SinoPac Securities Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

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, 2019 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 12, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

<u>Recognition of Brokerage Handling Fee Revenue</u>

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, 2019, the Group's brokerage handling fee revenue was $4,811,914 thousand, representing 51% 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 based on the fee rate has been identified as a key audit matter.

Our key audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood and evaluated the design and implementation of the internal controls over the revenue recognition of brokerage handling fee revenue and tested its operating effectiveness, which included taking samples and testing whether the customer receipts were based on actual orders from the clients, whether the fee rates, brokerage handling fee revenue discounts and other changes in the individual client contracts had been approved by management, and recalculated the handling fee discounts to determine whether they are accurate.

2. We took samples of the various transaction reports of the domestic and foreign securities and tested their completeness; and also recalculated the brokerage handling fee revenue to determine its accuracy.

3. We performed analytical review 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, 2019 and 2018 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, 2019 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 12, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 4, 6 and 30)	$ 7,766,957	6	$ 8,721,980	8
Current financial assets at fair value through profit or loss (Notes 4, 7, 12 and 30)	30,536,701	24	33,222,271	30
Current financial assets at fair value through other comprehensive income (Notes 4, 8, 26 and 30)	8,759,552	7	-	-
Bond investments under resale agreements (Notes 4, 9 and 30)	7,599,545	6	3,458,383	3
Margin loans receivable (Notes 4 and 10)	15,101,228	12	14,213,636	13
Refinancing margin (Note 4)	30,412	-	49,287	-
Refinancing collateral receivable (Note 4)	25,054	-	41,141	-
Receivable of securities business money lending (Note 4)	1,363	-	-	-
Receivables of money lending - any use (Note 4)	318,654	-	516,744	-
Customer margin account (Notes 4, 30 and 37)	16,759,682	13	16,259,506	15
Futures exchanges margins receivable (Notes 4 and 11)	608	-	617	-
Security borrowing collateral price (Note 4)	432,354	-	607,937	1
Security borrowing margin (Notes 4 and 30)	3,088,587	3	4,297,356	4
Notes and accounts receivable (Notes 4, 10 and 30)	10,519,637	9	8,001,385	7
Prepayments (Notes 3 and 30)	118,882	-	46,311	-
Other receivables (Notes 4, 10 and 30)	243,395	-	323,394	-
Other current financial assets (Notes 6 and 30)	2,167,253	2	2,064,428	2
Current tax assets (Notes 4 , 28 and 30)	196,007	-	100,346	-
Restricted current assets (Notes 30 and 31)	1,975,000	2	1,715,000	2
Other current assets - others (Note 30)	8,293,035	7	8,195,652	7
Total current assets	113,933,906	91	101,835,374	92
NON-CURRENT ASSETS				
Non-current financial assets at fair value through profit or loss (Notes 4, 7 and 30)	163,494	-	174,384	-
Non-current financial assets at fair value through other comprehensive income (Notes 4, 8, 26 and 30)	5,774,681	5	3,381,628	3
Property and equipment (Notes 3, 4, 13 and 31)	2,101,026	2	2,156,559	2
Right-of-use assets (Notes 3, 4, 14 and 30)	792,664	1	-	-
Investment property (Notes 4, 15 and 31)	181,708	-	183,374	-
Goodwill (Notes 4 and 16)	211,526	-	278,342	-
Other intangible assets (Notes 4, 17 and 30)	521,861	-	611,906	1
Deferred tax assets (Note 4 and 28)	503,714	-	493,216	-
Guarantee deposits paid (Notes 3, 7, 18 and 30)	1,570,496	1	1,632,674	2
Overdue receivables (Notes 4, 11 and 19)	3,139	-	3,747	-
Prepayments for business facilities	10,267	-	23,763	-
Other non-current assets - others	20,050	-	20,077	-
Total non-current assets	11,854,626	9	8,959,670	8
TOTAL	$ 125,788,532	100	$ 110,795,044	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Current borrowings (Notes 20 and 30)	$ 927,279	1	$ 1,491,446	1
Commercial paper payable (Note 21)	6,643,550	5	8,597,858	8
Current financial liabilities at fair value through profit or loss (Notes 4, 7 and 30)	9,509,704	8	3,019,996	3
Bonds sold under repurchase agreements (Notes 4, 7, 8, 23 and 30)	32,025,774	26	25,237,077	23
Securities financing refundable deposits (Note 4)	2,087,780	2	2,640,923	2
Deposits payable for securities financing (Note 4)	2,435,383	2	2,917,232	3
Securities lending refundable deposits (Note 4)	2,002,219	2	3,659,120	3
Futures traders' equity (Notes 4 and 30)	16,759,682	13	16,259,506	15
Equity for each customer in the account	248,003	-	77,558	-
Notes and accounts payable (Notes 24 and 30)	18,146,319	14	14,962,281	13
Other payables (Note 30)	1,276,989	1	683,374	1
Current tax liabilities (Notes 4, 28 and 30)	118,989	-	307,671	-
Long-term liabilities - current portion (Note 22)	3,000,000	2	-	-
Current lease liabilities (Notes 3, 4, 14 and 30)	221,282	-	-	-
Other current liabilities	531,676	-	247,592	-
Total current liabilities	95,934,629	76	80,101,634	72
NON-CURRENT LIABILITIES				
Bonds payable (Note 22)	-	-	3,000,000	3
Long-term borrowings (Note 20)	903,366	1	1,291,561	1
Non-current lease liabilities (Notes 3, 4, 14 and 30)	570,886	1	-	-
Deferred tax liabilities (Notes 4 and 28)	142,202	-	132,308	-
Guarantee deposits received (Note 15)	1,144	-	1,144	-
Non-current net defined benefit liabilities (Notes 4 and 25)	446,482	-	393,085	1
Total non-current liabilities	2,064,080	2	4,818,098	5
Total liabilities	97,998,709	78	84,919,732	77
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 26)				
Capital stock	16,212,238	13	16,212,238	15
Capital surplus				
Additional paid-in capital	84,747	-	84,747	-
Treasury stock transactions	31,358	-	31,358	-
Consolidation excess	329,379	-	329,379	-
Employee share options	31,282	-	31,282	-
Total capital surplus	476,766	-	476,766	-
Retained earnings				
Legal reserve	2,223,196	2	2,180,179	2
Special reserve	6,721,835	5	6,784,841	6
Unappropriated retained earnings	1,749,054	2	430,166	-
Total retained earnings	10,694,085	9	9,395,186	8
Other equity interest				
Exchange differences on translation of foreign financial statements	(424,963)	-	(395,101)	-
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	831,697	-	186,223	-
Total other equity interest	406,734	-	(208,878)	-
Total equity	27,789,823	22	25,875,312	23
TOTAL	$ 125,788,532	100	$ 110,795,044	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
REVENUE (Note 4)				
Brokerage handling fee revenue (Notes 27 and 30)	$ 4,811,914	51	$ 4,921,726	64
Handling fee revenues from securities business money lending	706	-	5,549	-
Income from securities lending	142,135	1	95,639	1
Revenues from underwriting business (Notes 27 and 30)	235,170	2	340,172	4
Gains on wealth management (Note 30)	146,233	2	107,083	1
Gains (losses) on sale of securities - proprietary (Notes 27 and 30)	1,530,394	16	(555,415)	(7)
Gains on sale of securities - underwriting (Note 27)	65,497	1	33,223	-
Gains (losses) on sale of securities - hedging (Note 27)	329,770	3	(938,691)	(12)
Revenue from providing agency service for stock affairs (Note 30)	118,169	1	118,479	2
Interest revenue (Notes 27 and 30)	1,761,198	19	2,220,056	29
Dividend revenue (Note 30)	284,865	3	374,615	5
Valuation gains (losses) on operating securities at fair value through profit or loss (Note 27)	547,897	6	(894,933)	(12)
Gains (losses) on covering of borrowed securities and bonds with resale agreements - short sales	(82,288)	(1)	66,483	1
Valuation gains (losses) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss	(103,277)	(1)	50,324	1
Realized gains on financial assets measured at fair value through other comprehensive income - debt instruments	67,191	1	-	-
Losses on issuance of ETNs	(109)	-	-	-
Gains from issuance of call (put) warrants (Notes 7 and 30)	83,473	1	1,178,159	15
Futures contract gain (loss) (Note 7)	(394,015)	(4)	61,698	1
Option trading gain (loss) (Note 7)	(12,921)	-	1,416	-
Gain (loss) from derivatives - OTC (Notes 27 and 30)	(379,965)	(4)	294,945	4
Revenue from advisory services (Note 30)	30,898	-	37,896	-
Expected credit impairment (loss) and gain on reversal (Notes 8, 10, 11, 19 and 27)	48,585	1	(239,190)	(3)
Other operating income (Notes 27 and 30)	186,060	2	449,384	6
Total revenue	9,417,580	100	7,728,618	100

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SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
EXPENDITURE AND EXPENSE				
Brokerage handling fee expense (Note 30)	$ (425,504)	(5)	$ (542,126)	(7)
Proprietary handling fee expense (Note 30)	(82,472)	(1)	(80,492)	(1)
Refinancing processing fee expenses	(1,050)	-	(1,225)	-
Underwriting operation processing fee expenses (Note 30)	(5,344)	-	(7,997)	-
Finance costs (Notes 27 and 30)	(929,213)	(10)	(992,034)	(13)
Loss from securities borrowing transactions	(1,692)	-	(3,023)	-
Futures commission expense	(129,123)	(1)	(154,482)	(2)
Expense of clearing and settlement (Note 30)	(111,604)	(1)	(155,972)	(2)
Other operating expenditure	(34,064)	-	(5,346)	-
Employee benefits expense (Notes 4, 25 and 27)	(4,271,267)	(45)	(3,653,870)	(47)
Depreciation and amortization expense (Notes 4, 13, 14, 15, 17, 27 and 30)	(568,354)	(6)	(269,814)	(4)
Other operating expense (Notes 14, 27 and 30)	(1,356,186)	(15)	(1,632,460)	(21)
Total expenditure and expense	(7,915,873)	(84)	(7,498,841)	(97)
NET OPERATING INCOME	1,501,707	16	229,777	3
OTHER GAINS AND LOSSES (Notes 13, 15, 16, 27 and 30)	524,760	5	443,154	6
PROFIT BEFORE TAX	2,026,467	21	672,931	9
INCOME TAX EXPENSE (Notes 4, 26 and 28)	(122,385)	(1)	(205,521)	(3)
NET PROFIT	1,904,082	20	467,410	6
OTHER COMPREHENSIVE INCOME (Notes 4, 25, 26, and 28)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(61,939)	(1)	(36,688)	(1)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	348,821	4	(249,868)	(3)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	11,430	-	3,998	-
	298,312	3	(282,558)	(4)

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SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	$ (39,994)	-	$ 110,925	2
Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	192,134	2	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	10,132	-	(1,968)	-
	162,272	2	108,957	2
Other comprehensive income (loss) for the year, net of income tax	460,584	5	(173,601)	(2)
TOTAL COMPREHENSIVE INCOME	$ 2,364,666	25	$ 293,809	4
PROFIT ATTRIBUTABLE TO:				
Owners of the parent company	$ 1,904,082	20	$ 467,410	6
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	$ 2,364,666	25	$ 293,809	4
EARNINGS PER SHARE (Note 29)				
Basic	$ 1.17		$ 0.29	

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 26)			Retained Earnings (Notes 8 and 26)			Other Equity Interest (Notes 8 and 26)			
	Shares (Thousands)	Amount	Capital Surplus (Note 26)	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets measured at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2018	1,621,224	$ 16,212,238	$ 476,766	$ 2,071,094	$ 6,309,320	$ 1,090,857	$ (504,058)	$ -	$ 143,804	$ 25,800,021
Effects 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)
Profit for the year ended December 31, 2018	-	-	-	-	-	467,410	-	-	-	467,410
Other comprehensive income 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
Appropriation of 2018 earnings										
Legal reserve	-	-	-	43,017	-	(43,017)	-	-	-	-
Special reserve	-	-	-	-	(63,006)	63,006	-	-	-	-
Cash dividends	-	-	-	-	-	(450,155)	-	-	-	(450,155)
Profit for the year ended December 31, 2019	-	-	-	-	-	1,904,082	-	-	-	1,904,082
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(49,551)	(29,862)	539,997	-	460,584
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	1,854,531	(29,862)	539,997	-	2,364,666
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(105,477)	-	105,477	-	-
BALANCE AT DECEMBER 31, 2019	1,621,224	$ 16,212,238	$ 476,766	$ 2,223,196	$ 6,721,835	$ 1,749,054	$ (424,963)	$ 831,697	$ -	$ 27,789,823

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 2,026,467	$ 672,931
Adjustments to reconcile profit (loss)		
Depreciation and amortization expense	570,020	271,480
Expected credit impairment loss/Provision for bad debt expense	42,512	239,870
Valuation losses (gains) on operating securities at fair value through profit or loss	(547,897)	894,933
Valuation losses (gains) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss	103,277	(50,324)
Finance costs	929,213	992,034
Interest revenue and financial income	(2,207,512)	(2,577,421)
Dividend revenue	(324,723)	(412,738)
Loss on disposal of property and equipment	7,070	1,360
Loss on disposal of intangible assets	20	1,578
Net loss on non-operating financial instruments at fair value	6	40,081
Unrealized gain on issuance of call or put warrants	(203,722)	(1,288,244)
Impairment loss on goodwill	67,199	50,698
Losses from lease modification	678	-
Reversal gain from decommissioning obligations	-	(2,530)
Changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	3,244,351	27,349,180
Increase in bond investments under resale agreements	(4,141,162)	(241,250)
Decrease (increase) in margin loans receivable	(844,766)	7,460,806
Decrease (increase) in refinancing margin	18,875	(16,390)
Decrease (increase) in refinancing collateral receivable	16,087	(14,230)
Decrease (increase) in receivable of securities business money lending	(1,363)	127,075
Decrease in receivables of money lending - any use	198,090	22,649
Decrease (increase) in customer margin account	(500,176)	890,210
Decrease in futures exchanges margins receivable	9	4,795
Decrease (increase) in security borrowing collateral price	175,583	(578,868)
Decrease in security borrowing margin	1,208,769	892,235
Decrease (increase) in notes and accounts receivable	(2,556,598)	2,326,430
Decrease (increase) in prepayments	(66,966)	9,818
Decrease in other receivables	80,261	35,147
Increase in current financial assets at fair value through other comprehensive income	(8,638,732)	-
Decrease (increase) in other current assets	(97,383)	2,088,971
Increase in overdue receivables	(76,643)	(185,423)
Increase (decrease) in liabilities for bonds sold under repurchase agreements	6,788,697	(14,640,961)
Increase in current financial liabilities at fair value through profit or loss	6,590,153	622,200
Increase (decrease) in securities financing refundable deposits	(553,143)	130,707
Increase (decrease) in deposits payable for securities financing	(481,849)	34,417

(Continued)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Decrease in refundable deposits	$ (1,656,901)	$ (1,616,199)
Increase (decrease) in futures traders' equity	500,176	(890,210)
Increase (decrease) in notes and accounts payable	3,184,038	(4,014,617)
Increase (decrease) in other payables	576,085	(146,954)
Decrease in non-current net defined benefit liabilities	(8,542)	(237)
Decrease in other financial liabilities	-	(537,430)
Increase (decrease) in equity for each customer in the account	170,445	(30,347)
Increase (decrease) in other current liabilities	284,084	(531,751)
Cash generated from operations	3,874,087	17,383,481
Interest received	2,250,250	2,788,779
Dividends received	317,685	414,543
Interest paid	(905,309)	(1,024,300)
Income tax paid	(385,770)	(259,180)
Net cash generated from operating activities	5,150,943	19,303,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(4,107,212)	(947,912)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,130,171	1,309,737
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	5,236
Acquisition of property and equipment	(85,930)	(117,736)
Proceeds from disposal of property and equipment	30	21
Decrease in refundable deposits	56,573	22,105
Acquisition of other intangible assets	(29,024)	(52,200)
Increase in other current financial assets	(102,825)	(398,263)
Increase in restricted assets	(260,000)	(395,000)
Decrease (increase) in other non-current assets - others	27	(49)
Increase in prepayments for business	(14,384)	(77,133)
Net cash used in investing activities	(2,412,574)	(651,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(564,167)	(2,556,202)
Decrease in commercial paper payables	(1,954,308)	(10,732,308)
Repayments of long-term debt	(388,195)	(1,335,886)
Payments of lease liabilities	(278,649)	-
Decrease in guarantee deposits	-	(429)
Cash dividends paid	(450,155)	(506,251)
Net cash used in financing activities	(3,635,474)	(15,131,076)

(Continued)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ (57,918)	$ 141,303
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(955,023)	3,662,356
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,721,980	5,059,624
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,766,957	$ 8,721,980

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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 of the same year. The Corporation is an integrated securities firm licensed by the government and is engaged in the underwriting, proprietary trading and brokerage of securities, margin trading and short selling of marketable securities, trading of foreign securities, futures supporting services, proprietary trading of futures, short-term bills financing and other businesses as approved by the relevant authorities.

