Cathay Securities Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Securities Corporation

Opinion

We have audited the accompanying consolidated financial statements of Cathay Securities Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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, and 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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows:

<u>Revenue Recognition - Brokerage Fee Revenue</u>

The Group's main source of revenue is brokerage fee revenue, which is not calculated based on a standard rate but individually determined based on product and customer type. Hence, there may be a risk that the brokerage fee revenue would not be calculated at the rate approved by the authorities. Therefore, we determined the recognition of brokerage fee revenue as a key audit matter.

We carried out tests on the controls to understand the approval of the Group's brokerage fee rate and the design and implementation of the change process and related control standards. In addition, testing on the brokerage fee revenue was carried out, where we obtained the detailed receipts of the brokerage fee revenue and checked its completeness; and selected samples and checked the various transaction reports of marketable securities and certificates related to brokerage fee revenue as well as recalculated the brokerage fee revenue to verify the accuracy of the recognized revenue.

Other Matter

We have also audited the parent company only financial statements of Cathay Securities Corporation as of and for the years ended December 31, 2020 and 2019 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, and 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, 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 supervisors, 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and 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, 2020 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 audits resulting in this independent auditors' report are Chih-Ming Shao and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2021

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 consolidated 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.

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	$ 4,872,595	8	$ 2,598,923	7
Financial assets at fair value through profit or loss (Notes 4, 7, 29 and 30)	12,018,646	19	10,327,152	29
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 28)	2,218,853	3	2,065,100	6
Securities margin loans receivable (Notes 4, 9 and 28)	5,179,642	8	3,301,187	9
Margin deposits for securities refinancing (Note 4)	16,517	-	23,325	-
Collateral for securities refinancing (Note 4)	14,007	-	19,564	-
Margin loans receivable - any use (Notes 4 and 28)	284,088	-	167,277	-
Customer margin accounts (Notes 4, 10 and 29)	13,222,279	20	7,366,953	20
Collateral for securities borrowed (Note 4)	44,419	-	123,587	-
Deposits for securities borrowed (Note 4)	6,239,651	10	1,148,169	3
Accounts receivable (Notes 4, 11 and 28)	14,844,880	23	5,413,839	15
Accounts receivable from related parties (Notes 4 and 11)	125	-	275	-
Prepayments	41,315	-	28,456	-
Other receivables (Notes 4, 11 and 28)	268,554	-	178,580	1
Other receivables from related parties (Notes 4 and 11)	1,890	-	2,173	-
Current tax assets (Notes 4 and 24)	93	-	87	-
Payments from custody of underwriting securities (Note 28)	1,234,661	2	33	-
Other current assets - others (Notes 4, 17 and 30)	2,064,128	3	1,266,062	4
Total current assets	62,566,343	96	34,030,742	94
NON-CURRENT ASSETS (Note 4)				
Financial assets at fair value through other comprehensive income (Note 8)	643,367	1	537,965	1
Property, plant and equipment (Note 13)	284,444	1	189,382	1
Right-of-use assets (Notes 14 and 29)	94,310	-	125,681	-
Investment properties (Notes 15 and 30)	291,175	1	290,341	1
Intangible assets (Notes 16 and 29)	88,750	-	90,556	-
Deferred tax assets (Note 24)	18,643	-	27,954	-
Other non-current assets (Notes 11, 17, 28, 29 and 30)	885,283	1	913,067	3
Total non-current assets	2,305,972	4	2,174,946	6
TOTAL	$ 64,872,315	100	$ 36,205,688	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	$ 1,657,576	3	$ 2,201,364	6
Commercial paper payable (Note 18)	1,269,918	2	5,538,845	15
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	15,745,711	24	2,961,544	8
Liabilities for bonds with repurchase agreements (Notes 4, 8 and 19)	2,207,506	3	2,098,081	6
Short sale margins (Note 4)	667,579	1	477,788	1
Payables for short sale collateral received (Note 4)	721,657	1	522,959	2
Deposits for securities lending (Note 4)	129,750	-	-	-
Futures traders' equity (Notes 4, 10 and 29)	13,215,030	20	7,358,470	21
Equity for each customer in the account	11,744	-	9,161	-
Notes payable	1,392	-	1,386	-
Notes payable to related parties	4,489	-	4,560	-
Accounts payable	14,939,798	23	5,426,574	15
Receipt under custody	1,330,359	2	32,827	-
Other payables	871,131	1	602,039	2
Other payables to related parties (Note 29)	295,341	1	114,915	-
Other financial liabilities (Notes 4 and 20)	286,668	1	67,179	-
Current tax liabilities (Notes 4 and 24)	3,381	-	-	-
Lease liabilities (Notes 4, 14 and 29)	63,707	-	77,182	-
Other current liabilities	5,265	-	3,343	-
Total current liabilities	53,428,002	82	27,498,217	76
NON-CURRENT LIABILITIES (Note 4)				
Lease liabilities (Notes 14 and 29)	31,495	-	49,488	-
Deferred tax liabilities (Note 24)	6,765	-	6,832	-
Guarantee deposits received	1,675	-	1,675	-
Net defined benefit liabilities (Note 21)	34,290	-	32,692	-
Total non-current liabilities	74,225	-	90,687	-
Total liabilities	53,502,227	82	27,588,904	76
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 22)				
Share capital	7,300,000	11	6,000,000	17
Capital surplus	898,167	2	498,167	1
Retained earnings				
Legal reserve	345,151	1	275,144	1
Special reserve	786,828	1	646,594	2
Unappropriated retained earnings	1,494,264	2	737,126	2
Total retained earnings	2,626,243	4	1,658,864	5
Other equity				
Exchange differences on translating foreign operations	(70,812)	-	(47,922)	-
Unrealized gain on investments in financial assets at fair value through other comprehensive income	629,394	1	516,771	1
Remeasurement of defined benefit plans	(13,050)	-	(9,230)	-
Total other equity	545,532	1	459,619	1
Total equity attributable to shareholders of the parent	11,369,942	18	8,616,650	24
NON-CONTROLLING INTERESTS (Notes 4 and 22)	146	-	134	-
Total equity	11,370,088	18	8,616,784	24
TOTAL	$ 64,872,315	100	$ 36,205,688	100

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

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
REVENUE (Note 4)				
Brokerage handling fee revenue (Notes 23 and 29)	$ 3,746,572	65	$ 2,552,943	67
Revenue from borrowed securities	30,593	1	24,207	1
Revenue from the underwriting business (Notes 23 and 29)	65,103	1	44,594	1
Net gains from sale of securities held for operations (Note 23)	1,554,671	27	1,474,671	39
Interest income (Notes 23 and 29)	239,382	4	202,908	5
Dividend income	266,475	5	408,030	11
Net gains from measurement at fair value through profit or loss for securities held for operations (Note 23)	201,974	4	378,998	10
Net gains (losses) on the covering of securities borrowing and short sales of bonds with reverse repurchase agreements	(692,069)	(12)	40,417	1
Net losses on measurement at fair value through profit or loss for securities borrowing and short sales of bonds with reverse repurchase agreements	(2,151,926)	(38)	(534,067)	(14)
Realized gains from debt instruments at fair value through other comprehensive income	19,984	-	36,659	1
Futures trading margin - net gains (losses) from marketable securities measured at fair value through profit or loss	(14,843)	-	14,843	-
Net gains (losses) from issuance of call (put) warrants (Notes 7 and 23)	92,135	2	(33,603)	(1)
Net gains (losses) from derivative financial instruments - futures (Notes 7 and 23)	2,246,695	39	(888,863)	(23)
Net gains from derivative financial instruments - OTC (Note 23)	100,125	2	31,602	1
Advisory fee revenue	6,585	-	1,011	-
Gain on reversal of expected credit loss (Notes 8, 9, 11 and 28)	1,283	-	166	-
Other operating revenue (Notes 23 and 29)	23,722	-	33,284	1
Total revenue	5,736,461	100	3,787,800	100
COSTS AND EXPENSES				
Broker's exchange fee expenses (Note 23)	(215,433)	(4)	(134,365)	(4)
Dealer's exchange fee expenses (Note 23)	(32,240)	-	(20,689)	(1)
Refinancing handling fee expenses (Note 23)	(1,474)	-	(1,097)	-
Underwriting handling fee expenses (Note 23)	(652)	-	(1,496)	-
Finance costs (Note 4)	(51,862)	(1)	(85,454)	(2)
Loss from securities borrowing transactions	(180,139)	(3)	(57,115)	(2)

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CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
Futures commission expense	$ (39,138)	(1)	$ (42,130)	(1)
Clearing and settlement service fee expenses	(39,299)	(1)	(28,824)	(1)
Other operating expenses	(19,560)	-	(3,542)	-
Employee benefits expense (Notes 22 and 23)	(1,787,452)	(31)	(1,432,264)	(38)
Depreciation and amortization expense (Notes 14 and 23)	(179,520)	(3)	(170,307)	(4)
Other operating expenses (Notes 23 and 29)	(1,552,470)	(27)	(1,105,896)	(29)
Total costs and expenses	(4,099,239)	(71)	(3,083,179)	(82)
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of associates accounted for using the equity method (Notes 4 and 12)	-	-	(737)	-
Other gains and losses (Notes 4, 8, 16, 23 and 29)	106,659	2	110,982	3
Total non-operating income and expenses	106,659	2	110,245	3
INCOME BEFORE INCOME TAX	1,743,881	31	814,866	21
INCOME TAX EXPENSE (Notes 4 and 24)	276,496	5	114,791	3
NET INCOME	1,467,385	26	700,075	18
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,678)	-	(4,778)	-
Unrealized gain from equity instruments at fair value through other comprehensive income	105,402	2	211,429	6
Income tax expense relating to components that will not be reclassified subsequently to profit or loss (Note 24)	858	-	1,498	-
	101,582	2	208,149	6

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CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translation of the financial statements of foreign operations	$ (22,890)	(1)	$ (11,406)	-
Unrealized gain (loss) from debt instruments at fair value through other comprehensive income	7,231	-	(13,307)	(1)
Share of the other comprehensive income of associates accounted for using the equity method	-	-	773	-
	(15,659)	(1)	(23,940)	(1)
Other comprehensive income for the year, net of income tax	85,923	1	184,209	5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,553,308	27	$ 884,284	23
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	$ 1,467,379	26	$ 700,070	18
Non-controlling interests	6	-	5	-
	$ 1,467,385	26	$ 700,075	18
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	1,553,292	27	884,260	23
Non-controlling interests	16	-	24	-
	$ 1,553,308	27	$ 884,284	23
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	$ 2.19		$ 1.08	

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

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											
	Share Capital			Retained Earnings			Other Equity					
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences from Translation of the Financial Statements of Foreign Operations	Unrealized Gain from Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	570,009	$ 5,700,086	$ 491,766	$ 229,009	$ 551,599	$ 478,100	$ (37,289)	$ 318,668	$ (5,950)	$ 7,725,989	$ 114	$ 7,726,103
Appropriation and distribution of 2018 earnings												
Legal reserve	-	-	-	46,135	-	(46,135)	-	-	-	-	-	-
Special reserve	-	-	-	-	94,995	(94,995)	-	-	-	-	-	-
Share dividends of ordinary shares	29,991	299,914	-	-	-	(299,914)	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	700,070	-	-	-	700,070	5	700,075
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(10,633)	198,103	(3,280)	184,190	19	184,209
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	700,070	(10,633)	198,103	(3,280)	884,260	24	884,284
Share-based payment of Cathay Financial Holdings' common stock	-	-	6,401	-	-	-	-	-	-	6,401	-	6,401
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4)	(4)
BALANCE AT DECEMBER 31, 2019	600,000	6,000,000	498,167	275,144	646,594	737,126	(47,922)	516,771	(9,230)	8,616,650	134	8,616,784
Appropriation and distribution for 2019 earnings												
Legal reserve	-	-	-	70,007	-	(70,007)	-	-	-	-	-	-
Special reserve	-	-	-	-	140,234	(140,234)	-	-	-	-	-	-
Share dividends of ordinary shares	50,000	500,000	-	-	-	(500,000)	-	-	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	1,467,379	-	-	-	1,467,379	6	1,467,385
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(22,890)	112,623	(3,820)	85,913	10	85,923
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,467,379	(22,890)	112,623	(3,820)	1,553,292	16	1,553,308
Issuance of ordinary shares for cash	80,000	800,000	400,000	-	-	-	-	-	-	1,200,000	-	1,200,000
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4)	(4)
BALANCE AT DECEMBER 31, 2020	730,000	$ 7,300,000	$ 898,167	$ 345,151	$ 786,828	$ 1,494,264	$ (70,812)	$ 629,394	$ (13,050)	$ 11,369,942	$ 146	$ 11,370,088

