltd.'s dissolution and liquidation (Approved per 22 December 2018 Letter No. Financial-Supervisory-Securities-Firms-1070346532 of the Financial Supervisory Commission). The dissolution and liquidation remain in process.

Concise Company Profile		December 31, 2018; Expressed in millions of NTD, USD, HKD, or GBP		
Company	Date of Incorporation	Address	Capital	Main Business
SinoPac Securities Corp.	1998.10	7F.,18F.&20F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	16,212	Brokerage, dealing and underwriting of securities
SinoPac Futures Corp.	1994.01	8F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	938	Futures brokerage, dealing, advisory and managed enterprise, and securities investment consulting services
SinoPac Securities Investment Service Corp.	1995.06	8F., No.306, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	150	Securities investment consulting and Offshore fund distributor business
SinoPac Financial Consulting (Shanghai) Ltd.	2013.12	Room 1903B, Lujiazui Fund Tower, 1528 Century Avenue, Pudong New Area, Shanghai, P.R.C.	USD 2	Management consulting, investment and information consulting
SinoPac Securities (Cayman) Holdings Ltd.	1998.04	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	USD 137.753	Investment holding company
SinoPac Securities (Asia) Ltd.	1994.04	Room 601, 6th Floor & 7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 821.06	Brokerage and dealing of securities and futures
SinoPac Capital (Asia) Ltd.	1995.10	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 418	Proprietary Trading
SinoPac Solutions and Services Ltd.	2013.09	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 46.8	Fund administration and middle office service
SinoPac (Asia) Nominees Ltd.	1995.10	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 0.000002	Trust accounts on overseas stocks
SinoPac Asset Management (Asia) Ltd.	1994.10	Room 601, 6th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 95.55	Asset management, investment consulting
SinoPac Securities (Europe) Ltd.	1999.05	4th Floor Mitre House, 12-14 Mitre Street, London EC3A 5BU, United Kingdom	GBP 2	Agency service
SinoPac International Holdings Ltd.	1998.01	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 15.488	Investment holding company
SinoPac Services (Brokers) Ltd. (Note)	1996.09	7th Floor, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	HKD 0.01	in liquidation

Note: On November 28, 2018, the Board approved subsidiary SinoPac Services (Brokers) Ltd.'s dissolution and liquidation (Approved per 22 December 2018 Letter No. Financial-Supervisory-Securities-Firms-1070346532 of the Financial Supervisory Commission). The dissolution and liquidation remain in process.



Operation Information

December 31, 2018; Expressed in NT\$ Thousands, except EPS in NT\$

Company	Paid-in Capital	Total Assets	Total Liabilities	Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	Earnings Per Share (After Tax)
SinoPac Securities Corp.	16,212,238	79,209,082	53,333,770	25,875,312	5,543,216	317,990	467,410	0.29
SinoPac Futures Corp.	938,303	18,850,985	16,386,711	2,464,274	1,258,757	226,322	280,707	2.99
SinoPac Securities Investment Service Corp.	150,000	195,166	15,255	179,911	107,394	10,088	8,498	0.57
SinoPac Financial Consulting (Shanghai) Ltd. (Note2)	61,503	54,334	930	53,404	22,798	15,703	11,927	-
SinoPac Securities (Cayman) Holdings Ltd.	4,236,093	5,262,808	1,707,621	3,555,187	(162,842)	(164,042)	(229,647)	(1.67)
SinoPac Securities (Asia) Ltd.	3,224,393	16,049,229	12,729,094	3,320,135	972,357	(185,964)	(110,015)	(1,339.92)
SinoPac Capital (Asia) Ltd.	1,641,532	5,676,254	4,059,707	1,616,547	148,511	(36,524)	(62,196)	(0.15)
SinoPac Solutions and Services Ltd.	183,789	103,123	7,576	95,547	72,504	20,664	20,099	0.43
SinoPac (Asia) Nominees Ltd.	0.008	0	0	0	0	0	0	0.00
SinoPac Asset Management (Asia) Ltd.	375,235	293,273	21,291	271,982	86,364	(35,791)	(29,532)	(0.31)
SinoPac Securities (Europe) Ltd.	77,829	63,045	1,787	61,258	15,704	(5,019)	(4,972)	(2.49)
SinoPac Asia Ltd. (Note3)	0	0	0	0	0	(77)	297	-
SinoPac International Holdings Ltd.	60,823	128,811	646	128,165	(48,897)	(49,293)	(3,484)	(1.74)
SinoPac Bullion (Brokers) Ltd. (Note3)	0	0	0	0	0	(2)	39,082	-
SinoPac Financial Services (Brokers) Ltd. (Note3)	0	0	0	0	0	(8)	(84,580)	-
SinoPac Services (Brokers) Ltd.	39	32,981	122,304	(89,323)	0	(4,064)	(3,399)	(339.90)