In November 2014, the Corporation started providing trust services in its wealth management business, which is a non-discretionary individually managed trust.

Its shares began trading 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 trading 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, 2019, the Corporation had 46 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 12, 2020.

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 Firms, 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 Firms, 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 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contract were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group recognizes lease liabilities for leases classified as operating leases on the date of the initial application of IAS 17 and on the basis of individual leases, recognizing the right-of-use assets of lease liabilities. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group assessed impairment of all the right-of use assets under IAS 36.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The range of the lessee’s incremental borrowing rates that the Group used to recognize lease liabilities as of January 1, 2019 is 0.78%-6.4%. Leases that qualify as short-term for various type of underlying assets and qualify as low-value for various type of equipment rentals are exempted from the application of IFRS 16. On the initial application, the lease liability recognized is $922,416 thousand, and as of December 31, 2018, the total future minimum lease payment for non-cancellable operating leases is $985,205 thousand.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Assets			
Prepayments	$ 46,311	$ 5,605	$ 51,916
Property and equipment	2,156,559	(8,411)	2,148,148
Right-of-use assets	-	930,827	930,827
Guarantee deposits paid	1,632,674	(5,605)	1,627,069
	$ 3,835,544	$ 922,416	$ 4,757,960
Liabilities			
Current Lease liabilities	$ -	$ 268,497	$ 268,497
Non-current Lease liabilities	-	653,919	653,919
	$ -	$ 922,416	$ 922,416

The Group as lessor

No adjustments were made to the lessor's lease during the transition, and IFRS 16 was applied from January 1, 2019.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed 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 in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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 12 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 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities to be settled within 12 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 12 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:

			% of Ownership		
			December 31		
Investor	Investee	Main Business	2019	2018	Remark
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	
SinoPac Securities (Cayman)	SinoPac Securities (Asia) Ltd. (“SinoPac Securities (Asia)”)	Stock and futures contract brokerage and dealing business	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac International Holdings Ltd. (“SinoPac International Holdings”)	Investment holding	100.00	100.00	
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 Services (Brokers) Ltd. (“SinoPac Services (Brokers)”)	In the process of liquidation	100.00	100.00	Note

   Note: 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.

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 in the period in which they arise.

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 dollars using the 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. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. 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

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and 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 35.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

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 debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) 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.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI.

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 allowance 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

a) Internal or external information show that the debtor is unlikely to pay its creditors.

b) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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.

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 a debt instrument at FVTOCI, 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. However, 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.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 35.

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.

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 Resale Transactions

Transactions involving the resale and repurchase of bonds with a financing nature are accounted for as bonds purchased under resale agreements and bonds sold under repurchase agreements, respectively; and the related interest income and expense are accounted for on the basis of the interest rate stated in the contract.

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

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

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

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) The Group as lessor

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

2) The Group as lessee

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

3) Leasehold land for own use

   When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.
   If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current 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 Arrangements

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 grand 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 provided 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

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.

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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash		
Petty cash and cash on hand	$ 1,702	$ 1,917
Demand deposits	2,215,737	1,978,163
Checking accounts	116,393	425,908
Cash equivalents		
Short-term notes	3,647,411	4,304,293
Time deposits with original maturities of less than three months	1,252,700	1,266,346
Excess margin of futures	533,014	745,353
	$ 7,766,957	$ 8,721,980

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

	December 31 2019	December 31 2018
Interest rates of the time deposits with original maturities of less than three months	0.40%-2.30%	0.50%-3.01%
Discount rate of the short-term notes	0.40%-0.56%	0.32%-0.60%
Due date of the short-term notes	January 2020	January 2019

As of December 31, 2019 and 2018, time deposits with original maturities more than three months, which was classified as other current financial assets, were $2,167,253 thousand and $2,064,428 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31 2019	December 31 2018	Note
Current financial assets at FVTPL			
Financial assets mandatorily measured at FVTPL			
Open-end funds and other securities	$ 95,517	$ 326,644	a
Operating securities - proprietary	25,802,801	30,576,084	b
Operating securities - underwriting	238,530	336,852	b
Operating securities - hedging	3,232,897	1,350,068	b
Buy options - futures	876	671	c
Futures margin - own funds	184,841	92,768	c
Derivative assets - OTC			
Interest rate swap contracts	717,205	426,348	h
Currency swap contracts	26,764	13,133	i
Cross currency swap contracts	29,801	65,336	j
Asset swap IRS contracts	901	379	k
Asset swap option contracts	203,275	33,988	k
Forward exchange contracts	3,293	-	l
	$ 30,536,701	$ 33,222,271	
Non-current financial assets at FVTPL			
Financial assets mandatorily measured as at FVTPL			
Operating securities - proprietary	$ 100,106	$ 99,998	n
Stocks other than listed and traded over the counter	63,388	74,386	n
	$ 163,494	$ 174,384	
Current financial liabilities at FVTPL			
Financial liabilities held for trading			
Sell options - futures	$ 263	$ 68	c
Liabilities on sale of borrowed securities - hedged	515,602	581,637	d
Liabilities on sale of borrowed securities - non-hedged	123,326	55,420	d

(Continued)

	December 31		
	2019	2018	Note
Investments in bonds with resale agreements - short sales	$ 575,010	$ 832,106	e
Outstanding liability for issuance of ETNs	894	-	f
Warrant liabilities	7,200,671	5,076,940	g
Warrant redeemed	(6,803,223)	(4,829,335)	g
Derivative liabilities - OTC			
Interest rate swap contracts	392,219	93,067	h
Currency swap contracts	2,557	2,354	i
Cross currency swap contracts	10,704	32,511	j
Asset swap IRS contracts	35,452	12,388	k
Asset swap option contracts	598,777	190,843	k
	2,652,252	2,047,999	
Financial liabilities designated as at FVTPL			
Structured instruments	6,857,452	971,997	m
	$ 9,509,704	$ 3,019,996	

(Concluded)

a. Open-end funds and other securities

	December 31	
	2019	2018
Open-end funds	$ 95,561	$ 326,700
Other securities	279	294
	95,840	326,994
Valuation adjustment	(323)	(350)
	$ 95,517	$ 326,644

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	
	2019	2018
Operating securities - proprietary		
Bonds		
Government bonds	$ 663,528	$ 566,016
Corporate bonds	6,005,284	7,582,991
Financial bonds	9,194,445	14,489,446
Beneficiary securities of asset securitization	300,859	600,000
	16,164,116	23,238,453
Listed stocks	1,063,408	243,640
Stocks and convertible bonds traded over the counter	5,492,521	4,853,350
Beneficiary certificates	42,061	733,234

(Continued)

	December 31	
	2019	2018
Exchange traded funds and bond funds	$ 2,519,758	$ 1,369,249
Emerging stocks	258,404	310,463
Open-end funds - OTC	-	4,591
	25,540,268	30,752,980
Valuation adjustment	262,533	(176,896)
	$ 25,802,801	$ 30,576,084
Operating securities - underwriting		
Listed stocks	$ 40,224	$ 73,459
Stocks and convertible bonds traded over the counter	166,936	273,943
Others	15,000	-
	222,160	347,402
Valuation adjustment	16,370	(10,550)
	$ 238,530	$ 336,852
Operating securities - hedging		
Warrants - hedging		
Listed stocks	$ 1,823,676	$ 608,135
Stocks traded over the counter	738,976	238,574
Exchange traded funds	179,565	200,124
Warrants	36,553	18,416
Structured instruments - hedging		
Listed stocks	2,171	5,923
Open-end funds	433,491	339,919
	3,214,432	1,411,091
Valuation adjustment	18,465	(61,023)
	$ 3,232,897	$ 1,350,068

(Concluded)

As of December 31, 2019 and 2018, bonds held by the Group's dealing department and underwriting department and invested under resale agreements were sold under repurchase agreements for the aggregate face amounts of $24,583,326 thousand and $25,996,506 thousand, respectively.

c. Futures and options

1) Objectives for holding futures and options and the strategies for meeting the objectives

The Group held futures and options for trading purposes, to expand the channels for investment and effectively utilize working capital. The Group also engages in futures transactions to hedge against the risk of price fluctuations in its trading positions.

2) The outstanding futures and option contracts amount and fair value were as follows:

		December 31, 2019			
		Open Position		Contract Amount/ Premium Paid (Received)	Fair Value
Item	Instrument Type	Long/ Short	Volume		
Futures	Stock index futures contracts	Long	216	$ 305,390	$ 304,876
	Single stock futures contracts	Long	507	91,903	94,322
	Commodity futures contracts	Long	10	45,519	45,663
	Interest rate futures contracts	Long	9	58,178	58,146
	Stock index futures contracts	Short	762	945,352	949,918
	Single stock futures contracts	Short	2,714	694,547	695,274
	Currency futures contracts	Short	1	3,457	3,465
	Commodity futures contracts	Short	104	239,886	243,084
	Interest rate futures contracts	Short	73	404,551	396,685
Options	Option contracts - call	Long	66	314	213
	Option contracts - put	Long	122	604	663
	Option contracts - call	Short	27	(296)	(263)

		December 31, 2018			
		Open Position		Contract Amount/ Premium Paid (Received)	Fair Value
Item	Instrument Type	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)

The fair value of futures and options was based on the closing price at the end of December 2019 and 2018, respectively 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 were as follows:

	For the Year Ended December 31			
	2019		2018	
	Losses from Futures Transactions	Gains (Losses) from Option Transactions	Gains (Losses) from Futures Transactions	Losses from Option Transactions
Non-hedging and realized	$ (324,494)	$ (10,793)	$ 152,612	$ 8,374
Non-hedging and unrealized	(760)	(9)	1,382	7
Hedging and realized	(70,905)	(2,119)	(89,240)	(6,483)
Hedging and unrealized	2,144	-	(3,056)	(482)
	$ (394,015)	$ (12,921)	$ 61,698	$ 1,416

d. Liabilities on sale of borrowed securities

	December 31	
	2019	2018
Liabilities on sale of borrowed securities - hedged		
Warrants - hedging		
Listed stocks	$ 307,030	$ 457,582
Stocks traded over the counter	127,217	133,748
Exchange traded funds	-	23,742
Structured instruments - hedging		
Stocks traded over the counter	-	772
	434,247	615,844
Valuation adjustment	81,355	(34,207)
	$ 515,602	$ 581,637
Liabilities on sale of borrowed securities - non-hedged		
Listed stocks	$ 30,561	$ 47,131
Stocks traded over the counter	6,801	10,296
Exchange traded funds	80,281	-
	117,643	57,427
Valuation adjustment	5,683	(2,007)
	$ 123,326	$ 55,420

e. Investments in bonds with resale agreements - short sales

	December 31	
	2019	2018
Government bonds	$ 607,990	$ 846,357
Valuation adjustment	(32,980)	(14,251)
	$ 575,010	$ 832,106

f. Issuance of Exchange Traded Notes

1) Objective of the issuance of exchange traded notes and the strategies for meeting the objectives

The Group issued exchange-traded notes ("ETNs") for trading purposes, and held related hedging positions to hedge against the redemption of the notes at maturity and the risk of price fluctuations in the target index.

2) Fair value of the outstanding ETNs.

	December 31, 2019
Outstanding ETNs	$ 799
Valuation adjustment	95
	$ 894

The guarantee deposit of $21 thousand paid by the Group for the issuance of the ETNs was recognized as "guarantee deposits paid" (Note 18).

g. Warrants

1) Objective of the issuance of warrants and the strategies for meeting the objectives

The Group issued warrants for trading purposes and held related hedging positions to hedge against the warrant holders' exercise of the warrants and the risk of price fluctuations in the warrant positions.

2) Warrant liabilities and warrant redeemed were as follows:

	December 31	
	2019	2018
Warrant liabilities	$ 8,929,842	$ 10,946,092
Less: Gains on changes in fair value of warrant liabilities	(1,729,171)	(5,869,152)
	7,200,671	5,076,940
Warrant redeemed	7,796,626	8,814,019
Less: Losses on changes in fair value of warrant redeemed	(993,403)	(3,984,684)
	6,803,223	4,829,335
Net of warrant liabilities	$ 397,448	$ 247,605

The fair value of warrants was calculated at the last closing price at the end of December 31, 2019 and 2018, respectively.

3) Gains (losses) from issuance of call (put) warrants were as follows:

	For the Year Ended December 31	
	2019	**2018**
Gains on changes in fair value of call (put) warrant liabilities	$ 10,785,856	$ 21,559,225
Losses on changes in fair value for redeem of call (put) warrants - realized	(9,588,731)	(16,286,297)
Losses on changes in fair value for redeem of call (put) warrants - unrealized	(993,403)	(3,984,684)
Gains on exercise of call (put) warrants before maturity	-	15,580
Expenses arising from issuance of call (put) warrants	(120,249)	(125,665)
	$ 83,473	$ 1,178,159

h. 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 nominal amount were as follows:

	December 31	
	2019	**2018**
For trading purposes	$ 25,797,194	$ 37,551,684

3) For gains (losses) resulting from IRS transactions, refer to Note 27.

i. 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 currency swap contracts were as follows:

	December 31, 2019			
	Call Price		**Put Price**	
For trading purposes	CNH	16,500	HKD	18,431
	CNH	198,500	USD	28,262
	EUR	10,000	USD	11,153
	HKD	3,000	NTD	11,573
	HKD	18,427	CNH	16,500
	NTD	68,560	HKD	17,700
	NTD	14,904	NZD	740
	NTD	2,237,221	USD	73,800
	NTD	167,328	ZAR	79,000
	NZD	540	NTD	10,920
	ZAR	36,000	NTD	76,637
	USD	200	CAD	263
	USD	2,241	EUR	2,000
	USD	17,000	NTD	511,655

	December 31, 2018			
	Put Price		Fair Value	
For trading purposes	AUD	600	USD	433
	CAD	408	USD	300
	CNH	228,000	USD	33,047
	EUR	11,800	USD	13,466
	HKD	43,072	USD	5,500
	NTD	402,631	HKD	102,370
	NTD	71,659	JPY	256,200
	NTD	12,567	NZD	600
	NTD	1,286,994	USD	41,800
	NTD	42,800	ZAR	20,000
	NZD	127	USD	87
	NZD	300	NTD	6,210
	USD	434	AUD	600
	USD	600	CAD	809
	USD	3,414	EUR	3,000
	USD	4,200	CNH	29,000
	USD	5,500	HKD	43,076
	USD	10,400	NTD	320,367
	USD	87	NZD	127
	USD	3,000	ZAR	43,060

3) For gains (losses) resulting from currency swap transactions, refer to Note 27.

j. 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 nominal amount were as follows:

	December 31	
	2019	2018
For trading purposes	$ 3,681,267	$ 6,480,517

3) For gains (losses) resulting from CCS transactions, refer to Note 27.

k. Convertible bond asset swaps

1) Objective of issuing convertible bond asset swaps and the strategies for meeting the objectives

The Group's objective of holding or issuing convertible bond asset swaps ("CBAS") is to diversify its financial instruments and lower the financial pressure from underwriting convertible bonds; and to reduce risk and add liquidity to the secondary market for convertible bonds by means of the reinforced capabilities of underwriting convertible bonds.