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

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,743,881	$ 814,866
Adjustments for:		
Depreciation expense	147,598	139,485
Amortization expense	31,922	30,822
Expected credit loss reversed	(1,283)	(166)
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	736,447	(1,191,210)
Interest expense	51,862	85,454
Interest income (including finance income)	(312,983)	(282,694)
Dividend income	(280,522)	(426,632)
Compensation costs of share-based payments	-	6,401
Share of loss of associates accounted for using the equity method	-	737
Gain on disposal of property, plant and equipment, net	11	-
Loss on disposal of intangible assets	6,260	-
Gain on disposal of investments, net	(19,983)	(36,659)
Impairment loss on non-financial assets	-	8,629
Gain on changes in fair value of investment properties	(834)	-
Gain on modification of leases	(19)	(8)
Net changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(1,528,953)	(4,888,535)
Increase in securities margin loans receivable	(1,878,851)	(660,655)
Decrease (increase) in margin deposits for securities refinancing	6,808	(11,532)
Decrease (increase) in collateral for securities refinancing	5,557	(9,481)
Increase in margin loans receivable - any use	(116,823)	(100,396)
Increase in customer margin accounts	(5,855,326)	(1,519,123)
Decrease in collateral for securities borrowed	79,168	244,603
Decrease (increase) in deposits for securities borrowed	(5,091,482)	321,760
Increase in accounts receivable	(9,521,962)	(802,321)
Decrease (increase) in accounts receivable from related parties	150	(100)
Decrease (increase) in prepayments	(32,091)	1,092
Decrease (increase) in other receivables	76,164	(63,549)
Decrease (increase) in other receivables from related parties	128	(1,275)
Increase in other current assets	(809,396)	(536)
Increase (decrease) in liabilities for bonds with repurchase agreements	109,425	(1,234,447)
Increase in financial liabilities at fair value through profit or loss	11,860,577	1,047,516
Increase in short sale margins	189,791	114,820
Increase in payables for short sale collateral received	198,698	126,816
Increase (decrease) in deposits for securities lended	129,750	(13,159)
Increase in futures traders' equity	5,856,560	1,518,906
Increase in notes payable	6	16
Decrease in notes payable to related parties	(71)	(515)
Increase in accounts payable	9,602,754	744,963
Decrease in accounts payable to related parties	-	(2,728)

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CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Increase in receipt under custody	$ 62,904	$ 11,283
Increase in other payables	270,464	136,364
Increase in other payables to related parties	37,322	20,634
Increase (decrease) in net defined benefit liabilities	(3,080)	747
Increase (decrease) in other financial liabilities	219,188	(39,911)
Increase in equity for each customer in the account	2,583	1,508
Increase (decrease) in other current liabilities	1,922	(7,889)
Cash generated from (used in) operations	5,974,241	(5,916,099)
Interest received	311,313	299,146
Dividends received	280,938	425,815
Interest paid	(52,665)	(79,372)
Income tax paid	(273,315)	(55,305)
Net cash generated from (used in) operating activities	6,240,512	(5,325,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(34,845,034)	(34,784,719)
Disposal of financial assets at fair value through other comprehensive income	34,711,067	36,118,998
Net cash inflow from disposal of subsidiaries	-	9,329
Acquisition of property, plant and equipment	(42,901)	(35,474)
Acquisition of intangible assets	(26,198)	(35,233)
Increase in other non-current assets	(78,976)	(130,835)
Net cash generated from (used in) investing activities	(282,042)	1,142,066
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	31,837,228	25,402,919
Decrease in short-term loans	(32,317,565)	(23,491,483)
Increase in commercial paper payable	65,140,000	109,290,000
Decrease in commercial paper payable	(69,410,000)	(107,480,000)
Repayment of the principal of lease liabilities	(86,870)	(82,820)
Cash dividends paid	(4)	(4)
Issuance of ordinary shares for cash	1,200,000	-
Net cash generated from (used in) financing activities	(3,637,211)	3,638,612
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(47,587)	(14,028)

(Continued)

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 2,273,672	$ (559,165)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,598,923	3,158,088
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,872,595	$ 2,598,923

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

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

1. GENERAL INFORMATION

Cathay Securities Corporation (the "Company") was incorporated in Taipei on May 12, 2004 under the provisions of the Company Act (the "Company Act") of the Republic of China ("ROC") and started operations on August 13 of the same year. The Company is mainly engaged in the dealing, brokerage and underwriting of marketable securities, margin trading and short sale of marketable securities, provision of introducing brokerage services for futures, securities-related futures dealing and trust businesses on the centralized exchange and over-the-counter market. As of December 31, 2020, the Company had an offshore securities unit branch and 10 local branch offices.

The parent company and ultimate parent company of the Company is Cathay Financial Holdings Co., Ltd.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized on March 9, 2021.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) did not have material impact on the Group's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the amendments to the above standards and interpretations will not have a significant impact on the Group's financial position and financial performance.

c. New IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022; the amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above 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

a. 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 Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;

- Assets expected to be realized within 12 months after the reporting period; and

- 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

- Liabilities held primarily for the purpose of trading;

- Liabilities due to be settled within 12 months after the reporting period; and

- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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 Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Table 1 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (i.e. 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 on 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 translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Investments in associates

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

g. Property and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, the asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss of the period in which they arise.

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.

i. 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 (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 cash-generating unit 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 cash-generating unit 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 for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit 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.

j. Intangible assets

1) 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.

2) 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.

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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 cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of the cash-generating unit 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.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit 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 cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) 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.

i. 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, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. 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.

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 and trade receivables at amortized cost, 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.

Cash equivalents include time deposits with original maturities within 12 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.

iii. 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

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.

iv. 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.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. 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.

For 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):

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

ii. When a financial asset is due longer than the collection period as stated in the contract, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) 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.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognized in profit and loss. On derecognition of an investment in a debt instrument at FVTOCI in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit and loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, 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.

2) 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.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

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

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 liabilities.

Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

Derivatives are initially recognized at fair value at the date 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 hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments 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.

5) Offsetting of financial instruments

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

m. Purchase and sale of bonds under repurchase/reverse repurchase agreements

Repurchase and reverse repurchase bond transactions are deemed as financing activities, and their risk and rewards are shown as belonging to the seller after judgment. When a reverse repurchase transaction occurs, a “reverse repurchase bond investments” account is setup, and when a repurchase transaction occurs, a “repurchase bond liabilities” account is setup. The difference between the book value and the strike price is recognized as interest revenue or interest expense.

n. Margin loans and stock loans

Margin loans extended to stock investors are recorded as “receivable amount for margin loans” and the stocks purchased by the investors are held by the Group as collateral. The collateral is recorded in a memorandum and is returned to the investors when the loans are repaid.

Guarantee deposits received from stock investors on short sales are recorded as “securities financing guarantee deposits-in”. The proceeds from short sales (less the securities transaction tax and processing fees) are held by the Group as guarantee deposits and recorded as “deposit payable for securities financing”. The stocks lending to the investors are recorded in a memorandum. When the stocks are returned to the Group, the guarantee deposits and proceeds from the short sales are returned to the investors accordingly.

Loans borrowed by the Group from other securities lenders when the Group has insufficient funds to conduct margin trading are recorded as “margin loans from other securities lenders”. When the Group has insufficient stocks to conduct securities lending, the Group borrows stocks from other securities lenders and the guarantee deposits paid are recorded as “deposits paid to other securities lenders”. The proceeds from short sales are then paid to the securities lenders as additional guarantee deposits and are recorded as “securities refinancing margin deposits”.

o. Guaranteed price deposits for security borrowings and borrowing of marketable securities

The receivables generated by the borrowing of securities from securities investors are recognized as guaranteed price deposits; and the allowance for bad debt of the receivables are recognized based on lifetime expected credit losses (ECLs) The collateral obtained from the guaranteed price deposits of the securities business is recorded in a memorandum. Securities rented by the Group could be self-owned securities, securities borrowed from TWSE’s security borrowing system and guaranteed securities received from stock investors on short sales. If the securities rented out are self-owned securities, such securities should be reclassified as securities lending and measured at fair value at the date of measurement. If the securities rented are from TWSE’s security borrowing system, it only needs to be recorded in a memorandum. If the securities rented were received from stock investors on short sales as source of securities, it should be recorded in a memorandum when it is rented. The latter two sources of securities’ rental are not presented in the consolidated financial statements but only in the business report. If the collateral received from the borrowing of securities are marketable securities, it would only be recorded in a memorandum on an individual customer basis and related trading events should be recorded. If the collateral received is in the form of cash, it is recognized as deposits for securities borrowed as current liabilities. The handing fees and service fees are recognized as revenue from the borrowing of securities.

p. Client margin accounts

The Group is in the futures brokerage business, and collects margin payments, premiums and differences settled based on market prices, which includes bank deposits and balances settled by the futures clearing house and other futures commission merchants.

q. Futures clients' equity

The premium received from futures trading clients is recorded under futures clients' equity (liabilities). The difference between each day's market price and the related commission is reflected directly in the futures clients' equity.

r. Customer margin account for leverage contracts

In accordance with the Regulations Governing Leverage Transaction Merchants, margin deposits accounts refer to the guarantee deposits and premiums collected from the leveraged trader; the differences of daily evaluation are recognized in customer margin account for leverage contracts.

s. Leverage contract transaction traders' equity

Leverage contract transaction traders' equity is the trading margin/premiums deposited by customers; the differences of daily evaluation are recognized in leverage contract transaction traders' equity.

t. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The Group's contract revenue mainly comes from providing brokerage, underwriting and advisory services. The services are based on standalone or negotiated prices, and are based on the number of times services are provided. The services are considered as performance obligations that are satisfied at a point in time, hence, revenue is recognized when performance obligations are satisfied.

The majority of the contractual agreement price of the group is received on average during the contract period. The contracted asset is recognized when it has the right to transfer the service to the customer but has not yet received the unconditional consideration. In some contracts, since the contract is initially charged to the customer, the group is obligated to provide services after the contract and is recognized as a contract liability. The period in which the contract liability is transferred to income is usually not more than one year and does not result in a significant financial component.

u. Leases

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

1) The Group as lessor

   All leases are classified as operating 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.

2) 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 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.

Lease liabilities are initially measured at the present value of the lease payments. 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, 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.

v. Employee benefits

1) 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services 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 past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company’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.

w. Share-based payment arrangements

The ultimate parent company issued ordinary shares for cash which are reserved for the Group's employees. The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees have subscribed for is confirmed.

x. Taxation

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

1) Current tax

Income tax payable (recoverable) is based taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its subsidiaries jointly filed income tax returns and surtax on unappropriated retained earnings since 2005 under the consolidated income tax system with the Company as the tax payer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

2) 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. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforwards and unused tax credits 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 and interests 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 liabilities are settled or the assets are 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.

3) Current tax and deferred tax

Current tax 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 tax and deferred tax are also recognized in other comprehensive income.

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 relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 471	$ 452
Demand deposits	2,551,343	852,887
Checking accounts	12,124	8,917
Time deposits	1,371,561	1,703,682
Cash equivalents		
Futures trading excess margins	937,096	32,985
	$ 4,872,595	$ 2,598,923

The market rate intervals of time deposits at the end of the reporting period are as follows:

	December 31	
	2020	**2019**
Time deposits	0.05%-3.7%	0.14%-3.9%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2020	December 31 2019
Financial assets at fair value through profit or loss - current		
Financial assets mandatorily classified as at fair value through profit or loss		
Securities lending (a)	$ 112,858	$ 353,945
Open-end funds and currency market instruments (b)	50,097	14,918
Securities held for operations - dealing (c)	8,563,619	6,613,937
Securities held for operations - underwriting (d)	8,627	21,933
Securities held for operations - hedging (e)	1,802,997	2,103,633
Long options - futures (f)	35,075	35,370
Futures trading margins - securities (g)	-	489,361
Futures trading margins - own funds (h)	1,329,790	626,607
Derivative instrument assets - OTC		
Asset swap option contracts (i)	114,108	66,664
Structured instruments	1,475	784
	$ 12,018,646	$ 10,327,152
Financial liabilities at fair value through profit or loss - current		
Held-for-trading financial liabilities - current		
Short options - futures (f)	$ 46,760	$ 26,849
Liabilities for issuance of call (put) warrants (j)	7,955,485	4,396,538
Repurchase of issuance of call (put) warrants (j)	(7,403,269)	(3,971,962)
Liabilities for securities and bonds borrowings - hedging (k)	236,810	182,888
Liabilities for securities and bonds borrowings - non-hedging (k)	14,909,925	2,327,231
	$ 15,745,711	$ 2,961,544

a. Securities lending

	December 31 2020	December 31 2019
Listed shares	$ 80,326	$ 278,499
OTC shares	11,046	35,846
Adjustment of valuation	21,486	39,600
	$ 112,858	$ 353,945

b. Open-end funds and currency market instruments

	December 31 2020	December 31 2019
Open-end funds	$ 50,020	$ 15,000
Adjustment of valuation	77	(82)
	$ 50,097	$ 14,918

c. Securities held for operations - dealing

	December 31	
	2020	2019
Listed shares	$ 3,505,242	$ 2,877,279
OTC shares	985,681	786,423
Emerging market shares	366,399	138,779
Convertible bonds	1,505,336	1,010,072
Foreign securities	829,003	1,435,455
Exchange traded funds (ETF)	1,033,619	232,956
Open-end funds	4,385	4,535
Call (put) warrants	62	-
Unlisted shares	7	7
Others	64	-
	8,229,798	6,485,506
Adjustment of valuation	333,821	128,431
	$ 8,563,619	$ 6,613,937