Note 1 : For balance sheets, 2018/12/31 exchange rates were used (USD\$: 30.75146; HKD\$: 3.92711; GBP\$: 38.91462; RMB\$: 4.4762); for income statements, average 2018 exchange rates were used (USD\$: 30.16434; HKD\$: 3.84818; GBP\$: 40.25479; RMB\$: 4.56311.)

Note 2 : SinoPac Financial Consulting (Shanghai) Ltd. do not issue stocks; EPS is not applicable.

Note 3 : SinoPac Asia Ltd. has completed liquidation in March 2018. SinoPac Bullion (Brokers) Ltd. has completed liquidation in September 2018. SinoPac Financial Services (Brokers) Ltd. has completed liquidation in December 2018.

Directors, Supervisors, and Presidents				December 31, 2018; Expressed in millions of NTD, USD, HKD, or GBP			
Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents	
				No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Securities Corp.	Chairman	Stanley CHU	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Independent Director	SCHIVE Chi	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Independent Director	HO Tzu-Wen	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Independent Director	LU Tsung-Hsun	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	CHIANG Wei-Yuan	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	TSAO Wei-Thyr	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	SHYU Chia-Wen	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	LIEN Sheng-Wu	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	HO Tsung-Lin	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	Director	TSAI Hung-Shien	SinoPac Holdings Co., Ltd.	1,621,223,800	100%	-	-
	President	CHIANG Wei-Yuan		-	-	-	-
SinoPac Futures Corp.	Chairman	YEH Huang-Chi	SinoPac Securities Corp.	93,830,278	100%	-	-
	Director	LIN Chia-Ching	SinoPac Securities Corp.	93,830,278	100%	-	-
	Director	CHIANG Wei-Yuan	SinoPac Securities Corp.	93,830,278	100%	-	-
	Director	Eric CHANG	SinoPac Securities Corp.	93,830,278	100%	-	-
	Director	Maurice LU (Note 1)	SinoPac Securities Corp.	93,830,278	100%	-	-
	Supervisor	Michelle LIN	SinoPac Securities Corp.	93,830,278	100%	-	-
	President	LIN Chia-Ching		-	-	-	-
SinoPac Securities Investment Service Corp.	Chairman	Jack HUANG	SinoPac Securities Corp.	15,000,000	100%	-	-
	Director	Staci CHU (Note 2)	SinoPac Securities Corp.	15,000,000	100%	-	-
	Director	HUANG Po-Tang	SinoPac Securities Corp.	15,000,000	100%	-	-
	Supervisor	ALLY HSIEH	SinoPac Securities Corp.	15,000,000	100%	-	-
	President	Staci CHU (Note 2)		-	-	-	-
SinoPac Financial Consulting (Shanghai) Ltd.	Chairman	CHANG LEE Chang-Lung	SinoPac Securities Corp.	USD 2	100%	-	-
	Director	Tony TSAI	SinoPac Securities Corp.	USD 2	100%	-	-
	Director	Michelle LIN	SinoPac Securities Corp.	USD 2	100%	-	-
	Supervisor	WEI Yung-Cheng	SinoPac Securities Corp.	USD 2	100%	-	-
	President	CHEN Yu		-	-	-	-
SinoPac Securities (Cayman) Holdings Ltd.	Director	CHIANG Wei-Yuan	SinoPac Securities Corp.	USD 137.753	100%	-	-
	Director	Jenny HUANG	SinoPac Securities Corp.	USD 137.753	100%	-	-
	Director	CHANG Hsiang-Yuan	SinoPac Securities Corp.	USD 137.753	100%	-	-
SinoPac Securities (Asia) Ltd.	Chairman	Eric CHANG	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Managing Director	HO Tzu-Chuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	CHIANG Wei-Yuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	YEH Huang-Chi	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	Leon HUANG	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	CHIANG Chao-Hung	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	TAI Chi-Ching	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
	Director	HUANG Chun-Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD 821.06	100%	-	-
SinoPac Capital (Asia) Ltd.	Director	CHIANG Wei-Yuan	SinoPac Securities (Asia) Ltd.	HKD 418	100%	-	-
	Director	Tony T. H. CHEN (Note 3)	SinoPac Securities (Asia) Ltd.	HKD 418	100%	-	-
	Director	Frank J. L. HUANG	SinoPac Securities (Asia) Ltd.	HKD 418	100%	-	-
	Director	William SU	SinoPac Securities (Asia) Ltd.	HKD 418	100%	-	-



Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents	
				No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Solutions and Services Ltd.	Managing Director	HO Tzu-Chuan	SinoPac Securities (Asia) Ltd.	HKD 46.8	100%	-	-
	Director	William SU	SinoPac Securities (Asia) Ltd.	HKD 46.8	100%	-	-
SinoPac (Asia) Nominees Ltd.	Director	HO Tzu-Chuan	SinoPac Securities (Asia) Ltd.	HKD 0.000002	100%	-	-
	Director	William SU	SinoPac Securities (Asia) Ltd.	HKD 0.000002	100%	-	-
SinoPac Asset Management (Asia) Ltd. (Note 4)	Managing Director	LIN Yen-Chuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
	Director	CHIANG Wei-Yuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
	Director	Tony T. H. CHEN (Note 3)	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
	Director	Kerry HSU	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
	Director	Frank J. L. HUANG	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
	Director	HO Tzu-Chuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 95.55	100%	-	-
SinoPac Securities (Europe) Ltd.	Chairman	Maurice LU	SinoPac Securities (Cayman) Holdings Ltd.	GBP 2	100%	-	-
	Managing Director	Juno LEE	SinoPac Securities (Cayman) Holdings Ltd.	GBP 2	100%	-	-
	Director	Mei M. C. LAN	SinoPac Securities (Cayman) Holdings Ltd.	GBP 2	100%	-	-
SinoPac International Holdings Ltd.	Director	YEH Huang-Chi	SinoPac Securities (Cayman) Holdings Ltd.	HKD 15.488	100%	-	-
	Director	CHIANG Wei-Yuan	SinoPac Securities (Cayman) Holdings Ltd.	HKD 15.488	100%	-	-
	Director	Lloyd TSAI	SinoPac Securities (Cayman) Holdings Ltd.	HKD 15.488	100%	-	-
	Director	William SU	SinoPac Securities (Cayman) Holdings Ltd.	HKD 15.488	100%	-	-
SinoPac Services (Brokers) Ltd. (Note 5)	Director	YEH Huang-Chi	SinoPac International Holdings Ltd.	HKD 0.01	100%	-	-
	Director	Lloyd TSAI	SinoPac International Holdings Ltd.	HKD 0.01	100%	-	-

Note 1: On December 26, 2018, the Board approved to appoint Mr. Peter LI as the Director in lieu of Mr. Maurice LU for SinoPac Futures Corp. effective of January 1, 2019.

Note 2: On December 26, 2018, the Board approved to appoint Mr. Poem LEE as the Director in lieu of Mrs. Staci CHU for SinoPac Securities Investment Service Corp. and as the President of SinoPac Securities Investment Service Corp. effective of January 1, 2019.

Note 3: On December 26, 2018, the Board approved Mr. Tony T. H. CHEN resigned as the Director of SinoPac Capital (Asia) Ltd. and SinoPac Asset Management (Asia) Ltd. effective of January 1, 2019.

Note 4: On December 26, 2018, the Board approved to appoint Mr. LIAO Ta-Te as the Director of SinoPac Asset Management (Asia) Ltd. and recommended it as chairman. And approval by the Board of Directors of SinoPac Asset Management (Asia) Ltd. on January 25, 2019.

Note 5: On November 28, 2018, the Board approved subsidiary SinoPac Services (Brokers) Ltd.'s dissolution and liquidation (Approved per 22 December 2018 Letter No. Financial-Supervisory-Securities-Firms-1070346532 of the Financial Supervisory Commission). The dissolution and liquidation remain in process.

SinoPac Securities Corporation

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