2) CBAS transactions are categorized into three types based on the contract terms: Fixed income, call options and a combination of both types.

The nominal amounts of the outstanding CBAS contracts were as follows:

	December 31			
	2019		2018	
	Nominal Amount	Premiums Paid (Received)	Nominal Amount	Premiums Paid (Received)
a) Fixed income transactions				
Interest rate swap	$ 1,506,100	$ -	$ 445,600	$ -
Long call option on convertible bonds	-	135,567	-	33,845
b) Long call option on convertible bonds	282,300	38,557	140,000	11,106
Short call option on convertible bonds	5,862,900	(559,080)	4,047,100	(277,623)

3) For gains (losses) resulting from CBAS transactions, refer to Note 27.

l. 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, 2019		
Currencies	**Maturity Date**	**Contract Amount (In Thousands)**
USD/NTD	February 12 to March 10, 2020	Buy NTD362,630/Sell USD12,000

3) For gains (losses) resulting from forward exchange transactions, refer to Note 27.

m. Structured instruments

1) Objective of holding structured instruments and the strategies for meeting the objectives

The Group’s objective of holding structured instruments is to diversify the financing sources to increase the profit sources and open up another channel for asset hedging, for the purposes of increasing profit stability and lower the risk of the positions held.

2) The outstanding structured instrument transactions were as follows:

	December 31			
	2019		2018	
	Nominal Amount	Premiums Paid (Received)	Nominal Amount	Premiums Paid (Received)
Equity-linked note	$ 197,000	$ (197,453)	$ 178,360	$ (178,425)
Credit-linked note	34,000	(34,000)	21,800	(21,800)
Principal-guaranteed note	6,645,449	(6,647,045)	800,907	(802,913)

3) For gains (losses) resulting from structured instrument transactions, refer to Note 27.

n. Non-current financial assets at FVTPL

	December 31	
	2019	2018
Operating securities - proprietary	$ 99,977	$ 99,977
Stocks other than listed and traded over the counter	133,142	144,106
	233,119	244,083
Valuation adjustment	(69,625)	(69,699)
	$ 163,494	$ 174,384

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 2019 and 2018.

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	2018
Current		
Debt investments	$ 8,759,552	$ -
Non-current		
Equity investments	$ 5,774,681	$ 3,381,628

a. Equity instruments

	December 31	
	2019	2018
Non-current		
Domestic investment		
Listed stocks and stocks traded over the counter	$ 5,065,371	$ 2,587,724
Stocks other than listed and traded over the counter	546,543	595,832
Real estate investment trust	42,415	82,510
Foreign investment		
Listed stocks	120,352	115,562
	$ 5,774,681	$ 3,381,628

To meet the objective of generating steady dividend income and distribution of dividends, the Group invested in high growth and high yield domestic listed shares and real estate investment trusts which are not held for trading purposes, and invested in domestic unlisted shares and foreign listed shares for medium to long-term strategic purposes. The management believes that recognition of the short-term changes in the fair value of these investments in profit or loss would be inconsistent with the Group's strategy to hold these investments for long-term strategic purposes; therefore, the Group elected to designate these investments as at FVTOCI.

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 of the stock. For the years ended December 31, 2019 and 2018, the fair values on the date of disposal was $2,069,090 thousand and $1,313,677 thousand, respectively, and the cumulative loss transferred from other equity to retained earnings was a loss of $105,477 thousand and a gain of $33,887 thousand, respectively.

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

	December 31	
	2019	2018
Dividends		
Held at the end of the reporting period	$ 152,799	$ 204,418
Derecognized during the reporting period	64,393	4,758
	$ 217,192	$ 209,176

b. Debt instrument investments

	December 31, 2019
Current	
Foreign investments	
Financial bonds	$ 6,049,141
Corporate bonds	2,710,411
	$ 8,759,552

The relevant impairment assessment information for the above-mentioned debt instrument investments was as follows:

	December 31, 2019
Gross carrying amount	$ 8,575,749
Loss allowance	(4,123)
Amortized cost	8,571,626
Fair value adjustments	187,926
Total carrying amount	$ 8,759,552

The Group’s current credit risk rating mechanism, gross carrying amounts of the debt instrument investments of different credit ratings and the applicable expected credit loss (ECL) rates are as follows:

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2019
The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0.00177%-0.08378%	$ 8,575,749
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	-	-
The asset is credit-impaired	Lifetime ECL - credit - impaired	-	-
			$ 8,575,749

Changes in the Group’s loss allowance assessed based on the ECLs are as follows:

	Credit Rating		
	Normal (12-months ECLs)	Abnormal (Lifetime ECLs-Not Credit Impaired)	Default (Lifetime ECLs-Credit Impaired)
Beginning balance	$ -	$ -	$ -
Recognized in the current year	4,881	-	-
Derecognized in the current year	(758)	-	-
Ending balance	$ 4,123	$ -	$ -

The face value of the Group’s debt instruments measured at fair value through other comprehensive income which were used for the bonds sold under repurchase agreements was $8,557,254 thousand on December 31, 2019.

9. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2019	2018
Financial bonds	$ 2,979,996	$ 1,337,384
Corporate bonds	2,536,932	762,737
Government bonds	2,082,617	1,358,262
	$ 7,599,545	$ 3,458,383
Contracted resell price	$ 7,624,621	$ 3,461,448
Interest rate range	(1.10%)-3.45%	(1.00%)-3.70%

The above bond investments under resale agreements are all due within one year, and are agreed on a specific date after the transaction sold back with interest.

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

	December 31	
	2019	2018
Margin loans receivable	$ 15,136,894	$ 14,391,644
Less: Loss allowance	(35,666)	(178,008)
	$ 15,101,228	$ 14,213,636
Notes receivable	$ 2,084	$ 1,360
Accounts receivable		
Accounts receivable for settlement	8,514,718	5,509,668
Settlement price	-	1,105,404
Accounts receivable for sale of securities	1,427,694	764,988
Margin loans interest receivable	185,086	243,590
Bonds interest receivable	161,327	145,933
Others	229,960	230,870
	10,518,785	8,000,453
Less: Loss allowance	(1,232)	(428)
	10,517,553	8,000,025
	$ 10,519,637	$ 8,001,385
Other receivables	$ 269,447	$ 348,561
Less: Loss allowance	(26,052)	(25,167)
	$ 243,395	$ 323,394

Margin loans receivable was secured by securities bought by customers in financing transactions. As of December 31, 2019 and 2018, the annual interest rates of securities financing were 6.35%-7.25% and 6.35%-7.375%, respectively.

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. For accounts receivable and other receivables whose credit risk have increased significantly since initial recognition, the expected credit loss is measured based on lifetime expected credit losses. For margin loans receivable, receivables from securities business money lending and receivables from money lending-any use whose credit risk did not increase significantly since initial recognition, the expected credit loss is measured based on 12 months expected credit losses by reference to the historical default records and the industrial and economic trends, at the same time taking into consideration the current observable and forward-looking economic information which includes the economic growth rate of Taiwan, the Taiwan capitalization weighted stock index (TAIEX), the Taiwan central bank's discount rate and the Hang Seng Hong Kong 35 index.

The gross carrying amounts of margin loans receivable assessed based on ECLs were as follows:

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2019
There has been no significant increase in credit risk since initial recognition	12-month ECL	0.00000753%-0.68%	$ 14,196,339
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	0.62%	916,150
The asset is credit - impaired	Lifetime ECL - credit - impaired	94.48%-100%	24,405
			$ 15,136,894

Description	Basis for Recognizing ECLs	ECL 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
			$ 14,391,644

The aging of accounts receivable was as follows:

	December 31	
	2019	2018
Up to 180 days	$ 10,513,658	$ 7,997,311
More than 180 days	5,127	3,142
	$ 10,518,785	$ 8,000,453

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

The information on the allowance loss of the Group based on the ECL assessment was as follows:

	For the Year Ended December 31, 2019				
	Margin Loans Receivable			Accounts Receivable	Other Receivables
	12-Months ECL	Lifetime ECL - Not Credit-impaired	Lifetime ECL - Credit-impaired	12-Months ECL	12-Months ECL
Beginning balance	$ 7,358	$ 10,816	$ 159,834	$ 428	$ 25,167
Recognized (reversed)	(324)	(5,075)	7,767	1,242	1,998
Write-offs	-	-	(10,633)	(18)	-
Recovered	-	-	(88,883)	(403)	(274)
Reclassification	-	-	(44,470)	-	-
Translation adjustments	(106)	(61)	(557)	(17)	(839)
Ending balance	$ 6,928	$ 5,680	$ 23,058	$ 1,232	$ 26,052

	For the Year Ended December 31, 2018				
	Margin Loans Receivable			Accounts Receivable	Other Receivables
	12-Months ECL	Lifetime ECL - Not Credit - Impaired	Lifetime ECL - Credit - Impaired	12-Months ECL	12-Months ECL
Beginning balance per IAS 39	$ 831	$ -	$ 1,322,322	$ 23	$ 114,791
Adjustment on initial application of IFRS 9	(829)	-	-	-	-
Beginning balance per IFRS 9	2	-	1,322,322	23	114,791
Recognized	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	148	217	36,948	55	618
Ending balance	$ 7,358	$ 10,816	$ 159,834	$ 428	$ 25,167

SinoPac Securities (Asia) recognized a loss allowance of HK$261 million due to the suspension of China Huishan Dairy Holdings Company Limited and subsequent insufficient value of the collateral held, which was resold in the second quarter of 2018.

11. FUTURES EXCHANGES MARGINS RECEIVABLE

	December 31	
	2019	2018
Futures exchanges margins receivable	$ 608	$ 617

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, 2019, due to a decrease in stock index caused by European debt crisis in 2011, the amount of $3,747 thousand was in default. SinoPac Futures had installment agreements with the clients, of which $608 thousand (recognized as "futures exchange margins receivable") was expected to be paid off within one year, and the remaining of $3,139 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 19); furthermore, it was written off in the second quarter of 2019. SinoPac Futures has imposed provisional seizure or taken legal actions against those customers.

12. 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	
	2019	2018
Funds	$ 4,267,585	$ 3,935,786

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	
	2019	2018
Current financial assets at FVTPL	$ 47,438	$ 876,428

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

d. As of December 31, 2019 and 2018, the Group did not provide any financial support to those unconsolidated structured entities.

13. PROPERTY AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold Improvements	Properties and Equipment - Others	Total
Cost						
Balance at January 1, 2019	$ 1,364,737	$ 771,685	$ 486,747	$ 359,813	$ 52,601	$ 3,035,583
Retrospective application of the Impact of IFRS 16	-	-	-	(17,609)	-	(17,609)
Balance at January 1, 2019 (as restated)	1,364,737	771,685	486,747	342,204	52,601	3,017,974
Additions	-	-	61,031	23,205	1,694	85,930
Disposals	-	-	(75,634)	(209,764)	(6,430)	(291,828)
Translation adjustments	-	-	(2,893)	(251)	-	(3,144)
Transfer from other non-current assets	-	-	18,800	-	-	18,800
Balance at December 31, 2019	$ 1,364,737	$ 771,685	$ 488,051	$ 155,394	$ 47,865	$ 2,827,732

(Continued)

	Land	Buildings	Equipment	Leasehold Improvements	Properties and Equipment - Others	Total
Accumulated depreciations						
Balance at January 1, 2019	$ -	$ 297,379	$ 302,759	$ 249,196	$ 29,690	$ 879,024
Retrospective application of the Impact of IFRS 16	-	-	-	(9,198)	-	(9,198)
Balance at January 1, 2019 (as restated)	-	297,379	302,759	239,998	29,690	869,826
Depreciation expense	-	15,035	82,368	35,881	10,838	144,122
Disposals	-	-	(75,491)	(202,807)	(6,430)	(284,728)
Translation adjustments	-	-	(2,638)	124	-	(2,514)
Balance at December 31, 2019	$ -	$ 312,414	$ 306,998	$ 73,196	$ 34,098	$ 726,706
Carrying amounts at December 31, 2019	$ 1,364,737	$ 459,271	$ 181,053	$ 82,198	$ 13,767	$ 2,101,026
Cost						
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
Accumulated depreciations						
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

(Concluded)

For the years ended December 31, 2019 and 2018, 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 31.

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	3-5 years
Property and equipment - others	5-6 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets -2019

	December 31, 2019
Carrying amounts	
Buildings	$ 784,638
Office and transportation equipment	8,026
	$ 792,664

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 118,379
Depreciation expense for right-of-use assets	
Buildings	$ 290,515
Office and transportation equipment	7,565
	$ 298,080

b. Lease liabilities -2019

	December 31, 2019
Carrying amounts	
Current	$ 221,282
Non-current	$ 570,886

Ranges of discount rates for lease liabilities were as follows:

	December 31, 2019
Buildings	0.62%-6.40%
Office and transportation equipment	0.76%-5.50%

c. Material lease activities and terms (the Group is lessee)

The Group leases certain premises for branch and office locations with lease terms of 1 to 9 years. The lease contracts for major premises are with fixed lease payments and without bargain purchase options to acquire the premises at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,599
Expenses relating to low-value asset leases	$ 4,316
Total cash outflow for leases	$ (307,988)

The Group has elected to apply the recognition exemption for leases which qualified as short-term or low-value leases, and thus did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018
Within 1 year	$ 285,348
Over 1 year but not more than 5 years	565,460
Over 5 years	134,397
	$ 985,205

Lease arrangements for the leasing out of investment properties under operating leases is set out in Note 15.

15. INVESTMENT PROPERTY

	Land	Buildings	Total
Cost			
Balance at January 1 and December 31, 2019	$ 133,326	$ 97,097	$ 230,423
Accumulated depreciations			
Balance at January 1, 2019	$ -	$ 47,049	$ 47,049
Depreciation expense	-	1,666	1,666
Balance at December 31, 2019	$ -	$ 48,715	$ 48,715
Carrying amounts at December 31, 2019	$ 133,326	$ 48,382	$ 181,708

(Continued)

	Land	Buildings	Total
Cost			
Balance at January 1 and December 31, 2018	$ 133,326	$ 97,097	$ 230,423
Accumulated depreciations			
Balance at January 1, 2018	$ -	$ 45,383	$ 45,383
Depreciation expense	-	1,666	1,666
Balance at December 31, 2018	$ -	$ 47,049	$ 47,049
Carrying amounts at December 31, 2018	$ 133,326	$ 50,048	$ 183,374

(Concluded)

The lease term for the leasing out of investment properties is 3 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2019 and 2018, the maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2019	2018
Year 1	$ 6,121	$ 6,944
Year 2	442	6,121
Year 3	-	442
	$ 6,563	$ 13,507

As of December 31, 2019 and 2018, the Group received rental deposits of $1,144 thousand.

The investment properties are depreciated on a straight-line basis over their estimated useful lives of 29-61 years.

As of December 31, 2019 and 2018, the fair values of the investment property were $268,794 thousand, respectively. The fair values were based on the prices from 2018 to 2019 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 31.

16. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Beginning balance	$ 400,997	$ 396,142
Translation adjustments	(3,471)	4,855
Ending balance	$ 397,526	$ 400,997
Accumulated impairment losses		
Beginning balance	$ 122,655	$ 69,561
Impairment losses recognized	67,199	50,698
Translation adjustments	(3,854)	2,396
Ending balance	$ 186,000	$ 122,655
Net ending balance	$ 211,526	$ 278,342

As of December 31, 2019, 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 goodwill from Sinopac Securities (Cayman)'s acquisition of the brokerage and financing business of Tung Shing were impaired and recognized as impairment loss in full at the end of 2019.

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 and SinoPac Securities (Asia)) 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, 2019 and 2018.

For the years ended December 31, 2019 and 2018, the Corporation's actual net profits excluding share of profit or loss from subsidiaries were $1,649,979 thousand and $395,925 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were $1,237,755 thousand and $1,073,630 thousand, respectively. In 2018, the changes in market environment, such as increasing bond yields and the trade war between China and the U.S., the performance of the proprietary trading business was lower than expected. However, after comparing the actual result and the total forecast and further reassessing the recoverable amount, which is greater than the book value, there was no significant impairment.