Refer to Note 30 for the amount of guarantees provided by the Group as a result of securities borrowing transactions.

d. Securities held for operations - underwriting

	December 31	
	2020	2019
Listed shares	$ 4,908	$ -
Convertible bonds	2,841	21,676
	7,749	21,676
Adjustment of valuation	878	257
	$ 8,627	$ 21,933

e. Securities held for operations - hedging

	December 31	
	2020	2019
Listed shares	$ 1,320,806	$ 1,364,988
OTC shares	370,131	552,048
Exchange traded funds (ETF)	59,165	157,870
Call (put) warrants	31,193	20,954
Unlisted shares	8	8
	1,781,303	2,095,868
Adjustment of valuation	21,694	7,765
	$ 1,802,997	$ 2,103,633

f. Futures and options

1) The contract amount and fair value of futures and options

The futures and options transactions that were still open are as follows:

December 31, 2020

Item		Open Position		Contract Amount or Option Premium Payable (Receivable)	Fair Value
		Buy/Sell	Number of Contracts		
Futures	FIXI	Buy	37	$ 48,492	$ 50,306
Futures	FIXXF	Buy	26,480	5,630,920	6,060,323
Futures	FIXXF	Sell	52,325	4,409,595	4,566,758
Futures	FITF	Buy	28	35,155	35,801
Futures	FITF	Sell	17	21,120	21,724
Futures	FITX	Buy	1,648	4,645,924	4,832,272
Futures	FITX	Sell	30	85,519	87,602
Futures	FIMTX	Buy	2	1,465	1,468
Futures	FIMTX	Sell	23	16,568	16,866
Futures	FITE	Buy	973	2,676,354	2,789,976
Futures	FIE4	Buy	26	19,188	19,370
Futures	FIE4	Sell	21	15,430	15,567
Futures	FIG2	Sell	12	4,614	4,648
Futures	FIT5	Buy	7	8,217	8,330
Futures	Foreign futures	Buy	411	609,213	631,079
Futures	Foreign futures	Sell	301	497,455	562,479
Options	Index options - call	Buy	1,367	12,136	23,260
Options	Index options - call	Sell	3,425	(23,007)	39,383
Options	Index options - put	Buy	4,254	17,335	11,560
Options	Index options - put	Sell	4,387	(12,759)	7,073
Options	Stock options -call	Buy	29	110	194
Options	Stock options -call	Sell	58	(194)	217
Options	Stock options -put	Buy	43	152	38
Options	Stock options -put	Sell	13	(163)	72
Options	Product options - call	Buy	2	21	13
Options	Product options - call	Sell	2	(15)	15
Options	Product options - put	Buy	1	10	10

December 31, 2019

Item		Open Position: Buy/Sell	Open Position: Number of Contracts	Contract Amount or Option Premium Payable (Receivable)	Fair Value
Futures	FIXI	Buy	35	$ 43,869	$ 44,027
Futures	FIXI	Sell	11	13,814	13,837
Futures	FIXXF	Buy	3,613	667,310	663,970
Futures	FIXXF	Sell	25,420	4,086,500	4,162,076
Futures	FITG	Buy	8	4,390	4,414
Futures	FITF	Buy	28	37,818	38,033
Futures	FITF	Sell	12	16,275	16,301
Futures	FITX	Buy	180	430,282	431,294
Futures	FITX	Sell	269	642,872	645,179
Futures	FIMTX	Buy	19	11,170	11,389
Futures	FIMTX	Sell	16	9,584	9,594
Futures	FITE	Buy	191	406,621	402,772
Futures	FITE	Sell	88	186,728	185,592
Futures	Foreign exchange futures	Buy	2	1,205	1,205
Futures	Foreign exchange futures	Sell	12	7,363	7,239
Options	Index options - call	Buy	2,401	16,709	25,643
Options	Index options - call	Sell	3,684	(9,263)	13,896
Options	Index options - put	Buy	3,086	9,585	8,938
Options	Index options - put	Sell	13,675	(20,358)	11,927
Options	Stock options -call	Buy	15	18	37
Options	Stock options -call	Sell	73	(114)	114
Options	Stock options -put	Buy	6	6	3
Options	Stock options -put	Sell	48	(8)	7
Options	Product options - call	Buy	1	1	1
Options	Product options - call	Sell	26	(75)	80
Options	Product options - put	Buy	1	5	4
Options	Product options - put	Sell	2	(4)	2
Options	Foreign options - call	Buy	92	521	168
Options	Foreign options - call	Sell	51	(199)	118
Options	Foreign options - put	Buy	54	518	576
Options	Foreign options - put	Sell	51	(558)	705

The fair values were determined based on the year-end settled prices of the products multiplied by the number of open contracts, and individually calculated for the futures and option contracts.

2) Profit and loss on futures and options

	For the Year Ended December 31	
	2020	2019
Gains (losses) from futures contracts		
Realized losses (non-hedging)	$ (166,546)	$ (77,665)
Unrealized gains (losses) (non-hedging)	2,341	(4,196)
Realized gains (losses) (hedging)	1,594,447	(821,832)
Unrealized gains (losses) (hedging)	609,173	(90,092)
	2,039,415	(993,785)
Gains (losses) from Options transactions		
Realized gains (losses) (non-hedging)	(136,471)	89,271
Unrealized gains (losses) (non-hedging)	(17,094)	15,651
Realized gains (hedging)	360,799	-
Unrealized gains (hedging)	46	-
	207,280	104,922
	$ 2,246,695	$ (888,863)

g. Futures trading margins - securities

The payment details of the futures trading margins - securities in the Group are summarized as follows:

	December 31	
	2020	2019
Listed shares	$ -	$ 201,459
OTC shares	-	273,059
	-	474,518
Adjustment of valuation	-	14,843
	$ -	$ 489,361

h. Futures trading margins - own funds

The status of the accounts of the futures trading margins - own funds in the Group is summarized as follows:

	December 31	
	2020	2019
Account balance	$ 794,335	$ 687,585
Gains (losses) on open positions	535,455	(60,978)
Net account value	$ 1,329,790	$ 626,607

i. Asset swap option contracts

As of December 31, 2020 and 2019, the book value and fair value of the asset swap option contracts which are unexpired convertible bonds based on the content of the contracts are as follows, respectively:

	December 31, 2020		
	Contract Amount	Premium Payable	Fair Value
Asset swap option contracts - convertible bonds options transactions	$ 747,000	$ 87,031	$ 114,108

	December 31, 2019		
	Contract Amount	Premium Payable	Fair Value
Asset swap option contracts - convertible bonds options transactions	$ 537,100	$ 51,869	$ 66,664

j. Liabilities for issuance of call (put) warrants/repurchase of issued call (put) warrants

	December 31	
	2020	2019
Liabilities of call (put) warrants issued	$ 6,697,129	$ 4,371,084
Add: Loss on change in fair value	1,258,356	25,454
Fair value liabilities	7,955,485	4,396,538
Repurchased call (put) warrants	(5,806,889)	(3,603,919)
Add: Gain on change in fair value	(1,596,380)	(368,043)
Fair value of repurchase	(7,403,269)	(3,971,962)
Net call (put) warrants issued	$ 552,216	$ 424,576

The call (put) warrants issued by the Group typically had contract periods of six to twelve months commencing from the date the warrants were listed. The call (put) warrants can be settled by delivery of securities or in cash, at the election of the Group.

The gains and losses arising from the issuance of the call (put) warrants in the Group are as follows:

	For the Year Ended December 31	
	2020	2019
Gains on changes in fair value of call (put) warrant liabilities	$ 6,774,483	$ 11,650,543
Losses on changes in fair value for repurchase of call (put) warrants - realized	(7,854,643)	(12,954,683)
Gains on changes in fair value for repurchase of call (put) warrants - unrealized	1,228,337	1,332,342
Expenses arising from the issuance of call (put) warrants	(56,042)	(61,805)
	$ 92,135	$ (33,603)

k. Liabilities for securities and bond borrowings

	December 31	
	2020	**2019**
Liabilities for securities and bond borrowings - hedged		
Listed shares	$ 189,709	$ 126,292
OTC shares	7,653	45,739
Exchange traded funds (ETF)	3,531	-
	200,893	172,031
Adjustment of valuation	35,917	10,857
	$ 236,810	$ 182,888
Liabilities for securities and bond borrowings - non-hedged		
Listed shares	$ 11,781,489	$ 1,656,211
OTC shares	289,845	207,785
Exchange traded funds (ETF)	523,677	275,187
	12,595,011	2,139,183
Adjustment of valuation	2,314,914	188,048
	$ 14,909,925	$ 2,327,231

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	**2019**
Current		
Investments in debt instruments at FVTOCI	$ 2,218,853	$ 2,065,100
Non-current		
Investments in equity instruments at FVTOCI	$ 643,367	$ 537,965

a. Investments in debt instruments at FVTOCI

	December 31	
	2020	**2019**
Debt instrument investments at fair value through other comprehensive income - current		
Corporate bonds	$ 2,154,523	$ 1,957,219
Government bonds	49,659	99,360
	2,204,182	2,056,579
Adjustment of valuation	14,671	8,521
	$ 2,218,853	$ 2,065,100

The face value of the Group’s investments in debt instruments measured at fair value through other comprehensive income - current provided for repurchase transactions was $2,200,000 thousand and $2,050,000 thousand on December 31, 2020 and 2019, respectively.

The expected credit impairment losses on debt instruments reversed (recognized) during the years ended December 31, 2020 and 2019 were $(1,080) thousand and $168 thousand, respectively.

For information related to the credit risk management and impairment assessment of investments in debt instruments measured at fair value through other comprehensive income, refer to Note 28.

b. Investments in equity instruments at FVTOCI

	December 31	
	2020	**2019**
Investments in equity instruments at fair value through other comprehensive income - non-current		
Taiwan Futures Exchange	$ 30,518	$ 30,518
Adjustment of valuation	612,849	507,447
	$ 643,367	$ 537,965

These investments in equity instruments are held for medium to long-term strategic purposes, and are expected to be profitable through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividends of $14,047 thousand and $18,602 thousand (recorded as other gains and losses) were recognized during the years ended December 31, 2020 and 2019, respectively, and are related to investments in equity instruments measured at fair value through other comprehensive income held during the years ended December 31, 2020 and 2019.

9. SECURITIES MARGIN LOANS RECEIVABLE

	December 31	
	2020	**2019**
Securities margin loans receivable	$ 5,179,947	$ 3,301,353
Less: Allowance for impairment loss	(305)	(166)
	$ 5,179,642	$ 3,301,187

The aforementioned securities margin loans receivable were handled in accordance with the Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities, had a credit period of six months, can apply for extension before the time limit expires (two times only), and were secured by the shares bought by customers through margin loans.

For information related to the credit risk management and impairment assessment of securities margin loans receivable, refer to Note 28.

10. CLIENT MARGIN ACCOUNTS AND FUTURES TRADERS' EQUITY

	December 31	
	2020	**2019**
Bank deposits	$ 8,745,168	$ 5,029,719
Marking to market from the clearing house	2,372,416	1,381,179
Marking to market from other futures brokers	2,104,695	956,055
	13,222,279	7,366,953
Client margin account		
Less: Brokerage commission	(7,249)	(8,483)
Futures traders' equity	$ 13,215,030	$ 7,358,470

11. ACCOUNTS RECEIVABLE

a. Accounts receivable

	December 31	
	2020	**2019**
Accounts receivable - settlement	$ 10,285,235	$ 4,365,984
Cash and cash equivalents - settlement account	1,497,256	286,220
Accounts receivable from the sale of securities	554,222	433,283
Accounts receivable from the purchase of securities	2,123,309	291,239
Others	385,128	37,209
Less: Allowance for impairment loss	(270)	(96)
	14,844,880	5,413,839
Accounts receivable - related parties	125	275
	$ 14,845,005	$ 5,414,114

The aging analysis of receivables (including related parties) was as follows:

	December 31	
	2020	**2019**
Not overdue	$ 14,845,275	$ 5,414,210
Overdue		
Up to 30 days	-	-
31 days - 60 days	-	-
61 days - 120 days	-	-
Over 120 days	-	-
	$ 14,845,275	$ 5,414,210

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

b. Other receivables

	December 31	
	2020	2019
Other receivables	$ 268,580	$ 178,597
Less: Allowance for impairment loss	(26)	(17)
	268,554	178,580
Other receivables - related parties	1,890	2,173
	$ 270,444	$ 180,753

c. Overdue receivables (included in other non-current assets)

	December 31	
	2020	2019
Overdue receivables	$ 92,222	$ 94,993
Less: Allowance for impairment loss	(92,222)	(94,993)
	$ -	$ -

The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

For the purpose of assessing expected credit losses, the Group assesses the receivables collectively and individually based on the nature of the payment, the credit rating of the customer and the collateral, etc. The expected credit losses on trade receivables are measured by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due.