For the years ended December 31, 2019 and 2018, SinoPac Futures' actual net profits were $336,425 thousand and $280,707 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were $345,195 thousand and $276,166 thousand, respectively. No significant difference between actual operation and expected benefits. 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 2019 and 2018.

For the years ended December 31, 2019 and 2018, the actual after-tax net losses attributable to the CGUs of Tung Shing were $100,480 thousand and $67,918 thousand, respectively, and the expected after-tax net profits assessed using goodwill impairment testing were $34,438 thousand and $82,482 thousand, respectively. For the years ended December 31, 2019 and 2018, impairment losses of $67,199 thousand and $50,698 thousand were recognized respectively based on the result of the impairment tests; and among the key assumptions used in the impairment assessment, the discount rates used for measuring the value in use were 9.3% and 11.3%, respectively. As of December 31, 2019, the carrying amount of goodwill was $0.

17. OTHER INTANGIBLE ASSETS

	Computer Software	Client Relationship	Membership Fee	Total
Cost				
Balance at January 1, 2019	$ 274,097	$ 700,797	$ 41,413	$ 1,016,307
Additions	29,024	-	-	29,024
Transfer from other non-current assets	9,080	-	-	9,080
Disposals	(33,554)	-	-	(33,554)
Translation adjustments	(935)	(3,208)	-	(4,143)
Balance at December 31, 2019	$ 277,712	$ 697,589	$ 41,413	$ 1,016,714
Accumulated amortizations				
Balance at January 1, 2019	$ 144,246	$ 260,155	$ -	$ 404,401
Amortization expense	44,966	81,186	-	126,152
Disposals	(33,534)	-	-	(33,534)
Translation adjustments	(875)	(1,291)	-	(2,166)
Balance at December 31, 2019	$ 154,803	$ 340,050	$ -	$ 494,853
Carrying amounts at December 31, 2019	$ 122,909	$ 357,539	$ 41,413	$ 521,861
Cost				
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	$ 274,097	$ 700,797	$ 41,413	$ 1,016,307

(Continued)

	Computer Software	Client Relationship	Membership Fee	Total
Accumulated amortizations				
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	$ 144,246	$ 260,155	$ -	$ 404,401
Carrying amounts at December 31, 2018	$ 129,851	$ 440,642	$ 41,413	$ 611,906

(Concluded)

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

18. GUARANTEE DEPOSITS PAID

	December 31	
	2019	2018
Operating guarantee deposits	$ 959,356	$ 1,012,519
Clearing and settlement funds	366,389	361,721
Guarantee deposits on issuance of structured instruments	143,304	143,304
Rental deposits	62,278	75,018
Deposit for unsettled lawsuit	29,383	29,383
Performance guarantee for issuance of ETNs (Note 7)	21	-
Others	9,765	10,729
	$ 1,570,496	$ 1,632,674

The operating 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 oversea 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 oversea subsidiaries in accordance with the regulations of the local authorities.

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

19. OVERDUE RECEIVABLES

	December 31	
	2019	2018
Overdue receivables	$ 80,049	$ 198,820
Less: Loss allowance	(76,910)	(195,073)
	$ 3,139	$ 3,747

The movements of loss allowance were as follows:

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 195,073	$ 15,855
Recognized	32,781	92,340
Written off	(194,901)	(4,572)
Recovered	(513)	(449)
Reclassification	44,470	91,899
Ending balance	$ 76,910	$ 195,073

20. BORROWINGS

a. Current borrowings

	December 31	
	2019	2018
Secured and credit borrowings	$ 927,279	$ 1,491,446
Interest rate range	2.60%-2.65988%	3.65%-3.97099%
Maturity date	2020.01.17-2020.02.13	2019.01.18-2019.01.25

For the collateral for current borrowings, refer to Note 31.

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	
	2019	**2018**
Secured and credit borrowings	$ 903,366	$ 1,291,561
Interest rate range	3.0043%	4.15%
Maturity date	2020.02.06	2019.01.25

21. COMMERCIAL PAPER PAYABLE

	December 31	
	2019	**2018**
Commercial paper payable	$ 6,650,000	$ 8,600,000
Less: Discount on commercial paper payable	(6,450)	(2,142)
	$ 6,643,550	$ 8,597,858
Annual discount rate	0.53%-0.655%	0.58%-0.74%
Maturity date	2020.02.17- 2020.03.13	2019.01.03- 2019.01.24

The above commercial papers were published by financial institutions.

22. BONDS PAYABLE

	December 31	
	2019	**2018**
Unsecured domestic bonds	$ 3,000,000	$ 3,000,000
Less: Current portions	(3,000,000)	-
	$ -	$ 3,000,000

For the purpose of raising operating capital and strengthening financial structure, the resolution to issue domestic unsecured bonds with a maximum issuance amount of $5 billion was passed in the board of directors' meeting on September 27, 2017, and the Corporation subsequently issued the first domestic unsecured bonds in the amount of $3 billion on December 8, 2017, with a maturity period of 3 years and a fixed interest rate of 0.90%. A one-time repayment of the principal in full shall be made on December 8, 2020, and interest will be paid annually. Because the repayment date is shorter than 12 months after the balance sheet date, the unsecured domestic bonds have been reclassified as the current portion of long-term liabilities and bonds payable.

23. LIABILITIES FOR BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2019	**2018**
Financial bonds	$ 16,147,047	$ 13,351,908
Corporate bonds	10,002,191	7,391,969
Convertible bonds	3,367,803	2,794,692
Government bonds	2,208,733	1,098,508
Beneficiary securities of asset securitization	300,000	600,000
	$ 32,025,774	$ 25,237,077
Contracted repurchase price	$ 32,106,703	$ 25,302,585
Interest rate range	(0.40%)-3.25%	(0.10%)-4.30%

The aforementioned liabilities for bonds sold under repurchase agreements will all mature within one year and will be repurchased at a specified date at an agreed price and interest as specified in the agreements.

24. NOTES AND ACCOUNTS PAYABLE

	December 31	
	2019	**2018**
Notes payable	$ 5,253	$ -
Accounts payable		
Accounts payable for settlement	15,556,235	14,248,600
Accounts payable for securities purchased	1,280,782	114,884
Settlement proceeds	733,457	33,626
Others	570,592	565,171
	18,141,066	14,962,281
	$ 18,146,319	$ 14,962,281

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which 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 subsidiaries operating in other countries also belong to defined contribution plans and are based on the relevant regulations in their respective countries.

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	
	2019	**2018**
Present value of funded defined benefit obligation	$ 1,136,935	$ 1,170,940
Fair value of plan assets	(690,453)	(777,855)
Net defined benefit liabilities	$ 446,482	$ 393,085

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2019	$ 1,170,940	$ (777,855)	$ 393,085
Service cost			
Current service cost	15,313	-	15,313
Past service cost	(70,724)	62,582	(8,142)
Net interest expenses (income)	11,513	(7,784)	3,729
Recognized in profit or loss	(43,898)	54,798	10,900
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,502)	(9,502)
Actuarial loss - changes in demographic assumptions	2,488	-	2,488
Actuarial loss - experience adjustments	40,157	-	40,157
Actuarial loss - changes in financial assumptions	28,796	-	28,796
Recognized in other comprehensive income	71,441	(9,502)	61,939
Contributions from the employer	-	(19,038)	(19,038)
Benefits paid	(61,548)	61,144	(404)
Balance at December 31, 2019	$ 1,136,935	$ (690,453)	$ 446,482

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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)	14,133	(9,927)	4,206
Recognized in profit or loss	30,822	(9,927)	20,895
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	29,731	-	29,731
Recognized in other comprehensive income	45,411	(8,723)	36,688
Contributions from the employer	-	(19,624)	(19,624)
Benefits paid	(51,237)	49,729	(1,508)
Balance at December 31, 2018	$ 1,170,940	$ (777,855)	$ 393,085

(Concluded)

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	
	2019	2018
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	1.75%	1.75%
Turnover rate	0.44%-1.32%	0.43%-1.51%

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	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (27,770)	$ (29,857)
0.25% decrease	$ 28,792	$ 30,981
Expected rate(s) of salary increase		
0.25% increase	$ 28,433	$ 30,672
0.25% decrease	$ (27,568)	$ (29,712)
Turnover rate		
110% of the turnover rate in default	$ (1,664)	$ (2,477)
90% of the turnover rate in default	$ 1,674	$ 2,499

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	
	2019	**2018**
The expected contributions to the plan for the next year	$ 36,539	$ 40,428
The average duration of the defined benefit obligation	10-12 years	10 years

27. EQUITY

a. Capital stock

	December 31	
	2019	**2018**
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 27 k 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. 1080321644 issued by the FSC, since 2019, the special surplus reserve method is no longer used for the aforementioned purposes. However, a certain amount should still be included in the annual budget to support employee transformation and training expenditures to protect employee rights.

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.

The appropriations of earnings for 2018 and 2017 resolved in the board of directors' meetings on behalf of the shareholders' meetings on June 26, 2019 and June 27, 2018, respectively, pursuant to Article No. 15 of the Financial Holding Company Act are as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 43,017	$ 109,085		
Special reserve (Note)	(63,006)	475,521		
Cash dividends	450,155	506,251	$0.2776	$0.3123
	$ 430,166	$ 1,090,857		

Note: Including $88,370 thousand set aside based on relevant regulations and reversal of the debit to other equity items of $151,376 thousand.

The appropriation and distribution of 2019 earnings proposed by the Corporation's Board on March 12, 2020 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 174,905	
Special reserve (Note)	140,933	
Cash dividends	1,433,216	$0.8840
	$ 1,749,054	

Note: Including $349,811 thousand set aside based on relevant regulations and reversal of the debit to other equity items of $208,878 thousand.

The appropriation and distribution of 2019 earnings are subject to the Corporation's Board's meeting (on the behalf of the stockholder) in June 2020.

d. Other equity

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ (395,101)	$ (504,058)
Effect of change in tax rate	-	16,692
Recognized during the year		
Exchange differences on translation of foreign financial statements	(39,994)	110,925
Related income tax	10,132	(18,660)
Ending balance	$ (424,963)	$ (395,101)

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

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 186,223	$ 476,779
Effect of change in tax rate	-	(1,075)
Recognized during the year		
Unrealized gains (losses)		
Debt instruments	255,202	-
Loss allowance for debt instruments	4,123	-
Equity instruments	348,821	(249,868)
Related income tax	(958)	(5,726)
Reclassification adjustments		
Disposal of debt instruments	(67,191)	-
Other comprehensive income recognized during the year	539,997	(256,669)
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	105,477	(33,887)
Ending balance	$ 831,697	$ 186,223

27. BREAKDOWN ON ITEMS ON THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

a. Brokerage handling fee revenue

	For the Year Ended December 31	
	2019	2018
Handling fee revenues from brokered trading	$ 4,791,887	$ 4,889,191
Handling fees from securities financing	19,815	32,341
Others	212	194
	$ 4,811,914	$ 4,921,726

b. Revenues from underwriting business

	For the Year Ended December 31	
	2019	2018
Revenues from underwriting securities on a firm commitment basis	$ 89,904	$ 117,738
Processing fee revenues from underwriting operations	64,117	136,384
Handling fee revenues from underwriting securities on best-efforts basis	52,929	35,830
Revenues from underwriting consultation	28,220	50,220
	$ 235,170	$ 340,172

c. Gains (losses) on sale of operating securities

	For the Year Ended December 31	
	2019	2018
Proprietary		
Listed securities		
Over-the-counter (OTC) securities	$ 438,738	$ (151,190)
	1,091,656	(404,225)
	$ 1,530,394	$ (555,415)
Underwriting		
Listed securities	$ 31,952	$ (58,148)
Over-the-counter (OTC) securities	33,545	91,371
	$ 65,497	$ 33,223
Hedging		
Listed securities	$ 289,241	$ (641,707)
Over-the-counter (OTC) securities	40,529	(296,984)
	$ 329,770	$ (938,691)

d. Interest revenue

	For the Year Ended December 31	
	2019	2018
Bond interest revenue	$ 832,391	$ 1,045,003
Margin loans interest revenue	774,628	1,077,219
Bond investments under resale agreements interest revenue	126,848	49,896
Others	27,331	47,938
	$ 1,761,198	$ 2,220,056

e. Valuation gains (losses) on operating securities at FVTPL

	For the Year Ended December 31	
	2019	2018
Operating securities:		
Proprietary	$ 441,489	$ (461,393)
Underwriting	26,920	(90,699)
Hedging	79,488	(342,841)
	$ 547,897	$ (894,933)

f. Gains (losses) from derivatives - OTC

	For the Year Ended December 31	
	2019	2018
Forward exchange	$ 3,294	$ (13,641)
Interest rate swap	637	283,104
Equity derivative	-	347,080
Cross currency swap	(33,217)	(549)
Currency swap	(37,872)	(441,340)
Structured instruments	(45,321)	(15,919)
Convertible bond asset swap	(267,486)	136,210
	$ (379,965)	$ 294,945

g. Expected credit impairment (loss) and gain on reversal

	For the Year Ended December 31	
	2019	2018
Receivables	$ 52,708	$ (239,190)
Financial assets at FVTOCI	(4,123)	-
	$ 48,585	$ (239,190)

h. Other operating income (expenses)

	For the Year Ended December 31	
	2019	2018
Management service revenue	$ 155,013	$ 134,916
Foreign exchange gains (losses)	(45,898)	211,104
Others	76,945	103,364
	$ 186,060	$ 449,384

i. Finance costs

	For the Year Ended December 31	
	2019	2018
Bond with attached repurchase agreement interest expenses	$ 670,810	$ 649,882
Borrowing costs	196,150	282,428
Securities financing interest expenses	24,348	45,953
Lease liability interest	22,424	-
Others	15,481	13,771
	$ 929,213	$ 992,034

j. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Salaries expense	$ 3,820,398	$ 3,191,433
Insurance expense	210,670	201,947
Pension expense		
Defined contribution plan	115,894	118,959
Defined benefit plan (Note 25)	10,900	20,895
Other employee benefits expense	113,405	120,636
	$ 4,271,267	$ 3,653,870

k. 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, 2019 and 2018, the Corporation accrued the compensation of employees and remuneration of directors, based on the aforementioned rates as follows:

	2019		2018	
	Estimated Amounts	Estimated Rates	Estimated Amounts	Estimated Rates
Compensation of employees	$ 9,017	0.5%	$ 2,618	0.5%
Remuneration of directors	$ 9,000	0.5%	$ 4,800	0.9%

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 Corporation's resolution to distribute in cash the compensation of employees of $9,017 thousand and the remuneration of directors of $9,000 thousand for the year ended December 31, 2019 was passed in the board of directors' meetings held on January 20, 2020 and March 12, 2020, respectively; and the resolution to distribute in cash the compensation of employees of $2,618 thousand and the remuneration of directors of $4,800 thousand for the year ended December 31, 2018 was passed in the board of directors' meetings held on January 29, 2020 and March 13, 2019, 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, 2018 and 2017.

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.

l. Depreciation and amortization expense

	For the Year Ended December 31	
	2019	**2018**
Right-of-use assets	$ 298,080	$ -
Property and equipment	144,122	146,599
Intangible assets	126,152	123,215
	568,354	269,814
Investment property (included in other gains and losses)	1,666	1,666
	$ 570,020	$ 271,480

m. Other operating expense

	For the Year Ended December 31	
	2019	**2018**
Information technology expense	$ 463,997	$ 436,750
Taxes	140,392	143,554
Entertainment expense	84,841	88,821
Professional service fees	83,436	60,976
Postage expenses	73,225	73,238
Depository service expense	71,560	86,040
Stock borrowing fees	88,775	55,468
Rent expense	6,915	350,443
Others	343,045	337,170
	$ 1,356,186	$ 1,632,460

n. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Financial income	$ 446,314	$ 357,365
Cross-selling income	70,664	53,777
Dividend income	39,858	38,123
Transaction bonus	36,790	34,393
Foreign exchange gains	1,369	12,000
Valuation losses on non-operating financial assets	(6)	(40,081)
Impairment loss on goodwill	(67,199)	(50,698)
Claims for lawsuits	(43,419)	-
Others	40,389	38,275
	$ 524,760	$ 443,154

28. 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.

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 120,030	$ 284,173
In respect of prior periods	(18,603)	569
	101,427	284,742
Deferred tax		
In respect of the current period	12,406	(49,873)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(27,608)
In respect of prior periods	8,552	(1,740)
	20,958	(79,221)
Income tax expense recognized in profit or loss	$ 122,385	$ 205,521

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

	For the Year Ended December 31	
	2019	2018
Profit before tax of continuing operations	$ 2,026,467	$ 672,931
Income tax expense calculated at the statutory rate	$ 405,293	$ 134,586
Nondeductible expenses in determining taxable income	44,371	57,503
Tax-exempt income	(457,109)	27,802
Additional income tax under the Alternative Minimum Tax Act	33,519	-
Unrecognized deductible temporary differences	1,571	(39,092)
Unrecognized loss carryforwards	(17,021)	31,324
Adjustments for prior years' current and deferred tax	(10,050)	(1,171)
Adjustments of tax rates	-	(27,608)
Effect of different tax rate of group entities operating in other jurisdictions	19,517	22,177
Nondeductible loss carryforwards	102,294	-
Income tax expense recognized in profit or loss	$ 122,385	$ 205,521

In 2018, the Income Tax Act in the ROC was amended and the corporate income tax rate was adjusted from 17% to 20%. Deferred income tax benefits due to the change in tax rate which should be recognized in profit or loss had already been fully recognized in profit or loss in the period of the change in tax rate. The applicable tax rate used by subsidiaries located 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. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated retained earnings had been reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 19,078
In respect of the current period		
Exchange differences on translation of foreign operations	10,132	(18,660)
Remeasurement of defined benefit plans	12,388	7,338
Unrealized gains (losses) on financial assets at FVTOCI	(958)	(5,726)
	$ 21,562	$ 2,030

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Receivable from the linked-tax system	$ 196,007	$ 100,132
Tax refund receivable	-	214
	$ 196,007	$ 100,346

(Continued)

	December 31	
	2019	2018
Current tax liabilities		
Payable to the linked-tax system	$ 108,217	$ 234,329
Income tax payable	10,772	73,342
	$ 118,989	$ 307,671

(Concluded)

d. Deferred tax assets and liabilities:

For the year ended December 31, 2019

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
Deferred tax assets						
Share of loss of foreign subsidiaries	$ 128,071	$ 17,950	$ -	$ -	$ -	$ 146,021
Exchange differences on translation of foreign financial statement	92,619	-	10,132	-	-	102,751
Unrealized losses on foreign exchange	71,873	18,522	-	-	-	90,395
Pension expense	65,357	(1,626)	12,791	-	(389)	76,133
Client relationship	27,899	11,702	-	-	-	39,601
Loss carryforwards	2,669	16,053	-	-	-	18,722
Unrealized valuation losses from liabilities on sale of borrowed securities - hedged	-	23,112	-	-	(10,531)	12,581
Unrealized impairment losses	5,766	-	-	-	-	5,766
Unrealized valuation losses from foreign funds	5,270	84	-	-	(75)	5,279
Unrealized valuation losses from structured instruments	5,499	(1,972)	-	-	-	3,527
Unrealized decommission obligations	1,860	763	-	-	-	2,623
Unrealized valuation losses from derivatives	-	15,613	-	-	(15,380)	233
Unrealized valuation losses from foreign bonds	605	(523)	-	-	-	82
Losses from outstanding issuance of warrants	46,664	-	-	-	(46,664)	-
Loss allowance	31,889	(31,889)	-	-	-	-
Unrealized valuation losses from warrants - hedging	6,764	-	-	-	(6,764)	-
Unrealized valuation losses from foreign futures and options	411	-	-	-	(411)	-
	$ 493,216	$ 67,789	$ 22,923	$ -	$ (80,214)	$ 503,714

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
Deferred tax liabilities						
Unrealized valuation gains from derivatives	$ (101,348)	$ 2,844	$ -	$ -	$ 15,380	$ (83,124)
Gains from outstanding issuance of warrants	-	(77,856)	-	-	46,664	(31,192)
Unrealized gains on financial assets at FVTOCI	(12,893)	-	(958)	-	-	(13,851)
Unrealized valuation gains from warrants - hedging	-	(13,925)	-	-	6,764	(7,161)
Amortizations of goodwill	(5,332)	(939)	-	-	-	(6,271)
Unrealized gains on foreign exchange	(2,069)	1,730	-	-	-	(339)
Unrealized valuation gains from foreign futures and options	-	(604)	-	-	411	(193)
Unrealized valuation gains from foreign securities	(60)	5	-	-	-	(55)
Pension expense	-	-	(403)	-	389	(14)
Gain from foreign funds	-	(2)	-	-	-	(2)
Unrealized valuation gains from liabilities on sale of borrowed securities - hedged	(10,531)	-	-	-	10,531	-
Unrealized valuation gains from foreign funds	(75)	-	-	-	75	-
	$ (132,308)	$ (88,747)	$ (1,361)	$ -	$ 80,214	$ (142,202)

(Concluded)

For the year ended December 31, 2018

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
Deferred tax assets						
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 allowance	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

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Reclassification	Ending Balance
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	8,335	-	-	-	(8,335)	-
	$ 339,385	$ 175,395	$ 8,831	$ 1,427	$ (31,822)	$ 493,216
Deferred tax liabilities						
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	(23,358)	-	-	-	23,358	-
	$ (61,155)	$ (96,174)	$ (6,801)	$ -	$ 31,822	$ (132,308)

(Concluded)

e. Related information on unused loss carryforwards

As of December 31, 2019, the Corporation had $93,606 thousand of unused loss carryforwards. The amount can be used through 2028.

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	
	2019	**2018**
Unused loss carryforwards	$ 2,319,547	$ 2,484,735

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 $110,440 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. Application had been submitted to the tax collection agency.

The income tax returns of SinoPac Futures through 2017 had been examined by the tax authorities, of which the 2012 to 2017 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. Application had been submitted to the tax collection agency and approved tax refund.

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

29. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 1.17	$ 0.29

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

Net Profit for the Period

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic earnings per share	$ 1,904,082	$ 467,410

Shares

Unit: Thousand Share

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,621,224	1,621,224

30. RELATED-PARTY TRANSACTIONS

The parent company, ultimate parent entity and ultimate controlling party is SinoPac Holdings who wholly owned the Corporation as of December 31, 2019 and 2018.

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 (Note 5)
SinoPac Venture Capital Corp.	Fellow subsidiaries
SinoPac Life Insurance Agent Co., Ltd. ("SinoPac Life Insurance")	Associates
SinoPac Property Insurance Agent Co., Ltd.	Associates
SinoPac Capital International Ltd.	Associates
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
Sunmax Biotechnology Co., Ltd.	Others (Note 4)
TaiGen Biotechnology Co., Ltd.	Others
TaiGen Biopharmaceuticals Holdings Company Limited	Others
Chung Kuo Insurance Co., Ltd.	Others (Note 2)
Mega International Investment Trust Co., Ltd.	Others (Note 2)
Taipei Fubon Bank ("Fubon Bank")	Others (Note 4)
Yuen Foong Paper Co., Ltd. ("Yuen Foong Paper")	Others
Yongfeng 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

(Continued)

Name of Related Party	Relationship with the Group
Cheng Yu Co., Ltd.	Others
Hsiang Yuan Investment Ltd.	Others
Hoss Investment Inc.	Others
Shen's Art Printing Co., Ltd.	Others
Asia Cement Corp.	Others
Cathay Securities Corp.	Others (Note 3)
Andros Pharmaceuticals Co., Ltd.	Others
Top Taiwan V Venture Capital Co., Ltd. ("Top Taiwan V Venture Capital")	Others
IP Fund Six Co., Ltd. ("IP Fund Six ")	Others (Note 6)
China Power Venture Capital Corp. ("China Power Venture Capital")	Others
Yu-Ji Venture Capital Corp. ("Yu-Ji Venture Capital")	Others
Taiwan Futures Exchange Corp. ("TAIFEX")	Others (Note 6)
Taiwan Stock Exchange Corp. ("TWSE")	Others
Netronix Inc. ("Netronix Inc.")	Others
SharHope Medicine Co., Ltd.	Others
Qilin Investment Co., Ltd.	Others
Ying Ye Investment Co., Ltd.	Others
Sinopac ICE 10+ Year Core Large Cap Single-A US Corporate Bond ETF	Others
Sinopac ICE 15+ Year Core A-BBB US Insurance & Financial Services Bond ETF	Others
Sinopac ICE 1-3 Year US Treasury ETF	Others
Sinopac ICE 20+ Year US Treasury ETF	Others
Sinopac ICE 7-10 Year China Policy Bank Bond ETF	Others
SinoPac RMB Money Market Fund	Others
SinoPac Fund	Others
SinoPac Asia Consumer Fund	Others
SinoPac STOXXUSA 500 ETF	Others
SinoPac Global Multi Income Fund	Others
SinoPac Hi-Tech Fund	Others
SinoPac Small and Medium Fund	Others
SinoPac Luxury and Lifestyle 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
Accudo Asia Value Arbitrage Fund	Others
Atlas Portfolio Select SPC - Segregated Portfolio	Others
SinoPac Hong Kong Opportunities-Fund Limited	Others (Note 1)
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
SinoPac RQFII STABLE INC. Fund	Others
SinoPac China Strategic Growth Fund	Others

(Continued)

Name of Related Party	Relationship with the Group
SinoPac Greater China CB Fund	Others
SinoPac China A share Fund	Others
SinoPac China New Focus Fund	Others
SinoPac Dynasty Capital Fund	Others
SinoPac USD ST Fixed Income Fund	Others
SinoPac High Yield Bond Fund	Others
SinoPac Windrider Fund	Others
SinoPac Short Term USD Fixed Income Fund	Others
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investees accounted for by equity method and their subsidiaries, and investees of SinoPac Holdings' subsidiaries, etc.

(Concluded)

Note 1: Not related party since July 2018.

Note 2: Not related party since April 2018.

Note 3: Not related party since December 2018.

Note 4: Not related party since March 2019.

Note 5: Not related party since May 2019.

Note 6: Not related party since July 2019.

b. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were as follows:

	December 31	
	2019	2018
1) Cash in banks		
Fellow subsidiaries		
Bank SinoPac	$ 3,483,890	$ 3,094,120
Others	-	169
	$ 3,483,890	$ 3,094,289

Bank deposits included cash and cash equivalents, other current financial assets, other current assets - amounts held for settlement, cash and cash equivalents - receipts under custody from customers' security subscription and amounts held for each customer in the account.

	December 31	
	2019	2018
2) Customer margin account		
Fellow subsidiaries	$ 46,311	$ 80,469

	December 31	
	2019	2018
3) Derivative assets - OTC		
Fellow subsidiaries	$ 824	$ 1,843
Derivative liabilities - OTC		
Fellow subsidiaries	$ 1,197	$ 6,123

	For the Year Ended December 31	
	2019	2018
Gains (losses) from derivatives		
Fellow subsidiaries	$ (68)	$ (874)

	December 31	
	2019	2018
4) Open-end funds		
Others	$ 60	$ 42
5) Securities held for operations		
Others	$ 125,783	$ 1,214,126
6) Bond investments under resale agreements		
Others	$ 331,152	$ -
7) Security borrowing margin		
Others		
TWSE	$ 774,000	$ 3,288,678
8) Notes and accounts receivable		
Fellow subsidiaries	$ 582	$ 848
Others	38,060	22,063
	$ 38,642	$ 22,911
9) Other receivables		
Fellow subsidiaries	$ 12,700	$ 2,804
Associates	-	9,339
Others	430	432
	$ 13,130	$ 12,575
10) Current tax assets		
SinoPac Holdings	$ 196,007	$ 100,132

	December 31	
	2019	2018
11) Restricted current assets		
Fellow subsidiaries		
Bank SinoPac	$ 1,525,000	$ 1,525,000
12) Prepayments (2019 does not include rental)		
Fellow subsidiaries	$ 1	$ 24
13) Other current assets - other		
Others	$ -	$ 5

14) Other intangible assets

The subsidiary SinoPac Futures Corporation purchased computer software in the amount of $75 thousand from other related parties from January 1, 2018 to December 31, 2018 which was recorded as other intangible assets.

	December 31	
	2019	2018
15) Guarantee deposits paid (2019 does not include rental)		
Fellow subsidiaries		
Bank SinoPac	$ 680,008	$ 760,255
Others	-	2,662
Others	114,981	236,050
	$ 794,989	$ 998,967
16) Current borrowings		
Others		
Fubon Bank	$ -	$ 1,076,301
17) Bonds sold under repurchase agreements		
Fellow subsidiaries		
Bank SinoPac	$ 2,268,704	$ 3,963,434
Others	-	369,007
	$ 2,268,704	$ 4,332,441
18) Futures traders' equity		
Fellow subsidiaries	$ 338,719	$ 460,838
Others	104,499	118,682
	$ 443,218	$ 579,520

	December 31	
	2019	2018
19) Notes and accounts payable		
Fellow subsidiaries	$ 4,135	$ 55
Others	-	27,025
	$ 4,135	$ 27,080
20) Other payables		
Fellow subsidiaries	$ 3,531	$ 9,864
Others	17,073	15,661
	$ 20,604	$ 25,525
21) Current tax liabilities		
SinoPac Holdings	$ 108,217	$ 234,329

	For the Year Ended December 31	
	2019	2018
22) Brokerage handling fee revenue		
Fellow subsidiaries	$ 6,391	$ 7,287
Associates	502	-
Others	133,951	142,188
	$ 140,844	$ 149,475
23) Revenues from underwriting business		
Fellow subsidiaries	$ 8,922	$ 11,461
Others	40	240
	$ 8,962	$ 11,701
24) Gains on wealth management		
Fellow subsidiaries	$ 4,060	$ 4,881
25) Processing fee expenses (included in gains (losses) on sale of securities - proprietary)		
Others	$ -	$ 1,143
26) Revenues from providing agency service for stock affairs		
Parent company	$ 9,205	$ 9,205
Fellow subsidiaries	271	420
Others	12,379	12,976
	$ 21,855	$ 22,601

	For the Year Ended December 31	
	2019	2018
27) Interest revenue		
Fellow subsidiaries	$ -	$ 660
Others	6,303	2,411
	$ 6,303	$ 3,071
28) Revenue from advisory services		
Fellow subsidiaries		
Bank SinoPac	$ 13,667	$ 13,333
29) Dividends revenue		
Others		
Chunghwa Telecom	$ 31,362	$ 33,725
Others	375	2,080
	$ 31,737	$ 35,805
30) Other operating income		
Fellow subsidiaries	$ 3	$ -
Associates	-	779
Others	87,575	84,100
	$ 87,578	$ 84,879
31) Brokerage handling fee expense		
Fellow subsidiaries	$ 417	$ 132
Others		
TWSE	135,093	156,381
TAIFEX	78,775	229,594
Others	8,074	11,212
	$ 222,359	$ 397,319
32) Proprietary handling fee expense		
Fellow subsidiaries		
Bank SinoPac	$ 23,898	$ 12,622
Others		
TWSE	9,754	12,182
Others	6,373	9,550
	$ 40,025	$ 34,354

	For the Year Ended December 31	
	2019	2018
33) Underwriting operation processing fee expenses		
Others		
TSA	$ 745	$ 1,450
Others	736	713
	$ 1,481	$ 2,163
34) Finance costs		
Fellow subsidiaries		
Bank SinoPac	$ 93,823	$ 53,574
Others	15	-
Others	12,508	40,581
	$ 106,346	$ 94,155
35) Expenses arising from issuance of call (put) warrants (included in gains from issuance of call (put) warrants)		
Others		
TWSE	$ 72,382	$ 79,992
36) Expense of clearing and settlement		
Others		
TAIFEX	$ 53,333	$ 155,972
37) Information technology expense (included in other operating expense)		
Fellow subsidiaries	$ 942	$ 107
Others	72,888	67,970
	$ 73,830	$ 68,077
38) Rent expense (included in other operating expense, 2019 does not include rental)		
Fellow subsidiaries	$ -	$ 69,045
Others	-	4,061
	$ -	$ 73,106
39) Entertainment expense (included in other operating expense)		
Others	$ 35	$ 41
40) Stationery and printing (included in other operating expense)		
Others	$ 6,088	$ 4,396