Please refer to Note 28 for information on changes in allowance for impairment loss.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Subsidiary	Nature of Activities	Proportion of Ownership (%) December 31 2020	2019
Cathay Futures Co., Ltd.	Futures related business	99.99	99.99
Cathay Securities (Hong Kong) Limited	Securities related business	100.00	100.00
Cathay Capital (Asia) (Note)	Investment related business	100.00	-

Note: Cathay Capital (Asia) was established by Cathay Securities (Hong Kong) Limited on February 24, 2020. Its established capital is HK$100 million, which was injected by cash completely on March 26, 2020.

b. Subsidiaries excluded from the consolidated financial statements

Subsidiary	Nature of Activities	Proportion of Ownership (%) December 31 2020	2019
Cathy Investment Consulting (Shanghai) Co., Ltd.	Investment advisory services	-	-

As the total assets and operating income of Cathay Investment Consulting (Shanghai) Co., Ltd do not account for a significant proportion of the Group's corresponding accounts, they were not included in the consolidated financial statements.

Except for Cathay Investment Consulting (Shanghai) Co., Ltd. which was calculated based on the unaudited financial statements, the rest of the subsidiaries were recognized based on the subsidiaries' financial statements that were audited for the same period. The Group determines that there is no significant impact from the aforementioned subsidiary's financial statements which have not been audited.

On November 7, 2017, Cathay Investment Consulting (Shanghai) Co., Ltd. was dissolved by the board of directors. And the liquidation was completed on February 26, 2019.

13. PROPERTY AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Leasehold Improvement	Total
Cost					
Balance at January 1, 2020	$ 48,087	$ 4,322	$ 426,232	$ 245,572	$ 724,213
Additions	-	114	36,380	6,407	42,901
Disposals	-	-	(13,506)	(295)	(13,801)
Reclassification	-	-	113,163	-	113,163
Effects of exchange rate changes	-	-	(1,059)	(269)	(1,328)
Balance at December 31, 2020	$ 48,087	$ 4,436	$ 561,210	$ 251,415	$ 865,148

(Continued)

	Land	Buildings	Machinery Equipment	Leasehold Improvement	Total
Accumulated depreciation					
Balance at January 1, 2020		$ 2,241	$ 339,777	$ 192,813	$ 534,831
Depreciation		108	41,983	18,705	60,796
Disposals		-	(13,495)	(295)	(13,790)
Effects of exchange rate changes		-	(866)	(267)	(1,133)
Balance at December 31, 2020		$ 2,349	$ 367,399	$ 210,956	$ 580,704
Carrying amount at December 31, 2020	$ 48,087	$ 2,087	$ 193,811	$ 40,459	$ 284,444
Cost					
Balance at January 1, 2019	$ 48,087	$ 4,322	$ 408,867	$ 230,439	$ 691,715
Additions	-	-	20,204	15,270	35,474
Disposals	-	-	(2,294)	-	(2,294)
Effects of exchange rate changes	-	-	(545)	(137)	(682)
Balance at December 31, 2019	$ 48,087	$ 4,322	$ 426,232	$ 245,572	$ 724,213
Accumulated depreciation					
Balance at January 1, 2019		$ 2,134	$ 309,902	$ 167,071	$ 479,107
Depreciation		107	32,604	25,876	58,587
Disposals		-	(2,294)	-	(2,294)
Effects of exchange rate changes		-	(435)	(134)	(569)
Balance at December 31, 2019		$ 2,241	$ 339,777	$ 192,813	$ 534,831
Carrying amount at December 31, 2019	$ 48,087	$ 2,081	$ 86,455	$ 52,759	$ 189,382

(Concluded)

The above items of property and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Useful life
Buildings	32 to 40 years
Machinery equipment	3 to 10 years
Leasehold improvement	3 to 6 years

Property and equipment of the Group are for their own use.

14. OPERATING LEASES

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Buildings	$ 89,730	$ 122,792
Office equipment	2,074	861
Transportation equipment	2,506	2,028
	$ 94,310	$ 125,681

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 56,707	$ 31,243
Depreciation of right-of-use assets		
Buildings	$ 84,830	$ 79,260
Office equipment	578	256
Transportation equipment	1,394	1,382
	$ 86,802	$ 80,898

Except for the addition and recognition of depreciation listed above, there was no subleasing and impairment of the right-of-use assets of the group in 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 63,707	$ 77,182
Non-current	$ 31,495	$ 49,488

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.200%-4.155%	1.37%-4.155%
Office equipment	0.42%-0.71%	0.71%
Transportation equipment	2.84%-3.61%	3.61%

c. Material lease activities and terms

The Group leases certain buildings for the use of offices with lease periods from year 2016 to year 2025. The Group does not have bargain purchase options to purchase the buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 3,909	$ 2,912
Total cash outflow for leases	$ 92,692	$ 85,732

15. INVESTMENT PROPERTIES

	Land	Buildings	Total
Balance at January 1, 2020	$ 258,218	$ 32,123	$ 290,341
Gains (losses) generated from fair value adjustments	2,167	(1,333)	834
Balance at December 31, 2020	$ 260,385	$ 30,790	$ 291,175
Balance at January 1, 2019	$ 256,813	$ 33,528	$ 290,341
Gains (losses) generated from fair value adjustments	1,405	(1,405)	-
Balance at December 31, 2019	$ 258,218	$ 32,123	$ 290,341

The Group as a lessor

The Group has entered into commercial property leases with remaining terms of less than five years. Part of the leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future lease payments receivable of operating lease commitments at December 31, 2020 and 2019 are as follows:

	December 31	
	2020	2019
Not later than 1 year	$ 7,142	$ 7,141
Later than 1 year and not later than 5 years	3,261	10,402
	$ 10,403	$ 17,543

Valuation on the investment property of the Group has been performed by the appraiser from Elite Real Estate Appraiser Firm (Yi-huei Luo and Yu-lin Chen) meeting R.O.C.'s qualification requirements for real estate appraiser, respectively, with valuation dates at December 31, 2020 and 2019, please refer to Note 30.

The fair value of investment property is determined by income approach with significant assumptions as follows. If estimated future cash inflows increase or discount rate decreases, the fair value will increase.

	December 31	
	2020	2019
Expected future cash inflows	$ 445,029	$ 435,307
Expected future cash outflows	(14,672)	(16,601)
Estimated net cash inflows	$ 430,357	$ 418,706
Discount rate	2.295%	2.045%
Direct capitalization rate	2.56%	2.56%

The market rentals ranged from $4 to $6 thousand per pyeong in the areas where the investment property is located, for the year ended December 31, 2020 and 2019.

All of the investment properties are leased by operating leases, generating rental income of $7,049 thousand and $7,160 thousand, respectively, for the year ended December 31, 2020 and 2019.

The estimated future cash inflows consist of rental income, interest of deposit and value of disposal at the end of the period. Rental income is estimated for the current rent and the annual growth rate of the rent. The period of benefit analysis is estimated for 10 years. Interest of deposit is estimated based on the interest rate on a 1-year time deposit of the 5 largest banks for the past five years. The value of disposal at the end of the period is estimated using the direct capitalization method. The estimated future cash outflows consist of land tax, property tax, and replacement allowance, which are estimated on the basis of current expenditures, adjustments to the future announced land value, and tax rates in accordance with the House Tax Act.

The discount rate is determined based on the interest rate on a 2-year time deposit of petty cash plus 5 and 3 quarters percentage points as posted by Chunghwa Post Co., Ltd., plus the risk premium, respectively.

For the amount of investment properties provided as guarantee for short-term bank loans, please refer to Note 30.

16. INTANGIBLE ASSETS

	Goodwill	Patents	Computer Software	Total
Cost				
Balance at January 1, 2020	$ -	$ 1,901	$ 267,956	$ 269,857
Additions	-	-	26,198	26,198
Disposals	-	-	(11,033)	(11,033)
Reclassification	-	-	10,249	10,249
Exchange differences	-	(71)	-	(71)
Balance at December 31, 2020	$ -	$ 1,830	$ 293,370	$ 295,200
Accumulated amortization and impairment				
Balance at January 1, 2020	$ -	$ -	$ 179,301	$ 179,301
Amortization expense	-	-	31,922	31,922
Disposals	-	-	(4,773)	(4,773)
Balance at December 31, 2020	$ -	$ -	$ 206,450	$ 206,450
Carrying amount at December 31, 2020	$ -	$ 1,830	$ 86,920	$ 88,750
Cost				
Balance at January 1, 2019	$ 8,629	$ 1,881	$ 238,581	$ 249,091
Additions	-	-	35,233	35,233
Disposals	-	-	(10,827)	(10,827)
Impairment losses recognized	(8,629)	-	-	(8,629)
Reclassification	-	-	5,026	5,026
Exchange differences	-	20	(57)	(37)
Balance at December 31, 2019	$ -	$ 1,901	$ 267,956	$ 269,857

(Continued)

	Goodwill	Patents	Computer Software	Total
Accumulated amortization and impairment				
Balance at January 1, 2019	$ -	$ -	$ 159,306	$ 159,306
Amortization expense	-	-	30,822	30,822
Disposals	-	-	(10,827)	(10,827)
Balance at December 31, 2019	$ -	$ -	$ 179,301	$ 179,301
Carrying amount at December 31, 2019	$ -	$ 1,901	$ 88,655	$ 90,556

(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-10 years

After the Group acquired 100% equity of Hongyuan Securities (Hong Kong) on September 4, 2015 and completed changing the name, they announced the official opening of Cathay Securities (Hong Kong) Co., Ltd. on September 9, 2015. Goodwill of $8,629 thousand related to the acquisition was mainly from the benefits on the expected growth of operating income in Hong Kong. In 2019 Q4, the assessed recoverable amount of the Hong Kong subsidiary was less than its carrying amount, and impairment loss of $8,629 thousand was recognized accordingly (recorded as other gains and losses).

The recoverable amount of the Hong Kong subsidiary is determined on the basis of value in use, based on the cash flow of the financial budget approved by the management of the Group for the next 5 years, and using an annual discount rate of 7.6%. Cash flow over five years is extrapolated with zero growth rate. Other key assumptions include estimated operating income and net operating profit. These assumptions refer to the past operating conditions of the cash-generating unit and the management's expectations of the market.

17. OTHER CURRENT AND NON-CURRENT ASSETS

	December 31	
	2020	2019
Current		
Restricted assets	$ 1,200,000	$ 900,000
Settlement amounts	829,905	321,610
Underwriting receipts under custody and separate account for customer	11,744	9,161
Service on credit	11,650	14,339
Receivable of securities business money lending	5,741	232
Credit trading account	4,974	20,720
Customer margin account for leverage contracts	114	-
	$ 2,064,128	$ 1,266,062

(Continued)

	December 31	
	2020	2019
Non-current		
Operating funds	$ 419,640	$ 444,807
Settlement/clearance funds	352,310	268,152
Reserve funds of trust	50,000	50,000
Refundable deposits	33,260	32,011
Prepayments for equipment	26,873	96,897
Restricted assets	3,200	21,200
Overdue receivables	92,222	94,993
Less: Allowance for impairment loss - overdue receivables	(92,222)	(94,993)
	$ 885,283	$ 913,067

(Concluded)

As stipulated in the Regulations Governing Securities Firms ("RGSF"), Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms, Regulations Governing Futures Advisory Enterprises, Regulations Governing Futures Commission Merchants and Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises, the Group shall lodge operating funds with banks designated by the Financial Supervisory Commission ("FSC") after its registration. The Group provided time deposits of $400,000 thousand and $390,000 thousand as operating guarantees as December 31, 2020 and 2019. The overseas operating guarantees were $19,640 thousand and $54,807 thousand as of December 31, 2020 and 2019, respectively.

Based on the requirements of RGSF, Taipei Exchange Rules for Administration of Joint Responsibility System Clearing and Settlement Fund, and Taiwan Futures Exchange Corporation Criteria for Clearing Membership, the Group deposited settlement funds of $352,310 thousand and $268,152 thousand as of December 31, 2020 and 2019, respectively.

Based on the requirements of Regulations Governing Concurrent Conduct of Trust Business by Securities Investment Trust Enterprises, Securities Investment Consulting Enterprises, and Securities Firms, the Group deposited reserve funds of trust in the Central Bank of ROC of the $50,000 thousand both as of December 31, 2020 and 2019.

For the differences generated from the disposal of shares provided as guarantee for financing due to the client's breach of settlement and insufficient financing guarantee maintenance ratio, or compensation due to breach of credit transactions generated due to the inability to dispose of the marketable securities in the client's credit transaction account, the Company has carried out compensation claims in accordance with the relevant regulations, and transferred the default receivables to overdue receivables and recognized the full amount as impairment loss, please refer to Note 28 for the details.

Please refer to Note 30 for related information on the Group's assets pledged as collateral for the application of provisional attachment.

18. SHORT-TERM BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured bank loans	$ 1,657,576	$ 2,201,364
Annual interest rates	1.11%-8.65%	0.85%-8.90%

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	$ 1,270,000	$ 5,540,000
Less: Unamortized discounts on bills payable	(82)	(1,155)
	$ 1,269,918	$ 5,538,845
Annual interest rates	0.23%-0.32%	0.51%-0.69%

19. LIABILITIES FOR BONDS UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Government bonds	$ 55,059	$ 100,000
Corporate bonds	2,152,447	1,998,081
	$ 2,207,506	$ 2,098,081

The bonds under repurchase agreements as of December 31, 2020 will be repurchased at the agreed price in the respective agreements plus accrued interest or total amount of $2,207,959 thousand. The bonds under repurchase agreements as of December 31, 2019 had been repurchased at the agreed price in the respective agreements plus accrued interest or total amount of $2,098,996 thousand.

20. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal value of structured products		
Equity-linked products	$ 286,668	$ 67,179

21. POST-EMPLOYMENT BENEFITS

a. Defined contribution plan

The Company and its domestic subsidiary Cathay Futures Co., Ltd. adopted a defined contribution plan in accordance with the Labor Pension Act of the ROC. Under the Labor Pension Act, the Company and its domestic subsidiary make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The overseas subsidiaries make contributions to the plan based on the requirements of local regulations.

b. Defined benefits plan

The Company and its domestic subsidiary Cathay Futures Co., Ltd. adopted a defined benefit plan in accordance with the Labor Standards Act of the ROC. Under the Labor Standards Act, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement; the Company and its domestic subsidiary contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the pension fund committee. Before the end of each year, the Company and its domestic subsidiary assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiary will make up for the difference in one appropriation before the end of March the following year. The pension fund is managed by the Bureau of Labor Funds (the "Bureau") under the Ministry of Labor; the Bank 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 are as follows:

	December 31	
	2020	**2019**
Present value of funded defined benefit obligation	$ 59,381	$ 50,899
Fair value of plan assets	(25,091)	(18,207)
Net defined benefit liabilities	$ 34,290	$ 32,692

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	$ 44,543	$ (17,246)	$ 27,297
Service cost			
Current service cost	4,072	-	4,072
Net interest expense (income)	444	(176)	268
Recognized in profit or loss	4,516	(176)	4,340
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(718)	(718)
Actuarial loss			
Experience adjustments	1,519	-	1,519
Changes in financial assumptions	3,977	-	3,977
Recognized in other comprehensive income	5,496	(718)	4,778

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	$ -	$ (4,267)	$ (4,267)
Contributions from plan participants	3,818	-	3,818
Benefits paid	(7,474)	4,200	(3,274)
Balance at December 31, 2019	50,899	(18,207)	32,692
Service cost			
Current service cost	4,151	-	4,151
Net interest expense (income)	373	(138)	235
Recognized in profit or loss	4,524	(138)	4,386
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(712)	(712)
Actuarial loss			
Experience adjustments	2,826	-	2,826
Changes in financial assumptions	2,564	-	2,564
Recognized in other comprehensive income	5,390	(712)	4,678
Contributions from the employer	-	(7,466)	(7,466)
Benefits paid	(1,432)	1,432	-
Balance at December 31, 2020	$ 59,381	$ (25,091)	$ 34,290

(Concluded)

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

1) Investment risk: The discount rate of the present value of the defined benefit obligation of pension plans is determined by considering the yield of government bonds. If the return on investment of pension fund assets is lower than this rate, the insufficient amount of defined benefit liabilities will increase. The pension fund is fully deposited in the labor pension fund account under the old system which is operated and whose investments are managed by the government. The Company has no right to control the content of the investment of the pension fund.

2) Interest risk: A decrease in the government bond interest will increase the present value of defined benefit obligation. The interest risk is the main source of risk from the pension plan.

3) Longevity risk: When calculating the present value of the defined benefit obligation of pension plans, the fifth life table (2011TSO) or 100% in the life insurance business is adopted in the estimation of the mortality rate during the service period of the employees. If the actual mortality rate is lower than the assumed rate, the present value of the defined benefit obligation will increase.

4) Salary risk: The present value of the defined benefit obligation is calculated by estimating the salary of employees after retirement based on the assumed annual growth rate of salary. Therefore, if the actual future salary adjustment rate is higher than the assumed rate, the present value of the defined benefit obligation will increase.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on the measurement date are as follows:

	December 31	
	2020	2019
Discount rate	0.35%	0.73%-0.81%
Expected rate of salary increase	2.50%-3.00%	2.50%-3.00%

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

	December 31	
	2020	2019
Discount rate		
0.5% increase	$ -	$ (2,946)
0.5% decrease	$ -	$ 3,156
0.25% increase	$ (1,736)	$ -
0.25% decrease	$ 1,810	$ -
Expected rate of salary increase		
0.5% increase	$ 3,212	$ 3,001
0.5% decrease	$ (3,028)	$ (2,793)

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	$ 1,056	$ 1,047
Average duration of the defined benefit obligation	10.3 years - 15.1 years	11.2 years - 16 years

22. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Shares authorized (in thousands of shares)	1,000,000	700,000
Shares authorized	$ 10,000,000	$ 7,000,000
Shares issued and fully paid (in thousands of shares)	730,000	600,000
Shares issued	$ 7,300,000	$ 6,000,000

The shares issued are ordinary shares with a par value of $10, and each share has voting rights and the right to receive dividends.

The resolution to recapitalize the undistributed earnings by the issuance of 29,991 thousand shares was approved in the board of directors' meeting on May 3, 2019 on behalf of the shareholders' meeting, and the record date for the issuance of new shares was set as August 7, 2019. The issued share capital increased to $6,000,000 thousand, and the number of shares was 600,000 thousand with par value of $10.

The resolution to recapitalize the undistributed earnings by the issuance of 50,000 thousand shares was approved in the board of directors' meeting on April 29, 2020 on behalf of the shareholders' meeting, and the record date for the issuance of new shares was June 24, 2020. The issued share capital increased to $6,500,000 thousand, and the number of shares was 650,000 thousand with par value of $10.

The resolution for the capital increase in cash of 80,000 thousand shares with par value of $10 and premium on NT$15 was approved in the board of director's meeting on June 12, 2020, and the issued share capital increased to $7,300,000 thousand. The resolution for the capital increase in cash was authorized by the SFB of the FSC on September 18, 2020, and the record date for the capital increase in cash was September 29, 2020.

b. Capital surplus

	December 31	
	2020	**2019**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Premiums on issuance of ordinary shares	$ 891,766	$ 491,766
May not be used for any purpose (2)		
Share-based payments	$ 6,401	$ 6,401

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

2) On October 3, 2019, Cathay Financial Holding Co., Ltd. passed the resolution for the capital increase in cash in the board of directors' meeting, and retained 10% of the new shares for subscription by the employees of Cathay Financial Holding Co., Ltd. and its subsidiaries in accordance with the law. In December 2019, the Company had recognized salary expenses and capital surplus of $6,401 thousand from the parent company's granting of share-based payments to employees based on the fair value of the shares on the grant date.

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

1) Payment of all taxes and dues;

2) Offset prior years' operating losses;

3) After deducting items (a) and (b), 10% of the remaining amount should be set aside as legal reserve;

4) Set aside or reverse a special reserve in accordance with the law and regulations; and

5) The distribution of the remaining portion, if any, will be proposed by the board of directors based on the dividend policy and resolved in the shareholders' meeting.

For the policies on the distribution of compensation of employees, please refer to Note 23 (j) employee benefits expense.

Based on the Company's Articles of Incorporation, the dividend policy should take into consideration the external environment and the growth stage of the Company's products, business and services. Other than as stipulated by law, in the maintenance of stable dividends, the distribution of cash dividends should take precedence over share dividends, and the percentage of share dividends distributed should not exceed 50% of the total dividends distributed. However, adjustments can be made for factors such as business needs and the earnings status.

The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing dividends in the form of shares or cash in proportion to the number of shares being held by each of the shareholders.

According to the Rules Governing Securities Firms and Regulations Governing Futures Commission Merchants, if the Company has already issued securities pursuant to the Act, the Company shall set aside 20% of the annual after-tax profit as special reserve. However, if the amount has reached the amount of paid-in capital, no further appropriation is required. The special reserve may not be used for any other purpose other than for offsetting deficit, or by using the remaining half of the amount to replenish capital when the accumulated amount has reached 50% of the paid-in capital. The Company appropriated to special reserve earnings of $293,476 thousand and $140,014 thousand for the years ended December 31, 2020 and 2019, respectively.

The Company appropriates or reverses a special reserve in accordance with Article No. 1010028514 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs".

According to Article No. 10500278285 issued by the FSC, when distributing the retained earnings from 2016 to 2018, the Company shall appropriate to the special reserve equal to 0.5% to 1% of the net income of continued operations in order to protect the rights of the employees in response to the development of financial technology.

Started in 2017, expenses from employee training, transfers, and placements generated for the purposes of financial technology development can be reversed from the aforementioned special reserve.

The Company has appropriated 0.5% of the after-tax net profit for the year ended December 31, 2018 amounting to $2,307 thousand as special reserve, which will be used for covering the expenses from employee training, transfers and placements starting from January 1, 2017.

According to Article No.1030009577 issued by the FSC, the Company's subsidiary should appropriate as special reserve the same amount as the portion of the net increase in fair value transferred to retained earnings with respect to the adoption of the fair value model for the subsequent measurement of investment properties. The Company has appropriated as special reserve $1,010 thousand and $220 thousand based on its shareholding proportion as a result of the net increase in fair value of the subsidiary's investment properties for the years ended December 31, 2020 and 2019, respectively.

Details of the appropriation of earnings and dividends per share in 2019 and 2018 as approved in the board of directors' meetings on behalf of the shareholders' meetings on April 29, 2020 and May 3, 2019, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (In Dollars)	
	2019	2018	2019	2018
Legal reserve	$ 70,007	$ 46,135		
Special reserve	140,234	94,995		
Stock dividends	500,000	299,914	$0.83	$0.53

The appropriation of earnings for 2020, which had been proposed by the Company's board of directors on March 9, 2021 was as follows:

	For the Year Ended December 31, 2020
Legal reserve	$ 146,738
Special reserve	$ 294,486
Cash dividends	$ 1,053,041
Cash dividends per share (NT$)	$ 1.44

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the board of directors' meeting on behalf of the shareholders' meeting to be held on April 28, 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (47,922)	$ (37,289)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(22,890)	(11,406)
Share from associates accounted for using the equity method	-	773
Balance at December 31	$ (70,812)	$ (47,922)

2) Unrealized gains from financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 516,771	$ 318,668
Recognized for the year		
Unrealized gains and losses		
Debt instrument	27,215	23,352
Equity instrument	105,392	211,410
Reclassification		
Disposal of investments in debt instruments	(19,984)	(36,659)
Balance at December 31	$ 629,394	$ 516,771

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (9,230)	$ (5,950)
Remeasurement of defined benefit plans	(3,820)	(3,280)
Balance at December 31	$ (13,050)	$ (9,230)

e. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 134	$ 114
Share in profit for the year	6	5
Other comprehensive income during the year		
Unrealized gain on financial assets at FVTOCI	10	19
Cash dividends distributed by subsidiary	(4)	(4)
Balance at December 31	$ 146	$ 134

23. COMPONENTS OF OTHER COMPREHENSIVE INCOME

a. Brokerage commission

	2020	2019
Consignment handling fee revenue - TWSE	$ 1,689,480	$ 1,001,597
Consignment handling fee revenue - OTC	382,073	315,192
Handling revenue from short sale of securities	15,544	7,408
Handling revenue from the borrowing of securities	36,673	55,779
Sub-brokerage handling revenue	1,610,523	1,157,587
Others	12,279	15,380
	$ 3,746,572	$ 2,552,943

b. Revenue from the underwriting business

	2020	2019
Compensation from the underwriting of securities	$ 33,460	$ 22,330
Revenue from underwriting proceeding fees	13,915	14,752
Revenue from underwriting and counseling fees	7,330	5,350
Others	10,398	2,162
	$ 65,103	$ 44,594

c. Net gains from the sale of securities held for operations

	2020	2019
Sale of securities held for operations - dealing	$ 1,218,578	$ 1,172,159
Sale of securities held for operations - underwriting	8,089	3,795
Sale of securities held for operations - hedging	328,004	298,717
	$ 1,554,671	$ 1,474,671

d. Interest revenue

	2020	2019
Margin loans	$ 182,704	$ 152,110
Bonds	44,175	43,468
Others	12,503	7,330
	$ 239,382	$ 202,908

e. Net gains from securities held for operations measured at fair value through profit or loss

	2020	2019
Securities held for operations - dealing	$ 187,422	$ 353,493
Securities held for operations - underwriting	622	35
Securities held for operations - hedging	13,930	25,470
	$ 201,974	$ 378,998

f. Gains (losses) on issuance of call (put) warrants

	2020	2019
Unrealized gains from liabilities for issuance of call (put) warrants	$ 6,774,483	$ 11,650,543
Unrealized losses from repurchase warrants	(6,626,306)	(11,622,341)
Expenses from the issuance of warrants	(56,042)	(61,805)
	$ 92,135	$ (33,603)

g. Gains (losses) from derivative instruments

	2020	2019
Gains (losses) from derivative instruments - futures		
Gains (losses) from futures contracts	$ 2,039,415	$ (993,785)
Gains from option transactions	207,280	104,922
	2,246,695	(888,863)
Gains from derivative instruments - OTC	100,125	31,602
	$ 2,346,820	$ (857,261)

h. Other operating income

	2020	2019
Loss on foreign exchange	$ (16,324)	$ (9,991)
Others	40,046	43,275
	$ 23,722	$ 33,284

i. Handling fee expenses

	2020	2019
Brokerage handling fee expenses	$ 215,433	$ 134,365
Dealer’s handling fee expenses	32,240	20,689
Refinancing transaction fee expenses	1,474	1,097
Underwriting handling fee expenses	652	1,496
	$ 249,799	$ 157,647

j. Employee benefits expense

	2020	2019
Short-term employee benefits		
Salaries	$ 1,591,771	$ 1,259,632
Insurance expense	87,301	80,035
Post-employee benefits		
Defined contribution plan	41,378	37,095
Defined benefit plan	4,387	4,340
Remuneration of directors	27,690	20,871
Other employee benefits expense	34,925	30,291
	$ 1,787,452	$ 1,432,264

As of December 31, 2020 and 2019, the number of the Group’s employees was 892 and 786, respectively. The average number of the Group’s employees for the years ended December 31, 2020 and 2019 was 840 and 771, respectively. Among them, the number of directors who were not concurrently serving as employees was 7 in both years.