	For the Year Ended December 31	
	2019	2018
41) Postage expense (included in other operating expense)		
Fellow subsidiaries	$ 5,195	$ 5,040
Others	33,400	33,816
	$ 38,595	$ 38,856
42) Miscellaneous disbursements (included in other operating expense)		
Fellow subsidiaries	$ 6,979	$ 3,708
Others	1,805	1,996
	$ 8,784	$ 5,704
43) Building management fee (included in other operating expense)		
Fellow subsidiaries	$ 3,248	$ 3,127
44) Employee training expense (included in other operating expense)		
Others	$ 1,865	$ 5,088
45) Other gains and losses		
Other gains		
Dividend income - others	$ 25,361	$ 25,828
Financial income - fellow subsidiaries (2019 does not include rental)	$ 26,574	$ 22,445
Financial income - others (2019 does not include rental)	5,915	5,884
	$ 32,489	$ 28,329
Transaction bonus - fellow subsidiaries	$ 720	$ -
Transaction bonus - others	5,968	13,879
	$ 6,688	$ 13,879
Cross-selling income - fellow subsidiaries	$ 26,446	$ 6,385
Cross-selling income - associates		
SinoPac Life Insurance	43,472	46,092
Others	746	1,300
	$ 70,664	$ 53,777

(Continued)

	For the Year Ended December 31	
	2019	2018
Gains on disposal of fund investments		
Others	$ 161,370	$ 680
Others		
Parent company	$ 498	$ 498
Others	25	12
	$ 523	$ 510
Other losses		
Book-keeping handing expense - others	$ 397	$ 840
Others - fellow subsidiaries	$ -	$ 378

(Concluded)

46) Notes and bonds transaction

	For the Year Ended December 31, 2019	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Fellow subsidiaries	$ 8,233,000	$ -
Others	201,662	353,310

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

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

c. Leases - 2019

	December 31, 2019
1) Right-of-use assets	
Fellow subsidiaries	
Bank SinoPac	$ 75,878
Others	7,319
Others	2,261
	$ 85,458

	December 31, 2019
2) Prepayments	
Fellow subsidiaries	$ 696
Others	4
	$ 700
3) Guarantee deposits paid	
Fellow subsidiaries	$ 7,789
Others	154
	$ 7,943
4) Current lease liabilities	
Fellow subsidiaries	
Bank SinoPac	$ 28,864
Others	4,835
Others	934
	$ 34,633
5) Non-current lease liabilities	
Fellow subsidiaries	$ 50,544
Others	1,336
	$ 51,880

From January 1 to December 31, 2019, the Group acquired right-of-use assets amounting to $34,293 thousand from the fellow subsidiaries.

	For the Year Ended December 31, 2019
6) Finance costs	
Fellow subsidiaries	$ 2,087
Others	21
	$ 2,108
7) Depreciation expense (included in depreciation and amortization expense)	
Fellow subsidiaries	$ 62,596
Others	936
	$ 63,532

	For the Year Ended December 31, 2019
8) Rent expenses (included in other operating expense)	
Fellow subsidiaries	$ 132
9) Finance revenue	
Fellow subsidiaries	$ 83
Others	2
	$ 85
10) Other gains and losses	
Fellow subsidiaries	$ 30

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

Lessor	Lease Term	Lease Target	Payment Terms
Fellow subsidiaries			
SinoPac Leasing	Till November 2022	Transportation equipment	Monthly
Bank SinoPac	Till September 2024	Offices and branch locations	Monthly
Others			
Chunghwa Telecom	Till May 2022	Offices and branch locations	Monthly

Rental prices are determined based on negotiations between the counterparties with reference to the market rental prices of office buildings in the vicinity.

d. 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

	December 31, 2019		
	Number of Shares (In Thousands)	Cost	Carrying Amount
Listed stocks and stocks traded over the counter			
Netronix Inc.	1	$ 41	$ 40

(Continued)

	December 31, 2019		
	Number of Shares (In Thousands)	Cost	Carrying Amount
Stocks other than listed and traded over the counter			
Yu-Ji Venture Capital	1,688	$ 16,875	$ 13,500
Top Taiwan V Venture Capital	1,138	11,382	3,176
Top Taiwan III Venture Capital	295	6,450	404
China Power Venture Capital	158	1,575	2,350
		$ 36,323	$ 19,470

(Concluded)

	December 31, 2018		
	Number of Shares (In Thousands)	Cost	Carrying Amount
Stocks other than listed and traded over the counter			
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
		$ 74,246	$ 49,265

2) Financial assets at FVTOCI

	December 31, 2019		
	Number of Shares (In Thousands)	Cost	Carrying Amount
Listed stocks and stocks traded over the counter			
Chunghwa Telecom	4,900	$ 489,585	$ 539,000
Stocks other than listed and traded over the counter			
TWSE	5,478	285,361	227,058
		$ 774,946	$ 766,058

	December 31, 2018		
	Number of Shares (In Thousands)	Cost	Carrying Amount
Listed stocks and stocks traded over the counter			
Chunghwa Telecom	7,002	$ 699,606	$ 791,226
Stocks other than listed and traded over the counter			
TWSE	5,217	285,361	264,345
TAIFEX	3,374	52,740	180,970
		$ 1,037,707	$ 1,236,541

e. The Group acquired management shares of SinoPac Multi Strategy Quant Fund Limited and four 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.

f. Compensation of key management personnel

The compensation of key management personnel were as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 154,345	$ 147,025
Retirement benefits	1,521	3,024
	$ 155,866	$ 150,049

31. 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	
	2019	2018
Time deposits - current	$ 1,975,000	$ 1,715,000
Property and equipment, net	1,671,327	1,685,079
Investment property, net	156,253	157,776
	$ 3,802,580	$ 3,557,855

The above assets pledged to Bank SinoPac were as follows:

	December 31	
	2019	2018
Time deposits - current	$ 1,525,000	$ 1,525,000
Property and equipment, net	1,259,563	1,270,221
	$ 2,784,563	$ 2,795,221

32. 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 jointly liable for loss compensation. Based on the evidence presented for this trial, there was no solid proof that the Corporation should be jointly liable for the damages for Mr. Jun's actions; furthermore, many violations accused by Mr. Jane were the result of his own actions which he was well aware of, and the Corporation is responsible for only a portion, but not all of the compensation. The appeal was dismissed by the Taiwan Taoyuan District Court and Taiwan High Court, and SinoPac Securities won the case. Nevertheless, Mr. Jane filed another appeal to the Supreme Court, which remanded the case to the Taiwan High Court; the case is still under trial in the Taiwan High Court.

b. As of December 31, 2019, 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 operations manager of the Corporation, filed a lawsuit against the Corporation in the Taiwan Taichung District Court for unlawful dismissal and called for reinstatement and payment of monthly salaries until his reinstatement date. Upon investigation, it was found that the plaintiff did not meet his job performance goals for a long time and the Corporation requested for improvement many times in vain before they decided to terminate his employment, and the Corporation already paid him the severance fees upon his dismissal. In this case, the Taichung District Court and the Taiwan High Court Taichung Branch separately dismissed the plaintiff's lawsuit and appeal, and the Corporation won the case. This case is still under trial in the High Court.

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.

f. The Corporation's subsidiary, SinoPac Securities (Asia), received a letter of complaint from the legal representative of four clients in October 2018, arguing that it received the false statement of accounts and proposed that SinoPac Securities (Asia) should be liable for damage compensation for their loss. An internal investigation by SinoPac Securities (Asia) found that a former employee and an existing employee were involved in the case and reported this simultaneously to the Hong Kong Securities Regulatory Commission and the police. As the investigation and search for evidence is still in progress, the maximum claim amount is estimated to be HK$16,500 thousand, but the case is still under debate and the client has not filed a civil lawsuit. The Corporation recognized a compensation loss of HK$11,000 thousand after consulting their legal adviser, and the case has been entrusted to an external lawyer.

g. The custodian bank of SinoPac Securities (Asia) carried out a seizure of SinoPac Securities (Asia)'s settlement payment to Company V based on the Taiwan Taipei District Court's order, which led to SinoPac Securities (Asia) being unable to fulfill its obligations of the stock purchase agreement. As a result, Company V filed a civil complaint against SinoPac Securities (Asia), demanding the return of their remaining account balance of NT$731,422 thousand in SinoPac Securities (Asia) in October 2019. SinoPac Securities (Asia) is not liable for the failure of payment, and the legal obligations of the original seizure of the expected payment are still to be determined. Thus, the case is still under trial and SinoPac Securities (Asia) has entrusted an external lawyer for further litigations.

33. 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, 2019 and 2018, the Corporation's capital adequacy ratios were as follows:

Items	December 31 2019	December 31 2018
Net eligible capital		
Tier 1 Capital	$ 26,958,125	$ 25,655,202
Tier 2 Capital	374,264	99,050
Tier 3 Capital	-	-
Deductible assets	(8,734,452)	(9,275,629)
Net eligible capital	$ 18,597,937	$ 16,478,623
Equivalent operating risk		
Market risk equivalent	$ 2,697,023	$ 2,229,107
Credit risk equivalent	546,832	821,041
Operating risk equivalent	860,750	796,022
Equivalent operating risk	$ 4,104,605	$ 3,846,170
Capital adequacy ratio	453%	428%

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.

34. 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 2019	December 31 2018	Trust Liabilities	December 31 2019	December 31 2018
Bank deposits	$ 560,991	$ 357,086	Trust capital	$ 18,378,563	$ 13,818,132
Funds	16,791,226	11,804,435	Net profit (loss)	(88,053)	(1,036,352)
Accounts receivable	15	12	Cumulative loss	(938,278)	(620,247)
Total trust assets	$ 17,352,232	$ 12,161,533	Total trust liabilities	$ 17,352,232	$ 12,161,533

b. Income statement of trust accounts

	For the Year Ended December 31	
	2019	**2018**
Trust income		
Interest revenue	$ 763,517	$ 530,325
Realized investment losses	(17,313)	(20,140)
Unrealized investment losses	(828,078)	(1,544,032)
Trust expenses		
Commission and fees	(6,142)	(2,484)
Loss before tax	(88,016)	(1,036,331)
Income tax expense	(37)	(21)
Loss	$ (88,053)	$ (1,036,352)

c. Properties of trust accounts

	December 31	
	2019	**2018**
Bank deposits	$ 560,991	$ 357,086
Funds	16,791,226	11,804,435
Others	15	12
Total trust assets (Note)	$ 17,352,232	$ 12,161,533

Note: As of December 31, 2019 and 2018, the above properties of trust accounts included the amount of $20,810 thousand and $35,275 thousand, respectively, under the Offshore Securities Unit (“OSU”) “Wealth Management Business Involving Non-discretionary Money Trust”.

35. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2019

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Financial assets mandatorily measured at FVTPL				
Bonds	$ 13,044,752	$ 5,573,039	$ 3,419,351	$ 22,037,142
Listed stocks and stocks traded over the counter	3,841,696	110,519	176,984	4,129,199
Stocks other than listed and traded over the counter	-	-	63,388	63,388
Mutual funds	3,160,555	142,955	-	3,303,510
Derivative assets	185,717	981,239	-	1,166,956
	$ 20,232,720	$ 6,807,752	$ 3,659,723	$ 30,700,195

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
Listed stocks and stocks traded over the counter	$ 5,185,723	$ -	$ -	$ 5,185,723
Stocks other than listed and traded over the counter	-	-	546,543	546,543
Real estate investment trust	-	42,415	-	42,415
Debt instruments	7,694,634	1,064,918	-	8,759,552
	$ 12,880,357	$ 1,107,333	$ 546,543	$ 14,534,233
Financial liabilities at FVTPL				
Financial assets held for trading	$ 1,213,938	$ -	$ -	$ 1,213,938
Derivative liabilities	398,605	1,039,709	-	1,438,314
Financial liabilities designated at FVTPL	-	6,684,207	173,245	6,857,452
	$ 1,612,543	$ 7,723,916	$ 173,245	$ 9,509,704

(Concluded)

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets mandatorily measured at FVTPL				
Bonds	$ 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
Derivative assets	93,439	539,184	-	632,623
	$ 18,180,094	$ 8,694,239	$ 6,522,322	$ 33,396,655
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	-	82,510	-	82,510
	$ 2,703,286	$ 82,510	$ 595,832	$ 3,381,628
Financial liabilities at FVTPL				
Financial assets held for trading	$ 1,469,163	$ -	$ -	$ 1,469,163
Derivative liabilities	247,673	331,163	-	578,836
Financial liabilities designated at FVTPL	-	824,120	147,877	971,997
	$ 1,716,836	$ 1,155,283	$ 147,877	$ 3,019,996

For the years ended December 31, 2019 and 2018, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Level 1 to 2 because the Group determined these investments were not in an active market based on market quotation and liquidity.

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

	For the Year Ended December 31, 2019			
	Financial Assets at FVTPL		Financial Assets at FVTOCI	
Financial Assets	**Equity Instruments**	**Debt Instruments**	**Equity Instruments**	**Total**
Beginning balance	$ 192,971	$ 6,329,351	$ 595,832	$ 7,118,154
Recognized in profit or loss	64,670	93,416	-	158,086
Recognized in other comprehensive income	-	-	(49,289)	(49,289)
Purchases	87,048	289,572	-	376,620
Sales/settlements	(109,258)	(3,918,820)	-	(4,028,078)
Transfers into Level 3	8,219	751,845	-	760,064
Transfers out of Level 3	(3,278)	-	-	(3,278)
Additional amounts recognized from currency rate	-	(126,013)	-	(126,013)
Ending balance	$ 240,372	$ 3,419,351	$ 546,543	$ 4,206,266
Recognized in gains (losses) - unrealized	$ 59,533	$ (21,934)	$ (49,289)	$ (11,690)

Financial Liabilities	**Financial Liabilities at FVTPL**
Beginning balance	$ 147,877
Recognized in profit or loss	6,340
Purchases	1,217,172
Sales/settlements	(1,198,144)
Ending balance	$ 173,245
Recognized in losses - unrealized	$ (6,340)

	For the Year Ended December 31, 2018			
	Financial Assets at FVTPL		Financial Assets at FVTOCI	
Financial Assets	**Equity Instruments**	**Debt Instruments**	**Equity Instruments**	**Total**
Beginning balance per IAS 39	$ 686,035	$ -	$ -	$ 686,035
Adjustment on initial application of IFRS 9	132,052	-	712,602	844,654
Beginning balance per IFRS 9	818,087	-	712,602	1,530,689
Recognized in profit or loss	29,074	(22,492)	-	6,582

(Continued)

	For the Year Ended December 31, 2018			
	Financial Assets at FVTPL		Financial Assets at FVTOCI	
Financial Assets	**Equity Instruments**	**Debt Instruments**	**Equity Instruments**	**Total**
Recognized in other comprehensive income	$ -	$ -	$ (116,770)	$ (116,770)
Purchases	14,716	-	-	14,716
Sales/settlements	(496,900)	-	-	(496,900)
Transfers into Level 3	23,040	6,351,843	-	6,374,883
Transfers out of Level 3	(195,046)	-	-	(195,046)
Ending balance	$ 192,971	$ 6,329,351	$ 595,832	$ 7,118,154
Recognized in losses - unrealized	$ (23,930)	$ (22,492)	$ (116,770)	$ (163,192)

(Concluded)

Financial Liabilities	**Financial Liabilities at FVTPL**
Beginning balance	$ 69,086
Recognized in profit or loss	(28,708)
Purchases	1,101,835
Sales/settlements	(994,336)
Ending balance	$ 147,877
Recognized in gains - unrealized	$ 28,708

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, 2019

Financial Instruments Measured at Fair Value	Fair Value at December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	The Relationship Between Inputs and Fair Value
Non-derivative financial assets					
Current Financial assets at FVTPL					
Operating securities - Emerging stocks	$ 176,894	Market value with liquidity valuation discount	Discount for lack of liquidity	0%-20%	The higher the discount for lack of liquidity, the lower the fair value
Operating securities - foreign currency denominated bonds	3,419,351	OTC quotes/quotes from Bloomberg's model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Non-current financial assets at FVTPL					
Stocks other than listed and traded over the counter	63,388	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and Discount for lack of liquidity the lower fair value
Non-current financial assets at FVTOCI					
Stocks other than listed and traded over the counter	546,543	Market approach	Discount for lack of liquidity	10%-30%	The higher Discount for lack of liquidity, the lower fair value
Derivative financial liabilities					
Financial liabilities designated as at FVTPL					
Structured instruments	173,245	Self-built option pricing model	Volatility	3%-18% (Note)	The higher Discount for lack of liquidity, the lower fair value

Note: The volatility of structured instruments ranged from 3% and 18%.