According to the Company’s Articles of Incorporation, should there be profit in the year, 0.01% to 0.05% of the profit should be distributed as compensation of employees. However, if there are accumulated losses, an amount should be first set aside for offset of the loss. The aforementioned compensation of employees should be distributed in the form of shares or cash, and approved by at least half of the board of directors in the board meeting with at least two-thirds of the board of directors present at the meeting.

The compensation of employees estimated for 2020 and 2019 which were resolved in the board of directors’ meetings on March 9, 2021 and March 10, 2020, respectively, are as follows:

Accrual rate

	2020	2019
Compensation of employees	0.01%	0.01%

Amount

	2020	2019
Compensation of employees	$ 173	$ 81

If there are changes in the amount after the annual consolidated financial statements have been released, it will be treated as a change in the accounting estimate and adjusted in the following year.

There was no significant difference between the estimated amount and the actual compensation of employees distributed for the years ended December 31, 2019 and 2018.

For information on compensation of employees and remuneration of directors and supervisors resolved in the board of directors’ meeting, please refer to the “Market Observation Post System” website of the TWSE.

k. Depreciation and amortization expenses

	2020	2019
Depreciation	$ 147,598	$ 139,485
Amortization	31,922	30,822
	$ 179,520	$ 170,307

l. Other operating expenses

	2020	2019
Taxes	$ 630,612	$ 454,098
Computer information	174,048	149,991
Securities borrowed	94,265	48,156
Advertisement	77,355	47,492
Postage	70,480	67,671
TDCC	54,613	33,605
Professional services	26,364	22,833
Renovation	24,245	23,250
Others	400,488	258,800
	$ 1,552,470	$ 1,105,896

m. Other gains and losses

	2020	2019
Interest revenue	$ 73,601	$ 83,447
Dividend revenue	14,047	18,602
Gain on valuation of open-end funds and currency market instruments at FVTPL	(1,741)	(82)
Impairment loss	-	(8,629)
Others	20,752	17,644
	$ 106,659	$ 110,982

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 261,913	$ 104,471
Adjustments for prior year	4,481	(1)
	266,394	104,470
Deferred tax		
In respect of the current year	9,987	10,004
Adjustments for prior year	115	317
	10,102	10,321
Income tax expense	$ 276,496	$ 114,791

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	$ 1,743,881	$ 814,866
Income tax expense calculated at the statutory rate	$ 348,776	$ 162,973
Nondeductible expenses in determining taxable income	72	-
Tax-exempt income	(76,773)	(48,498)
Adjustments for prior years’ current tax expense	4,596	316
Other	(175)	-
Income tax expense recognized in profit or loss	$ 276,496	$ 114,791

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plans	$ 858	$ 1,498

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	$ 93	$ 87
Current tax liabilities		
Income tax payable	$ 3,381	$ -

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Valuation of financial products at FVTPL	$ 14,273	$ (10,695)	$ -	$ 3,578
Unrealized loss on foreign exchange	1,102	2,653	-	3,755
Net defined benefit pension plan	6,538	(612)	858	6,784
Other	6,041	(1,515)	-	4,526
	$ 27,954	$ (10,169)	$ 858	$ 18,643

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Investment properties	$ 6,829	$ (67)	$ -	$ 6,762
Other	3	-	-	3
	$ 6,832	$ (67)	$ -	$ 6,765

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Valuation of financial products at FVTPL	$ 26,200	$ (11,927)	$ -	$ 14,273
Unrealized loss on foreign exchange	-	1,102	-	1,102
Net defined benefit pension plan	6,094	(638)	1,082	6,538
Other	5,600	441	-	6,041
	$ 37,894	$ (11,022)	$ 1,082	$ 27,954

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized loss on foreign exchange	$ 1,129	$ (1,129)	$ -	$ -
Net defined benefit pension plan	416	3	(416)	3
Investment properties	6,404	425	-	6,829
	$ 7,949	$ (701)	$ (416)	$ 6,832

e. Income tax assessments

The income tax returns of the Company and its subsidiary Cathay Futures Co., Ltd. through 2014 and 2018, respectively, have been assessed by the tax authorities.

The Company disagreed with the tax authorities’ assessment of the 2013 to 2014 tax returns with respect to the portion allocated to operating expenses and applied for administrative remedy in accordance with the law and regulations.

25. EARNINGS PER SHARE

Unit: NT$

	For the Year Ended December 31	
	2020	**2019**
Basic earnings per share	$ 2.19	$ 1.08

The earnings per share computation was adjusted retrospectively for the issuance of bonus shares on June 24, 2020. The basic earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.17	$ 1.08

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company	$ 1,467,379	$ 700,070

Number of Shares (In Thousands of Shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	670,546	650,000

26. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2020

			Non-cash Changes		
Financial Liabilities	Opening Balance	Cash Flows	Discount Amortization/ Interest Method Amortization	Exchange Rate/Others	Closing Balance
Short-term borrowings	$ 2,201,364	$ (480,337)	$ -	$ (63,451)	$ 1,657,576
Commercial papers payable	5,538,845	(4,270,000)	1,073	-	1,269,918
Lease liabilities	126,670	(88,783)	1,913	55,402	95,202
	$ 7,866,879	$ (4,839,120)	$ 2,986	$ (8,049)	$ 3,022,696

For the year ended December 31, 2019

Financial Liabilities	Opening Balance	Cash Flows	Non-cash Changes: Discount Amortization/ Interest Method Amortization	Non-cash Changes: Exchange Rate/Others	Closing Balance
Short-term borrowings	$ 336,381	$ 1,911,436	$ -	$ (46,453)	$ 2,201,364
Commercial papers payable	3,729,367	1,810,000	(522)	-	5,538,845
Lease liabilities	178,934	(82,820)	3,063	27,493	126,670
	$ 4,244,682	$ 3,638,616	$ 2,541	$ (18,960)	$ 7,866,879

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of the Group's net debt and equity. The Group's risk management committee regularly reviews the capital structure. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company establishes the capital adequacy index and compiles the report on a monthly basis to evaluate the appropriateness of the capital adequacy ratio and to ensure a robust capital structure.

The capital adequacy ratio at end of the reporting period was as follows:

	December 31	
	2020	**2019**
Capital adequacy ratio	325%	449%

28. FINANCIAL INSTRUMENTS

a. Fair value information - fair value of financial instruments not measured at fair value

The management of the Group considered the carrying amounts of the financial assets and financial liabilities which were not measured at fair value as close to their fair value.

b. Fair value information - fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

Financial Instruments at Fair Value	Level 1	Level 2	Level 3	Total
Non-derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
Shares	$ 6,845,405	$ -	$ -	$ 6,845,405
Bonds	2,376,672	-	-	2,376,672
Others	1,260,497	-	-	1,260,497
Financial assets at FVTOCI				
Investments in equity instruments	-	-	643,367	643,367
Investments in debt instruments	2,218,853	-	-	2,218,853
Liabilities				
Financial liabilities at FVTPL	15,146,735	-	-	15,146,735
Derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL	1,420,475	115,597	-	1,536,072
Liabilities				
Financial liabilities at FVTPL	575,116	23,860	-	598,976

December 31, 2019

Financial Instruments at Fair Value	Level 1	Level 2	Level 3	Total
Non-derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
Shares	$ 6,202,617	$ -	$ -	$ 6,202,617
Bonds	2,488,915	-	-	2,488,915
Others	410,429	-	-	410,429
Financial assets at FVTOCI				
Investments in equity instruments	-	-	537,965	537,965
Investments in debt instruments	2,065,100	-	-	2,065,100
Liabilities				
Financial liabilities at FVTPL	2,510,119	-	-	2,510,119
Derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL	1,157,743	67,448	-	1,225,191
Liabilities				
Financial liabilities at FVTPL	438,482	12,943	-	451,425

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1	$ 537,965
Recognized in other comprehensive income	105,402
Balance at December 31	$ 643,367

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1	$ 326,536
Recognized in other comprehensive income	211,429
Balance at December 31	$ 537,965

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - warrants	Closed form solution valuation model: Formula valuation is derived using academic theory based on the observable prices and contract terms of the underlying assets, to reasonably reflect the value of cash flows generated from the dynamic hedging carried out from such contracts.
Derivatives - convertible bonds asset swap-options	The bond value is calculated based on the deal exercise rate at the beginning of the year, and the embedded option value is subsequently derived by the market closing rate of convertible bonds.
Derivatives - structured instruments	Closed form solution valuation/Monte Carlo method model: Formula valuation is derived using academic theory based on the observable prices and contract terms of the underlying assets and the cost of internal capital adjustments and hedging.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

Quantitative data of significant unobservable inputs is as follows:

Item Measured at Fair Value on A Recurring Basis	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Intervals (Weighted Average)	Relationship Between Inputs and Fair Value	Sensitivity Analysis of Relationship Between Inputs and Fair Value
Non-derivative financial instruments						
Equity instruments at FVTOCI	$ 643,367	Market comparison approach	Discount for lack of marketability	15%-20%	The higher the market approach, the lower the fair value.	Discount for lack of marketability (3%)-3%, Floating rate of fair value 3.67%-(3.67%)

Item Measured at Fair Value on A Recurring Basis	Fair Value on December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Intervals (Weighted Average)	Relationship Between Inputs and Fair Value	Sensitivity Analysis of Relationship Between Inputs and Fair Value
Non-derivative financial instruments						
Equity instruments at FVTOCI	$ 537,965	Market comparison approach	Discount for lack of marketability	15%-20%	The higher the market approach, the lower the fair value.	Discount for lack of marketability (3%)-3%, Floating rate of fair value 3.67%-(3.67%)

c. Categories of financial instruments

	December 31 2020	December 31 2019
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL (1)	$ 12,018,646	$ 10,327,152
Financial assets at amortized cost (2)	48,281,247	22,059,603
Financial assets at FVTOCI		
Debt instruments	2,218,853	2,065,100
Equity instruments	643,367	537,965
Financial liabilities		
Financial liabilities at amortized cost (3)	37,324,945	24,390,644
Financial assets at FVTOCI		
Held for trading	15,745,711	2,961,544
Other financial liabilities	286,668	67,179

1) The balances include securities lending, open-end funds and currency market instruments, securities held for operations, net, long option - futures, futures trading margin - securities, futures trading margin - own funds and assets of derivative instruments assets - OTC.

2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents (excludes cash on hand), securities margin loans receivable, guaranteed deposits for refinancing, guaranteed proceeds receivable from refinancing, margin loans receivable - any use, client margin account, security borrowing deposits, guaranteed price deposits for security borrowings, accounts receivable, payments from the custody of underwriting securities, restricted assets - current, operating funds, settlement funds, reserve fund of trust, refundable deposits, restricted assets - noncurrent.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, commercial papers payable, liabilities for bonds under repurchase agreements, short sale margins, payables for short sale collateral received, deposits for securities lending, futures traders' equity, equity for each customer in the account, accounts payable, receipt under custody and guarantee deposits received.

d. Financial risk management objectives and policies

1) Risk management system

a) Risk management objectives

Adhering to the risk management policies of the parent company, the Group manage the risks during its operating activities in compliance with domestic and foreign regulations as well as in an efficient and flexible manner to maximize the profit.

b) Risk management policies

The Group complies with the risk management policies as a guiding principle to establish significant risk management matters such as objectives, coverage, organization duties and operating, management principles and reports.

The management policies of the Group cover different types of risk including market risk, credit risk, operating risk, liquidity risk, capital adequacy management, regulation risk and other risks related to operating activities. Before initiating a business, the Group should identify the relevant risks and have an integrated plan of risk management mechanism and methods to ensure that such business is compliant with the management policies.

c) Risk management organization

i. Board of directors

The board of directors takes the ultimate responsibilities for risk management. The board of directors approves the risk management policy, ensures that approved risk management policies are in accordance with the nature of operating activities and types of business and cover different types of risk, and monitors the effective implementation of risk management policies.

ii. Risk management committee

The risk management committee is responsible for reviewing risk management policies, principles, and rules of trading transactions, and for determining the appropriate degree of risk exposure and monitoring the implementation of the risk management policies. The risk management committee is under the board of directors and the chairman of board of directors heads the committee, and the members include the general manager, finance supervisor, accounting manager, risk management supervisor, and the relevant trading department supervisor. The committee meetings are typically held quarterly and the provisional meetings are called by the chairman of the board.

iii. Risk management department

The risk management department is under the board of directors. The supervisor and staff of the department are prohibited from holding positions at the trading or settlement department. Their responsibilities are to plan and implement risk management policies, principles and directions, review policies regularly to ensure that those policies are suitable for business development. The risk management department also establishes online monitoring and prevention systems and reaction mechanisms, according to the development of the Group.

iv. Business unit

Each business unit participates in the setting of the risk management mechanism and executes daily risk management and reporting to ensure that the risk model used by the business unit is implemented with the consistent credibility and is in accordance with the internal control procedures to comply with the regulations and risk management policies.

v. Auditing office

The auditing office executes risk management and internal control procedures regularly, and traces and documents findings and deviations of internal control procedures regularly to ensure that the appropriate actions of improvement have been taken in time.

vi. Finance department

The finance department participates in the setting of the risk management mechanism. The department is responsible for executing liquidity risk management and providing the liquidity risk report to the risk management department on a regular basis.

vii. Accounting department

The accounting department participates in the setting of the risk management mechanism and provides the form of capital adequacy to the risk management department on a monthly basis.

viii. Legal affairs office

The legal affairs office executes legal risk management to ensure that business operations and risk management procedures are all in compliance with the regulations.

d) Risk management workflows

Risk management workflows for the Group include risk identification, risk measurement, risk management mechanism, and risk reporting. Risk assessment and response strategies to each risk are addressed as follows:

i. Market risk

i) Definition

Market risk is the risk of losses in the Group' investment positions, including shares, bonds, and derivatives etc. arising from changes in the market prices of financial instruments.

ii) Controls

The Group sets up rules of trading transactions including the limits of authorization, risk limitation, stop-loss rules, and responses to the exceeded limits by each product or service line and implements those control procedures efficiently through the front desk risk control staff and on-line monitoring system. Furthermore, the Group provides the market risk management report regularly that includes market price assessments, the dollar amounts of surplus/shortfall and arbitrage, Value at Risk, and back-testing model and perform stress testing for different extreme scenarios to control the risks that the Group faces and manages the overall risk efficiently.

ii. Credit risk

i) Definition

Credit risk is the risk of loss incurred by the Group as a result of a counterparty or debtor not being able to perform its contract obligations due to deterioration of financial conditions or other factors.

ii) Controls

The Group checks and reviews the credit position of each counterparty before trading and manages risk exposure after trading. Risks arising from securities trading are monitored and controlled based on the credit rating model. Investment concentration and risks are analyzed and documented regularly. Investment limit to each counterparty is established by its credit rating (TCRI, Taiwan Ratings, S&P, Moody’s, and Fitch). In addition, the customers covered by the high-risk range of self-managed credit integrity and the credit balance of the underlying account for a certain percentage of the market credit balance are regularly reviewed and the credit risk emergency notification mechanism for the parent company is established.

iii. Operational risk

i) Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategy risk and credit risk.

ii) Controls

The Group establishes authority levels and the segregation of duties for the processes, including trading, confirmation, settlement, financial accounting, and trading documents archiving for future reference, etc., of front, middle and back offices. Trading, confirmation, settlement, financial accounting, and trading documents are archived for future reference. The strict processes are also established to prevent fraud and negligence. The Group request each department to establish and implement internal audit and control policies authentically. The reporting mechanism for loss events from operational risk and database are established to understand the causes of the loss.

In addition, the auditing office is established under the board of directors. The functions of the office are to implement daily process checks to establish completed internal audit control and provide internal review reports on a regular basis to reduce the loss arising from operational failures.

iv. Liquidity risk

i) Definition

Fund liquidity refers to the Group’ acquisition of funds to maintain its needed flexibility to support asset growth or to repay liabilities; market liquidity refers to the managing and avoidance of risk of loss resulting from significant changes in the market price of held positions due to the lack of market depth or market disruption.

ii) Controls

The measurement index for liquidity risk is established and the Group compiles the liquidity risk management report regularly to review the capital conditions and cash flow gap as of the balance sheet dates and liquidity of overall foreign currency. Capital allocation planning is based on the compiled structure analysis as of the balance sheet dates. In addition, conducting capital liquidity simulation operations regularly ensures that there are corresponding contingency measures in the extreme situations which can cover the funding gap. Meanwhile, credit lines of short-term financing are acquired from other financial institutions and receipts and payments are managed properly to sustain appropriate liquidity and ensure payment ability.

v. Legal risk

i) Definition

Legal risk is the risk of loss that results from a counterparty being unable to legally enter into a contract due to the contract being defective or eligibility of the counterparty.

ii) Controls

The procedures for drafting and reviewing legal documentation are established. All documents related to the contracts are required to be reviewed and approved by the legal office and may be reviewed with reference to external lawyers’ opinions if needed.

vi. Capital adequacy management

i) Definition

The Group manages capital to maintain an appropriate capital adequacy ratio, promote business growth and ensure a robust capital structure.

ii) Controls

The Group established the capital adequacy index and compiles the capital adequacy management report regularly to evaluate the appropriateness of the capital adequacy ratio and the robustness of the capital structure.

vii. Reputation risk and strategy risk

i) Definition

Reputation risk is the risk of loss resulting from negative aspects of the Group' operations, leading to the loss of customers or revenue, and the need for the Group to bear large amounts of legal fees or other losses from damages. Strategy risk is another risk of current or potential loss to revenue or capital resulting from a strategy that turns out to be defective or inappropriate, or lack of proper responses to the competitors.

ii) Controls

In response to significant events related to reputation and strategy risk, the Group established internal regulations to mitigate the risk of losses when significant events occur.

Risk management policies and principles are established based on the above-mentioned risks and management mechanisms from each risk source are set out specifically. The Group also established the constraints for each risk and reviews the appropriateness of each constraint regularly. Moreover, the risk management implementation reports are reported to the risk management committee, board of directors, and risk management office of Cathay Financial Holdings to elaborate on the Group' risk tolerance and the appropriateness of the current risk management scheme.

e) Hedging and mitigation of risk strategies

The hedging and mitigation risk strategies for the Company refer to the implementation of dynamic hedging through the purchase and sale of target investment products to duplicate the same cash flows when derivatives mature. The hedging for outstanding stock warrants and structured products is based on the principle of Delta Neutral. If the prices of those investment positions fluctuate significantly in the financial markets, when the regulations for hedging operations are breached due to the impact from significant events, or when the risk personnel's implementation of hedging strategies are in violation of the regulations of hedging operations, the business department is required to explain in writing and report to the risk management department and the general manager, who has authority to approve the report.

The Group establishes the approval limit and stop-loss mechanism based on the attributes of each product. When the position meets the stop-loss point, the risk management department will inform the supervisor or position administrator in time and monitor the change in the position. In addition, the business department should operate in accordance with the approval limits. If the stop-loss point is met, the investment should be sold or the business department is required to provide an exception report detailing the reason and specific response measures to the responsible supervisor, who has authority to approve the report, according to the authority list.

2) Market risk analysis

The Group assesses, monitors, and manages market risks completely and effectively by applying market risk management tools such as sensitivity analysis, Value at Risk ("VaR") and stress testing continuously.

a) Sensitivity analysis

Sensitivity analysis is used to measure the degree of impact on each product and investment portfolio due to fluctuations in specific market factors. The relevant monitoring and control regulations are set based on the differences in the types of risk and business attributes of the Group. The degree of risk exposure is monitored and measured by interest and commodity factors' sensitivities:

i. Measurement based on interest factors

Price value of basis point (PVBP): Denoting the change in the value of a position given a 1 basis point change in the yield curve.

ii. Measurement based on commodity factors

i) Delta: Measuring the change in the value of a position given a 1% price change of a certain underlying asset.

ii) Gamma: Measuring the dollar amount of change in Delta of a position given a 1% price change of a certain underlying asset.

iii) Vega: Denoting the change in the value of a position given a 1% price change volatility of a certain underlying asset.

b) VaR

VaR is used to measure the risk of the largest potential loss of the investment portfolio arising from movements in market risk factors over a specific time frame and at a certain confidence level. The Group currently measure the VaR of an investment portfolio for the next day at a 99% confidence level. Also, back testing of the VaR model is performed each year to ensure the accuracy of this model.

VaR on one single trading day within the 99% confidence level

	For the Year Ended December 31, 2020			
	Average	**Highest**	**Lowest**	**End of Period**
VaR	$ 36,718	$ 89,675	$ 11,733	$ 62,027

	For the Year Ended December 31, 2019			
	Average	**Highest**	**Lowest**	**End of Period**
VaR	$ 16,043	$ 21,983	$ 9,609	$ 13,303

c) Stress testing

The Group performs stress testing on a monthly basis to assess the degree of impact on the asset portfolio arising from foreign and domestic significant events and finds the risk factors which exert greater significant influence on the asset portfolio, follow up review and report such factors according to the market conditions and customized or extreme scenarios which take rapid changes in foreign and domestic financial environments into consideration are also performed periodically and the maximum losses arising from these scenarios are measured to ensure that the Group manage the risk from each potential scenario effectively.

Stress testing scenarios, which include the historical scenario and hypothesis scenario, are described as follows:

i. Historical Scenario

The Group assesses the dollar amount of losses for the investment portfolio by choosing a specific time frame of historical events and taking the fluctuations of risk factors into consideration such as the immediate, significant, and comprehensive impact on financial markets from the bankruptcy of Lehman Brothers in 2008 and the Great East Japan earthquake in 2011.

ii. Hypothetical Scenario

The Group makes reasonable expected hypotheses on possible future extreme market fluctuations, includes the related risk factors in the current investment portfolio, and measures the loss amount generated from such events on the investment position, including the 10% drop in the total stock market value arising from the breakdown of the global system.

For the Year Ended December 31, 2020
Stress Test Table

(In Thousands of New Taiwan Dollars)

Risk Factor	Change (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	$ (75,660)
Interest rate risk (yield curve)	+100bps	(56,647)
Exchange rate risk (exchange rate)	3%	5,865
Product risk (price)	-10%	16,775

For the Year Ended December 31, 2019
Stress Test Table

(In Thousands of New Taiwan Dollars)

Risk Factor	Change (+/-)	Changes in Profit and Loss
Equity risk (stock index)	-10%	$ (113,102)
Interest rate risk (yield curve)	+100bps	(93,954)
Exchange rate risk (exchange rate)	3%	8,651
Product risk (price)	-10%	(369)

3) Credit risk analysis

a) Source of credit risk

Credit risk refers to the credit risk that the Group may encounter due to engagement in financial transactions which include the credit risks from issuers, counterparties, and underlying assets:

i. Issuer credit risk refers to the risk of financial loss that the Group may incur as a result of issuers, guarantors or banks not fulfilling their payment obligations due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk of financial loss that the Group may incur when a counterparty does not fulfill its settlement or payment obligations on the designated date.

iii. Underlying asset credit risk refers to the risk of loss that the Group may encounter when the credit quality of the target financial instrument deteriorates, credit charges increase, credit rating reduces or when the terms of the contracts are violated.

Financial assets that expose the Group to credit risk include bank accounts, debt securities, trading of over-the-counter derivatives, repurchase and reverse repurchase of debts, trading from the securities lending, refundable deposits, futures deposits in banks, other refundable deposits and accounts receivable etc.

b) Determinants for whether the credit risk has increased significantly since initial recognition

i. The Group assesses, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii. Low credit risk: If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

c) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of the Group is the same as that of a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

i. Qualitative factors: Evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:

i) The issuers and borrowers have entered bankruptcy or are probable to file bankruptcy or undergo financial reorganization.

ii) The borrowers fail to make interest or principal payments based on the original terms and conditions.

ii. The abovementioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to the related impairment assessment model.

d) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance for such financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, the Group measures the loss allowance for such financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Group multiply exposure at default by the 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Group also consider the effect of the time value of money when calculating the 12-month expected credit losses and the lifetime expected credit losses.

Probability of default is the rate that an issuer, guarantee agency and a borrower defaults. The loss given default is the loss rate that results from the default of issuers, guarantee agencies and borrowers. The loss given default used by the Group in impairment assessment is based on information regularly issued by Moody's. The probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (gross domestic product and economic growth rate, for example) after adjustments of historical data. The exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Group takes into consideration forward-looking information while measuring expected credit losses of the financial assets.

e) Loss allowance of accounts receivable

The movements of the loss allowance of accounts receivable were as follows:

	Debt Instrument Investments	Accounts Receivable	Other Receivables	Overdue Receivables	Margin Deposits for Securities Refinancing	Securities Margin Loans Receivable	Futures Trading Margin Receivables	Total
Balance at January 1, 2020	$ 852	$ 96	$ 17	$ 94,993	$ 166	$ 16	$ -	$ 96,140
Recognized (reversed)	1,080	174	9	(2,771)	139	12	74	(1,283)
Balance at December 31, 2020	$ 1,932	$ 270	$ 26	$ 92,222	$ 305	$ 28	$ 74	$ 94,857
Balance at January 1, 2019	$ 1,020	$ 88	$ 12	$ 95,047	$ 132	$ 7	$ -	$ 96,306
Recognized (reversed)	(168)	8	5	(54)	34	9	-	(166)
Balance at December 31, 2019	$ 852	$ 96	$ 17	$ 94,993	$ 166	$ 16	$ -	$ 96,140

4) Capital liquidity risk analysis:

Bank loans are an important source of liquidity for the Group. As of December 31, 2020 and 2019, the unused credits of short-term bank loans of the Group amounted to $6,610,559 thousand and $7,100,772 thousand, respectively.

a) Cash flow analysis

Capital liquidity risk is the risk that the Group is unable to acquire sufficient capital at a reasonable cost within a reasonable time frame and which results in a cash flow gap, or the risk that the Group sells assets at a loss to meet the cash flow requirements.