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 assets					
Current financial assets at FVTPL					
Operating securities - Emerging stocks	$ 118,585	Market value with liquidity valuation discount	Discount for lack of liquidity	0%-20%	The higher the discount for lack of liquidity, the lower the fair value
Operating securities - foreign currency denominated bonds	6,329,351	OTC quotes/quotes from Bloomberg’s model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Non-current financial assets at FVTPL					
Stocks other than listed and traded over the counter	74,386	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and Discount for lack of liquidity the lower fair value
Non-current financial assets at FVTOCI -					
Stocks other than listed and traded over the counter	595,832	Market approach	Discount for lack of liquidity	10%-30%	The higher Discount for lack 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 for lack of liquidity, the lower fair value

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

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.

7) The sensitivity analysis of reasonable and possible alternative hypotheses for level 3 fair value measurement

The Group's measurement of the fair value of financial instruments is considered reasonable; however, the valuation results may be different if different valuation models or inputs were used. For debt instruments classified as Level 3 and whose fair value sources lack observable market liquidity reduction factors, if changes in the estimated liquidity cost (based on the historical data of the market price spread in the past two years, estimated at a 99% confidence interval) is included in the estimation, the impact on profit and loss would be as follows:

Project	December 31, 2019		December 31, 2018	
	Unfavorable Change	**Unfavorable Change**	**Favorable Change**	**Favorable Change**
Assets				
Financial assets at FVTPL				
Operating securities - international bonds	$ (107,305)	$ (107,305)	$ (138,945)	$ (138,945)

b. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at amortized cost (Note 1)	$ 67,603,364	$ 61,907,215
Financial assets at FVTPL		
Financial assets mandatorily measured at FVTPL	30,700,195	33,396,655
Financial assets at FVTOCI		
Equity instruments	5,774,681	3,381,628
Debt instruments	8,759,552	-
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	83,457,488	80,819,080
Financial liabilities at FVTPL		
Financial liabilities held for trading	2,652,252	2,047,999
Financial liabilities designated as at FVTPL	6,857,452	971,997

Note 1: Financial assets 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, receivables 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, guarantee deposits paid and overdue receivables.

Note 2: Financial liabilities measured at amortized cost include short-term borrowings, commercial paper payable, liabilities for bonds sold under 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, long-term liabilities-current portion, long-term borrowings, bonds payable and guarantee deposits received.

Financial liabilities designated at FVTPL, were as follows:

	December 31	
	2019	2018
The difference between carrying amount and contract expiry amount		
Structured instruments at fair value	$ 6,857,452	$ 971,997
Amount payable at maturity	(7,030,697)	(1,119,874)
	$ (173,245)	$ (147,877)

There is no impact from credit risk on the changes in fair values of the Group's financial liabilities designated as at FVTPL.

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 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 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 the 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	
	2019	**2018**
Equities	$ 80,954	$ 56,985
Interest rate	$ 67,883	$ 73,391
Overall market risk value	$ 111,332	$ 108,770
Percentage of net value	0.40%	0.42%

	For the Year Ended December 31					
	2019			**2018**		
	Average	**Minimum**	**Maximum**	**Average**	**Minimum**	**Maximum**
Equities	$ 46,509	$ 24,103	$ 94,323	$ 103,248	$ 40,942	$ 236,786
Interest rate	96,568	40,893	164,482	72,155	23,926	113,635

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 40.

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

	December 31	
	2019	**2018**
Futures and options	$ 26,748	$ 19,420
Warrants	25,352	18,812
Interest rate swaps	4,304	3,726
Cross currency swaps	2,033	4,864
Currency swaps	340	252
Asset swap options	17,335	15,988
Equity-linked notes	1,480	1,291
Credit-linked notes	344	529
Principal-guaranteed notes	395	28
Issuance of ETNs	21	-
Forward exchange	1,228	-

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			
	2019		2018	
	Carrying Value	**Max. Credit Exposure Amount**	**Carrying Value**	**Max. Credit Exposure Amount**
Interest rate swaps	$ 717,205	$ 870,106	$ 426,348	$ 598,537
Cross currency swaps	29,801	29,801	65,336	65,336
Asset swap options	203,275	254,499	33,988	50,171
	$ 950,281	$1,154,406	$ 525,672	$ 714,044

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. Debt instruments 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, 2019, 51% in the financial service sector and 17% in the electronic industry. In addition, the transaction amounts for trading objects with credit ratings of TWA+ and above has a market share of 87%.

The investment targets of the Group's debt instruments at fair value through other comprehensive income are limited to the domestic and foreign currency bonds approved by the authorities, and should have a rating of at least BBB+ from the latest external credit rating agency or a minimum of H3 from the internal financial holding department. The risk management department includes the investment positions in the control and management of the credit risk limits on a daily basis to ensure the debt security of the investment positions in the debt instruments measured at FVTOCI.

iv. Brokerage business, financing business and the related credit business

The Group uses the financing concentration system and the Merton's probability default (PD) model to monitor individual stock that has a higher default risk, and analyze any abnormal conditions to control the default risk. The controls of the financing business and the brokerage related credit business (including securities business money lending, securities lending, money lending - any use, etc.) are as follows:

i) Concentration control: In addition to risk grading individual stock and setting the number of individual stock financing (accommodation) and credit limit of individual stock in the whole company, credit limits for the counterparties and related accounts are also set.

ii) High-risk stock control: Regularly review the list of high-risk stock and dynamically adjust the number of high-risk stock financing, financing purchase quota and individual credit limits.

v. Security borrowing collateral price and securities borrowing margin

Refundable margin deposits refer to the transaction margin deposits placed with the TWSE and creditworthy domestic and foreign financial institutions; hence, the loss from credit risk is very low. Security borrowing collateral price refers to the transaction deposits placed by creditworthy securities firms for hedging transactions involving warrants and margin trading.

vi. Guarantee deposits 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, 2019 and 2018, the credit lines unused were $82,244,438 thousand and $73,406,782 thousand, respectively.

The table below shows the analysis of the remaining contractual maturities for financial liabilities as of December 31, 2019 and 2018:

	Payment Period				
December 31, 2019	**Current Period**	**First 3 to 12 Months**	**1 Year to 5 Years**	**Over 5 Years**	**Total**
Current borrowings	$ 929,053	$ -	$ -	$ -	$ 929,053
Commercial paper payable	6,650,000	-	-	-	6,650,000
Current financial liabilities at FVTPL	8,717,625	165,981	799,343	-	9,682,949
Bonds sold under repurchase agreements	31,369,425	737,278	-	-	32,106,703
Securities financing refundable deposits	2,087,780	-	-	-	2,087,780
Deposits payable for securities financing	2,435,383	-	-	-	2,435,383
Securities lending refundable deposits	2,002,219	-	-	-	2,002,219
Futures traders' equity	16,759,682	-	-	-	16,759,682
Equity for each customer in the account	248,003	-	-	-	248,003
Notes and accounts payable	18,146,319	-	-	-	18,146,319
Other payables	1,276,989	-	-	-	1,276,989
Lease liabilities	63,940	176,248	562,047	47,387	849,622
Long - term liabilities - current portion	6,715	3,020,803	-	-	3,027,518
Long - term borrowings	906,155	-	-	-	906,155
	$ 91,599,288	$ 4,100,310	$ 1,361,390	$ 47,387	$ 97,108,375

As of December 31, 2019, none of the Group's lease contracts had remaining lease terms exceeding 10 years.

	Payment Period				
December 31, 2018	**Current Period**	**First 3 to 12 Months**	**1 Year to 5 Years**	**Over 5 Years**	**Total**
Current borrowings	$ 1,494,483	$ -	$ -	$ -	$ 1,494,483
Commercial paper payable	8,600,000	-	-	-	8,600,000
Current financial liabilities at FVTPL	2,797,625	45,254	324,994	-	3,167,873
Bonds sold under 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
	$ 79,827,353	$ 941,586	$ 3,345,797	$ -	$ 84,114,736

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, 2019				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at FVTPL	$ 17,438,014	$ 16,716,022	$ 17,438,014	$ 16,716,022	$ 721,992
Financial assets at FVTOCI	8,745,595	8,127,947	8,745,595	8,127,947	617,648
Bond investments under resale agreements	6,975,447	7,181,805	6,975,447	7,181,805	(206,358)

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
Transactions under repurchase agreements					
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)

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 sheets.

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, 2019

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	$ 981,239	$ -	$ 981,239	$ 437,753	$ -	$ 543,486
Bond investments under resale agreements	7,599,545	-	7,599,545	7,599,545	-	-
Accounts receivable for sale of securities	4,015,852	2,588,158	1,427,694	-	-	1,427,694
	$ 12,596,636	$ 2,588,158	$ 10,008,478	$ 8,037,298	$ -	$ 1,971,180

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	$ 1,039,709	$ -	$ 1,039,709	$ 437,752	$ -	$ 601,957
Bonds sold under repurchase agreements	32,025,774	-	32,025,774	29,342,710	-	2,683,064
Accounts payable for securities purchased	3,868,940	2,588,158	1,280,782	-	-	1,280,782
	$ 36,934,423	$ 2,588,158	$ 34,346,265	$ 29,780,462	$ -	$ 4,565,803

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
	$ 7,052,456	$ 2,289,901	$ 4,762,555	$ 3,581,664	$ -	$ 1,180,891

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
Bonds sold under 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
	$ 27,973,025	$ 2,289,901	$ 25,683,124	$ 21,521,493	$ -	$ 4,161,631

36. FINANCIAL RATIO RESTRICTIONS BASED ON THE FUTURES TRADING ACT

a. The financial ratios of the Corporation's futures department and SinoPac Futures which are all in compliance with the restrictions of the Futures Trading Act are summarized as follows:

1) The Corporation futures department

	Calculation Formula	Equation	Ratio	Benchmark	Status of compliance
		December 31, 2019			
a)	Stockholder's equity / Total liabilities less futures trader's equity	$391,408 / $806	= 485.62	≧1	In compliance
b)	Current assets / Current liabilities	$381,614 / $255	= 1,496.53	≧1	In compliance
c)	Stockholder's equity / Minimum paid-in capital	$391,408 / $400,000	= 98%	≧60% ≧40%	In compliance
d)	Adjusted net capital / Amount of customers' margin accounts for open position of futures customers	$385,615 / $2,100	= 18,363%	≧20% ≧15%	In compliance

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

2) SinoPac Futures

	Calculation Formula	December 31, 2019 Equation	Ratios	Benchmark	Status of compliance
a)	Stockholder's equity / Total liabilities less futures trader's equity	$2,608,111 / $110,643	= 23.57	≧1	In compliance
b)	Current assets / Current liabilities	$18,703,227 / $16,637,163	= 1.12	≧1	In compliance
c)	Stockholder's equity / Minimum paid-in capital	$2,608,111 / $715,000	= 365%	≧60% ≧40%	In compliance
d)	Adjusted net capital / Amount of customers' margin accounts for open position of futures customers	$2,402,742 / $3,779,510	= 64%	≧20% ≧15%	In compliance

	Calculation Formula	December 31, 2018 Equation	Ratios	Benchmark	Conclusion
a)	Stockholder's equity / Total liabilities less futures trader's equity	$2,464,274 / $172,732	= 14.27	≧1	Conformity
b)	Current assets / Current liabilities	$18,276,377 / $16,368,492	= 1.12	≧1	Conformity
c)	Stockholder's equity / Minimum paid-in capital	$2,464,274 / $715,000	= 345%	≧60% ≧40%	Conformity
d)	Adjusted net capital / Amount of customers' margin accounts for open position of futures customers	$2,269,751 / $3,517,801	= 65%	≧20% ≧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, 2019 and 2018 were in conformity with the benchmark stipulated in the Regulations Governing Managed Futures Enterprises.

Calculation Formula	December 31, 2019 Equation	December 31, 2019 Ratios	December 31, 2018 Equation	December 31, 2018 Ratios	Benchmark
Amount of discretionary investment account / Stockholder's equity	$169,200 / $98,845	= 1.71	$121,900 / $103,323	= 1.18	≦10.00

37. 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, 2019 and 2018, 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, 2019 and 2018, the outstanding futures and options held by customers of SinoPac Futures and SinoPac Securities (Asia) were as follows:

	December 31	
	2019	**2018**
Futures - carrying value	$ 11,426,961	$ 38,406,193
- unrealized gains (losses) from outstanding contracts	(187,352)	698,666
Options - market value of long options	509,537	94,481
- market value of short options	(73,855)	(78,576)
Customers' margin accounts	16,759,682	16,259,506

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.

38. SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision marker 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	The Corporation	SinoPac Future Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
	For the Year Ended December 31, 2019						
Revenue	$ 7,349,379	$ 976,087	$ 1,098,164	$ 236,330	$ 9,659,960	$ (242,380)	$ 9,417,580
Expenditure and expense	(5,871,718)	(791,599)	(1,215,329)	(313,163)	(8,191,809)	275,936	(7,915,873)
Other gains and losses	462,609	235,115	157,073	(39,741)	815,056	(290,296)	524,760
Profit (loss) before tax	1,940,270	419,603	39,908	(116,574)	2,283,207	(256,740)	2,026,467
Income tax expense	(36,188)	(83,178)	-	(3,019)	(122,385)	-	(122,385)
Profit (losses)	$ 1,904,082	$ 336,425	$ 39,908	$ (119,593)	$ 2,160,822	$ (256,740)	$ 1,904,082

Item	The Corporation	SinoPac Future Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
	For the Year Ended December 31, 2018						
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

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.

39. ADDITIONAL DISCLOSURES

a. The significant transactions:

1) Financing provided to others: Table 1.

2) Endorsements/guarantees 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 on investees: Table 4.

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

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

40. 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 Financial Consulting (Shanghai), SinoPac International Holdings, 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 14.

c. Securities held: Tables 15 to 16.

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.

41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

Unit: Foreign Currencies/New Taiwan Dollars in Thousands

	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 1,347,549	30.091	$ 40,550,694
NTD	1,611,825	1.000	1,611,825
HKD	287,574	3.852	1,107,738
CNY	639,832	4.320	2,764,793
EUR	109,900	33.724	3,706,381
AUD	31,747	21.098	669,800
JPY	5,651,802	0.276	1,562,115
ZAR	60,851	2.143	130,380

(Continued)

	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 1,195,728	30.091	$ 35,979,195
NTD	1,107,200	1.000	1,107,200
HKD	261,846	3.852	1,008,240
CNY	262,169	4.320	1,132,368
EUR	104,718	33.724	3,531,359
AUD	23,869	21.098	503,578
JPY	5,466,733	0.276	1,510,840

(Concluded)

	December 31, 2018		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial assets			
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
Financial liabilities			
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

Except for the information summarized above, the Group still had undue currency swap contracts as of December 31, 2019 and 2018. For information on outstanding currency swap contracts, refer to Note 7.

The foreign currency exchange gains and losses for the years ended 2019 and 2018 recognized were a loss of $44,529 thousand and a gain of $223,104 thousand, respectively.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 3,706,206 (Note 1)	$ 3,553,240 (Note 1)	$ 903,366 (Note 1)	3.4%	Short-term financing	$ -	Operating turnover	$ -	-	$ -	$ 3,416,325 (Note 1)	$ 3,416,325 (Note 1)

Note 1: In January, March and June 2019, the Board of SinoPac Securities (Cayman) approved the credit lines of US$46,000 thousand, US$42,000 thousand and US$30,000 thousand, respectively, to SinoPac Securities (Asia). The highest balance and the ending balance were determined based on the credit line of US$118,000 thousand (approximately NT$3,707,206 thousand and NT$3,553,240, 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, 2019, which was US$113,453 thousand (approximately NT$3,416,325 thousand). As of December 31, 2019, the actual borrowing amount was US$30,000 thousand (approximately NT$903,366 thousand) that was eliminated in the consolidated report.

Note 2: The above-mentioned funds and loans approved in June 2019 will be US$30,000 thousand is approval by the competent authority, and will also cancel the fund loan and the amount of US$46,000 thousand in January 2020, and the fund loan and quota will be reduced to US$72,000 thousand.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE ISSUED CAPITAL
DECEMBER 31, 2019
(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	$ 196,007 (Note 1)	-	$ -	-	$ -	$ -
SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiary of SinoPac Securities (Cayman)	903,366 (Note 2)	-	-	-	-	-

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 financing, and it was eliminated in the consolidated report.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Transaction Company	Counterparty	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	$ 7,556	Based on contract	0.01
		SinoPac Futures	〃	Futures trading margin	411,666	Based on contract	0.33
		SinoPac Futures	〃	Notes and accounts payable	6,292	Based on contract	0.01
		SinoPac Futures	〃	Future commission revenue	98,840	Based on contract	1.05
		SinoPac Futures	〃	Proprietary handling fee expense	11,626	Based on contract	0.12
		SinoPac Futures	〃	Other gains and losses - rent revenue	6,784	Based on contract	0.07
		SinoPac Securities Investment Service	〃	Other operating expense - professional service fees	92,250	Based on contract	0.98
		SinoPac Securities (Asia)	〃	Brokerage handling fee revenue	5,425	Based on contract	0.06
		SinoPac Securities (Europe)	〃	Brokerage handling fee expense	9,573	Based on contract	0.10
1	SinoPac Futures	The Corporation	Parent company	Right-of-use assets	5,615	Based on contract	0.00
		The Corporation	〃	Current lease liabilities	5,636	Based on contract	0.00
		The Corporation	〃	Financial cost - interest of lease liability	68	Based on contract	0.00
		The Corporation	〃	Notes and accounts payable	7,556	Based on contract	0.01
		The Corporation	〃	Futures traders’ equity	411,666	Based on contract	0.33
		The Corporation	〃	Notes and accounts receivable	6,292	Based on contract	0.01
		The Corporation	〃	Future commission expense	98,840	Based on contract	1.05
		The Corporation	〃	Brokerage handling fee revenue	11,626	Based on contract	0.12
		The Corporation	〃	Depreciation and amortization expense	6,737	Based on contract	0.07
		SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Customers’ margin accounts	1,319,395	Based on contract	1.05
		SinoPac Securities (Asia)	〃	Futures traders’ equity	303,610	Based on contract	0.24
		SinoPac Securities (Asia)	〃	Brokerage handling fee revenue	11,406	Based on contract	0.12
		SinoPac Securities (Asia)	〃	Brokerage handling fee expense	5,936	Based on contract	0.06
2	SinoPac Securities Investment Service	The Corporation	Parent company	Revenue from advisory	92,250	Based on contract	0.98
3	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Other receivables	903,366	Based on contract	0.72
		SinoPac Securities (Asia)	〃	Other gains and losses - financial income	39,573	Based on contract	0.42
4	SinoPac Securities (Europe)	The Corporation	Parent company	Brokerage handling fee revenue	9,573	Based on contract	0.10

(Continued)

No.	Transaction Company	Counterparty	Relationship with Transaction Company	Description of Transactions			
				Financial Statement Account	**Transaction Amount**	**Transaction Terms**	**Percentage to Consolidated Revenue/Assets (%)**
5	SinoPac Securities (Asia)	The Corporation	Parent company	Brokerage handling fee expense	$ 5,425	Based on contract	0.06
		SinoPac Futures	Subsidiaries to subsidiaries	Futures traders’ equity	1,319,395	Based on contract	1.05
		SinoPac Futures	〃	Customers’ margin accounts	303,610	Based on contract	0.24
		SinoPac Futures	〃	Brokerage handling fee expense	11,406	Based on contract	0.12
		SinoPac Futures	〃	Brokerage handling fee revenue	5,936	Based on contract	0.06
		SinoPac Securities (Cayman)	〃	Long-term borrowings	903,366	Based on contract	0.72
		SinoPac Securities (Cayman)	〃	Finance costs	39,573	Based on contract	0.42
		SinoPac Capital (Asia)	〃	Notes and accounts receivable	41,636	Based on contract	0.03
		SinoPac Capital (Asia)	〃	Notes and accounts payable	22,862	Based on contract	0.02
		SinoPac Capital (Asia)	〃	Other operating income-Administrative fee revenue	92,101	Based on contract	0.98
6	SinoPac Capital (Asia)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Notes and accounts payable	41,636	Based on contract	0.03
		SinoPac Securities (Asia)	〃	Notes and accounts receivable	22,862	Based on contract	0.02
		SinoPac Securities (Asia)	〃	Other operating expense-Administrative fee expense	92,101	Based on contract	0.98
7	SinoPac International Holdings	SinoPac Services (Brokers)	Subsidiaries to subsidiaries	Other receivables	88,002	Based on contract	0.07
8	SinoPac Services (Brokers)	SinoPac International Holdings	Subsidiaries to subsidiaries	Other payables	88,002	Based on contract	0.07

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Date of Incorporation	Financial Supervisory Commission Approval Date and Ref. No	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Operating Revenues (Loss) of the Investee	Net Income (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2019	December 31, 2018	Number of 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	100.00	$ 2,608,902	$ 968,094	$ 336,425	$ 336,447	$ 194,881	Subsidiary (Note 3)
	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	100.00	3,416,328	(12,746)	(94,752)	(94,749)	-	Subsidiary (Note 3)
	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	100.00	179,250	110,293	7,296	7,406	8,147	Subsidiary (Note 3)
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	100.00	54,356	14,574	(7,870)	(7,870)	-	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	100.00	3,407,901	858,201	39,909	24,390	-	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	100.00	239,804	96,508	(28,640)	(28,640)	-	Indirect subsidiary
	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	100.00	59,436	(60)	(626)	(626)	68,534	Indirect subsidiary (Note 1)
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	100.00	1,710,190	290,261	115,980	115,980	-	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 service	79,292	79,292	46,800,000	100.00	118,018	72,197	24,408	24,408	-	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 oversea stock	-	-	2	100.00	-	-	-	-	-	Indirect subsidiary
SinoPac International Holdings	SinoPac Service (Brokers)	Hong Kong	September 3, 1996	January 4, 2016 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1040050641	In the process of liquidation	(74,193)	(74,193)	10,000	100.00	(88,030)	-	(60)	(60)	-	Indirect subsidiary (Notes 1 and 2)

Note 1: The original investment amount of SinoPac International Holdings was the acquisition price on April 4, 2016, and the original investment amount of its subsidiaries was the carrying amount on that date.

Note 2: SinoPac Service (Brokers) was approved by the FSC in December 2018 to liquidate, and it was still under the process of liquidation.

Note 3: The investment gains and losses recognized in the current period and the carrying amount at the end of the period are included in the amount representing the difference between the adjusted individual and the consolidated basis of accounting treatments as a result of applying IFRS 16.

TABLE 5

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

INFORMATION ON OVERSEAS BRANCHES AND REPRESENTATIVE OFFICES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Overseas Branch or Representative Office	Location	Date of Incorporation	Financial Supervisory Commission Approval Date and Ref. No	Main Businesses and Products	Operating Revenue	The Branch's Profit or Loss for the Period	Operating Capital				Significant Transactions with the Head Office	Note
							December 31, 2018	Increase in Operating Capital	Decrease in Operating Capital	December 31, 2019		
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	$ -	$ (18,417)	$ -	$ -	$ -	$ -	-	

TABLE 6

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 1)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
SinoPac Financial Consulting (Shanghai)	Management consulting, investment and information consulting	$ 60,224 (US$ 2,000 thousand)	Investment in Mainland China directly	$ 60,224 (US$ 2,000 thousand)	$ -	$ -	$ 60,224 (US$ 2,000 thousand)	$ 4,999	100.00%	$ 4,999	$ 56,397	$ -
Beijing Shengzhuang Household Chemicals Ltd.	Processing production development of cosmetics and sale of sell-made product	234,706 (CNY 54,300 thousand)	Indirect investment in Mainland China through a third-area (Hyun Xing Investment Ltd.)	25,031 (US$ 831 thousand)	-	-	25,031 (US$ 831 thousand)	2	1.2635%	-	25,031	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$85,255 (US$2,831 thousand)	$97,770 (US$3,247 thousand)	$11,115,930

Note 1: The recognition of share of profit or loss of SinoPac Financial Consulting (Shanghai) as of December 31, 2019 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 2019.

TABLE 7

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

BALANCE SHEET
DECEMBER 31, 2019
(In U.S. Dollars)

ASSETS	**Amount**	**%**
CURRENT ASSETS		
Cash and cash equivalents	$ 191,416	-
Other receivables	30,000,001	19
Prepayments	120,580	-
Total current assets	30,311,997	19
NON-CURRENT ASSETS		
Investments accounted for using the equity method	124,916,022	81
TOTAL	$ 155,228,019	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current borrowings	$ 11,700,000	8
Other payables	74,846	-
Total current liabilities	11,774,846	8
NON-CURRENT LIABILITIES		
Long-term borrowings	30,000,000	19
Total liabilities	41,774,846	27
EQUITY		
Capital stock	137,752,581	89
Capital surplus	4,220,663	3
Accumulated deficit	(27,681,181)	(18)
Exchange differences on translation of foreign financial statements	(985,834)	(1)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	146,944	-
Total equity	113,453,173	73
TOTAL	$ 155,228,019	100

TABLE 8

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.

BALANCE SHEET
DECEMBER 31, 2019
(In CNY)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	$ 12,850,434	86
Prepayments	126,977	1
Other receivables	195,681	1
Total current assets	13,173,092	88
NON-CURRENT ASSETS		
Right-of-use assets	1,652,607	11
Guarantee deposits paid	107,649	1
Total non-current assets	1,760,256	12
TOTAL	$ 14,933,348	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	$ 256,855	2
Current lease liabilities	294,114	2
Other current liabilities	3,046	-
Total current liabilities	554,015	4
NON-CURRENT LIABILITIES		
Non-current lease liabilities	1,331,852	9
Total liabilities	1,885,867	13
EQUITY		
Capital stock	12,220,600	82
Retained earnings	826,881	5
Total equity	13,047,481	87
TOTAL	$ 14,933,348	100

TABLE 9

SINOPAC INTERNATIONAL HOLDINGS LTD.

BALANCE SHEET
DECEMBER 31, 2019
(In H.K. Dollars)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	$ 15,539,060	100
Other receivables	9,178	-
Total current assets	15,548,238	100
TOTAL	$ 15,548,238	100
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	$ 171,166	1
Current tax liabilities	2,507	-
Total current liabilities	173,673	1
NON-CURRENT LIABILITIES		
Credit balance of investments accounted for using the equity method	7,300	-
Total liabilities	180,973	1
EQUITY		
Capital stock	15,488,000	100
Accumulated deficit	(120,735)	(1)
Total equity	15,367,265	99
TOTAL	$ 15,548,238	100

Note: As of December 31, 2019, the investment accounted for using equity method was the credit balance of HK$22,760,347; therefore, SinoPac International Holdings reclassified HK$22,753,047 of other receivables from its subsidiaries.

TABLE 10

SINOPAC SERVICES (BROKERS) LTD.

BALANCE SHEET
DECEMBER 31, 2019
(In H.K. Dollars)

LIABILITIES AND EQUITY	**Amount**	**%**
CURRENT LIABILITIES		
Other payables to related parties	$ 22,753,047	100
Other payables	7,300	-
Total current liabilities	22,760,347	100
Total liabilities	22,760,347	100
EQUITY		
Capital stock	10,000	-
Accumulated deficit	(22,770,347)	(100)
Total equity	(22,760,347)	(100)
TOTAL	$ -	-

Note: SinoPac Service (Brokers) obtained approval for liquidation from the FSC in December 2018, and is currently still in the process of liquidation.

TABLE 11

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In U.S. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Financing costs	$ (1,730,156)	(57)
Operating expense	(33,190)	(1)
Total expenditure and expense	(1,763,346)	(58)
NET OPERATING LOSS	(1,763,346)	(58)
NON-OPERATING INCOME AND EXPENSES		
Share of profit (loss) of subsidiaries accounted for using the equity method	(412,143)	(13)
Other gains and losses	(888,136)	(29)
Total non-operating income and expenses	(1,300,279)	(42)
LOSS FOR THE YEAR	(3,063,625)	(100)
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation of foreign financial statements	759,492	25
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	146,944	5
Other comprehensive income for the year	906,436	30
TOTAL COMPREHENSIVE INCOME	$ (2,157,189)	(70)

TABLE 12

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In CNY)

	Amount	%
REVENUE		
Revenue from advisory services	$ 3,511,260	100
EXPENDITURE AND EXPENSE		
Employee benefits expenses	(597,772)	(17)
Depreciation and amortization expenses	(826,361)	(23)
Other operating expense	(826,080)	(24)
Total expenditure and expense	(2,250,213)	(64)
NET OPERATING GAIN	1,261,047	36
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	106,311	3
PROFIT BEFORE TAX	1,367,358	39
INCOME TAX EXPENSE	(250,449)	(7)
PROFIT AND TOTAL COMPREHENSIVE INCOME	$ 1,116,909	32

TABLE 13

SINOPAC INTERNATIONAL HOLDINGS LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In H.K. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Other operating expense	$ (117,150)	(74)
NET OPERATING LOSS	(117,150)	(74)
NON-OPERATING INCOME AND EXPENSES		
Share of profit (loss) of subsidiaries accounted for using the equity method	(15,107)	(10)
Other gains and losses	(26,288)	(16)
Total non-operating income and expenses	(41,395)	(26)
LOSS AND TOTAL COMPREHENSIVE INCOME	$ (158,545)	(100)

TABLE 14

SINOPAC SERVICES (BROKERS) LTD.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In H.K. Dollars)

	Amount	%
EXPENDITURE AND EXPENSE		
Depreciation and amortization expense	$ (3,784)	(25)
Other operating expense	(96,405)	(638)
Total expenditure and expense	(100,189)	(663)
NET OPERATING LOSS	(100,189)	(663)
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	85,082	563
LOSS AND TOTAL COMPREHENSIVE INCOME	$ (15,107)	(100)

TABLE 15

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In U.S. Dollars, Unless Stated Otherwise)

Name and Type of Marketable Securities	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
			Number of Shares	Carrying Value	Percentage of Ownership (%)	Net Equity	
Stock							
SinoPac Securities (Europe)	Subsidiary	Investments accounted for using the equity method	2,000,000	$ 1,805,106	100.00	$ 1,805,106	
SinoPac Securities (Asia)	Subsidiary	Investments accounted for using the equity method	82,106	113,173,425	100.00	110,037,360	
SinoPac Asset Management (Asia)	Subsidiary	Investments accounted for using the equity method	95,550,000	7,963,673	100.00	7,963,673	
SinoPac International Holdings	Subsidiary	Investments accounted for using the equity method	2,000,000	1,973,818	100.00	1,973,818	

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

SINOPAC INTERNATIONAL HOLDINGS LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In H.K. Dollars, Unless Stated Otherwise)

Name and Type of Marketable Securities	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
			Number of Shares	Carrying Value	Percentage of Ownership (%)	Net Equity	
Stock							
SinoPac Services (Brokers)	Subsidiary	Investments accounted for using the equity method	10,000	$ (22,760,347)	100.00	$ (22,760,347)	Note 2

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

Note 2: SinoPac Service (Brokers) obtained approval for liquidation from the FSC in December 2018, and is currently still in the process of liquidation.