As of December 31, 2020
Cash Flow Analysis of Financial Liabilities

	Payment Terms				
	Less than 1 Month	**1-3 Months**	**3-6 Months**	**More than 6 Months**	**Total**
Financial liabilities					
Short-term loans	$ 1,657,576	$ -	$ -	$ -	$ 1,657,576
Commercial paper payable	1,269,918	-	-	-	1,269,918
Financial liabilities at FVTPL	15,745,711	-	-	-	15,745,711
Liabilities for bonds under repurchase agreements	2,207,506	-	-	-	2,207,506
Short sale margins and payables for short sale collateral received	77,180	154,360	231,540	926,156	1,389,236
Deposits for securities lending	7,208	14,416	21,624	86,502	129,750
Futures traders' equity	13,215,030	-	-	-	13,215,030
Equity for each customer in the account	11,744	-	-	-	11,744
Accounts payable	15,094,904	458,671	236,349	322,227	16,112,151
Other financial liabilities	286,668	-	-	-	286,668
Lease liabilities	7,483	15,076	20,443	20,705	63,707
Others	1,335,561	-	-	-	1,335,561
	$ 50,916,489	$ 642,523	$ 509,956	$ 1,355,590	$ 53,424,558
Percentage to the total	95.31%	1.20%	0.95%	2.54%	100%

Short-term loans, commercial paper payable and liabilities for bonds under repurchase agreements are fund procurement instruments and with maturities within 3 months.

As of December 31, 2020
Cash Flow Gap

	Receivable Terms				
	Less than 1 Month	**1-3 Months**	**3-6 Months**	**More than 6 Months**	**Total**
Financial assets					
Cash and cash equivalents	$ 4,872,595	$ -	$ -	$ -	$ 4,872,595
Financial assets at FVTPL - current					
Securities lending	112,858	-	-	-	112,858
Securities held for operation	10,375,243	-	-	-	10,375,243
Open-end funds and currency market instruments	50,097	-	-	-	50,097
Call option	35,075	-	-	-	35,075
Future trading margins	1,329,790	-	-	-	1,329,790
Derivative instruments assets - OTC	115,583	-	-	-	115,583
Financial assets at FVTOCI - current	2,218,853	-	-	-	2,218,853
Securities financing receivables	294,283	574,748	862,122	3,448,489	5,179,642
Guaranteed deposits for refinancing and guaranteed proceeds receivable from refinancing	1,696	3,392	5,088	20,348	30,524
Guaranteed price deposits for security borrowings	47,348	94,696	142,044	-	284,088
Client margin accounts	13,222,279	-	-	-	13,222,279
Guaranteed price deposits security borrowing and security borrowing deposits - refund	349,115	698,230	1,047,345	4,189,380	6,284,070
Accounts receivable	14,943,570	-	-	171,879	15,115,449
Others	2,094,005	1,914	2,870	1,200,000	3,298,789
	50,062,390	1,372,980	2,059,469	9,030,096	62,524,935
Residual cash	$ (854,099)	$ 730,457	$ 1,549,513	$ 7,674,506	$ 9,100,377

As of December 31, 2019
Cash Flow Analysis of Financial Liabilities

Financial liabilities	Payment Terms: Less than 1 Month	1-3 Months	3-6 Months	More than 6 Months	Total
Short-term loans	$ 2,201,364	$ -	$ -	$ -	$ 2,201,364
Commercial paper payable	5,538,845	-	-	-	5,538,845
Financial liabilities at FVTPL	2,961,544	-	-	-	2,961,544
Liabilities for bonds under repurchase agreements	2,098,081	-	-	-	2,098,081
Short sale margins and payables for short sale collateral received	55,597	111,194	166,791	667,165	1,000,747
Futures traders' equity	7,358,470	-	-	-	7,358,470
Equity for each customer in the account	9,161	-	-	-	9,161
Accounts payable	5,821,287	-	192,171	136,016	6,149,474
Other financial liabilities	67,179	-	-	-	67,179
Lease liabilities - current	6,921	13,849	20,271	36,141	77,182
Others	36,008	-	-	-	36,008
	$ 26,154,457	$ 125,043	$ 379,233	$ 839,322	$ 27,498,055
Percentage to the total	95.11%	0.45%	1.38%	3.06%	100%

Short-term loans, commercial paper payable and liabilities for bonds under repurchase agreements are fund procurement instruments and with maturities within 3 months.

As of December 31, 2019
Cash Flow Gap

Financial assets	Receivable Terms: Less than 1 Month	1-3 Months	3-6 Months	More than 6 Months	Total
Cash and cash equivalents	$ 2,598,923	$ -	$ -	$ -	$ 2,598,923
Financial assets at FVTPL - current					
Securities lending	353,945	-	-	-	353,945
Securities held for operation	8,739,503	-	-	-	8,739,503
Open-end funds and currency market instruments	14,918	-	-	-	14,918
Call option	35,370	-	-	-	35,370
Future trading margins	1,115,968	-	-	-	1,115,968
Derivative instruments assets - OTC	67,448	-	-	-	67,448
Financial assets at FVTOCI - current	2,065,100	-	-	-	2,065,100
Securities financing receivables	185,432	366,560	549,840	2,199,355	3,301,187
Guaranteed deposits for refinancing and guaranteed proceeds receivable from refinancing	2,383	4,766	7,149	28,591	42,889
Guaranteed price deposits for security borrowings	28,112	55,760	83,637	-	167,509
Client margin accounts	7,366,953	-	-	-	7,366,953
Guaranteed price deposits security borrowing and security borrowing deposits - refund	70,653	141,306	211,959	847,838	1,271,756
Accounts receivable	5,582,125	-	-	12,742	5,594,867
Others	365,863	-	-	900,000	1,265,863
	28,592,696	568,392	852,585	3,988,526	34,002,199
Residual cash	$ 2,438,239	$ 443,349	$ 473,352	$ 3,149,204	$ 6,504,144

b) Capital liquidity risk stress testing

The Group performs stress testing regularly to measure and evaluate the changes of capital liquidity under extreme and abnormal events to ensure that the Group maintains capital liquidity. Stress scenarios include significant fluctuations in the financial markets, the occurrence of various credit events, the unexpected tightening of capital liquidity in the financial markets and other assumptions that may cause financial liquidity stress, and are used to measure the Group's ability to meet the demand for cash and the changes in cash flow gap.

If the cash flow gap arises under the specific stress scenario, the following procedures are performed to prevent the occurrence of the stress events:

i. The Group raises funds and makes balance sheet adjustments in accordance with the Crisis Management Principles and Regulations of Emergency Management.

ii. Financing: (i) short-term loan credit line (ii) collateralized time deposits (iii) issuance of commercial paper.

iii. Balance sheet adjustments: (i) sale of securities (ii) recovery of short-term capital invested in the currency market.

e. Transfers of financial assets

Transferred financial assets that are part of the Group' daily operations that do not meet the criteria for full derecognition are mostly made up of notes and bonds issued under repurchase agreements. The cash flows of these transactions have been transferred, and reflects the liability where the Group is obligated to buy back the transferred financial assets according to fixed prices in future periods. With respect to such transactions, the Group will not be able to use, sell or pledge the said transferred financial assets during the effective period. However, the Group is still exposed to interest rate risk and credit risk, hence the assets are not fully derecognized.

The following table analyses the Group' financial assets and financial liabilities that have not been fully derecognized:

December 31, 2020

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Carrying Value of Related Financial Liabilities	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at fair value through other comprehensive income					
Bonds issued under repurchase agreements	$ 2,218,853	$ 2,207,506	$ 2,218,853	$ 2,207,506	$ 11,347

December 31, 2019

Categories of Financial Assets	Carrying Value of Transferred Financial Assets	Carrying Value of Related Financial Liabilities	Carrying Value of Related Financial Liabilities	Fair Value of Related Financial Liabilities	Net Fair Value
Financial assets at fair value through other comprehensive income					
Bonds issued under repurchase agreements	$ 2,065,100	$ 2,098,081	$ 2,065,100	$ 2,098,081	$ (32,981)

f. Offsetting financial assets and financial liabilities

The Group enters into secured repurchase agreements with counterparties, for which the Group provides securities as collateral. Only in the event of default, insolvency or bankruptcy, are these transactions allowed to be offset, which does not meet the offsetting criteria of financial instrument transactions, Article 42 of IAS 32, and they are not subject to enforceable master netting arrangements or other similar agreements and should be settled at gross amounts. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to the offsetting of financial assets and financial liabilities of the Group is disclosed as follows:

December 31, 2020

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Related Amount Not Offset in the Balance Sheets		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Bonds issued under repurchase agreements	$ 2,207,506	$ -	$ 2,207,506	$ 2,218,853	$ -	$ (11,347)

Note: Master netting arrangement and non-cash collateral are included.

December 31, 2019

Financial Liabilities	Gross Amount of Recognized Financial Liabilities	Gross Amount of Offset Financial Assets Recognized on the Balance Sheet	Net Financial Liabilities Recognized on the Balance Sheet	Related Amount Not Offset in the Balance Sheets		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Bonds issued under repurchase agreements	$ 2,098,081	$ -	$ 2,098,081	$ 2,065,100	$ -	$ 32,981

Note: Master netting arrangement and non-cash collateral are included.

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Related parties

Name	Nature of the relationship
Cathay Financial Holding Co., Ltd.	The Company's parent company
Cathay United Bank Co., Ltd.	Subsidiary of the parent company
Cathay Life Insurance Co., Ltd.	Subsidiary of the parent company
Cathay Century Insurance Co., Ltd.	Subsidiary of the parent company
Cathay Securities Investment Trust Co., Ltd.	Subsidiary of the parent company
Symphox Information Co., Ltd.	Associate
ThinkPower Information Co., Ltd.	Subsidiary of the associate
Cathay Real Estate Development Co., Ltd.	Other related party
Investment Trust Funds Issued by Cathay Securities Investment Trust Co., Ltd.	Other related party

b. Significant transactions are summarized as follows:

1) Cash in banks

	December 31	
	2020	2019
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	$ 4,108,990	$ 2,399,307

Cash in bank includes cash and cash equivalents, payments from the custody of underwriting securities and the assets recorded under other current assets, which are amounts awaiting settlement and restricted assets. Restricted assets are pledged time deposits. For information on the assets pledged as collateral, please refer to Note 30.

The terms of the above transactions are similar to that of non-related parties.

2) Financial assets at fair value through profit and loss

	December 31	
	2020	2019
Other related party		
Investment Trust Funds Issued by Cathay Securities Investment Trust Co., Ltd.	$ 9,463	$ 61,468
Cathay Real Estate Development Co., Ltd.	279	356
	$ 9,742	$ 61,824

3) Guarantee deposits received in futures contracts

	December 31	
	2020	2019
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	$ 943,420	$ 1,064,570

4) Guarantee deposits (recorded as other noncurrent assets)

	December 31	
	2020	2019
Subsidiary of the parent company		
Cathay Life Insurance Co., Ltd.	$ 13,469	$ 12,451

5) Customers' equity accounts - futures

	December 31	
	2020	2019
Subsidiary of the parent company		
Cathay Life Insurance Co., Ltd.	$ 1,897,019	$ 3,078,757
Cathay Securities Investment Trust Co., Ltd.(Note)	1,491,081	1,218,446
Cathay United Bank Co., Ltd.	267,303	508,694
Cathay Century Insurance Co., Ltd.	21,841	21,836
	$ 3,677,244	$ 4,827,733

Note: The counterparty includes the investment trust fund managed by Cathay Securities Investment Trust.

6) Lease agreements

	For the Year Ended December 31	
	2020	2019
Acquisition of right-of-use assets		
Subsidiary of the parent company		
Cathay Life Insurance Co., Ltd.	$ 20,938	$ 20,624
Cathay United Bank Co., Ltd.	11,982	2,963
	$ 32,920	$ 23,587

	December 31	
	2020	2019
Lease liabilities		
Subsidiary of the parent company		
Cathay Life Insurance Co., Ltd.	$ 58,226	$ 78,915
Cathay United Bank Co., Ltd.	12,156	9,685
	$ 70,382	$ 88,600

Cathay Life Insurance Co., Ltd. and Cathay United Bank Co., Ltd. leased out some buildings as office and parking space to the Group under finance leases with lease term from 2016 to 2025, and the rental is based on similar properties in the vicinity of the office and fixed lease payment are paid monthly.

The rents on the above rental properties were comparable with those in the surrounding area and were payable monthly.

7) Other payables

	December 31	
	2020	2019
The parent company		
Cathay Financial Holding Co., Ltd. (Note)	$ 218,953	$ 74,712
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	62,797	27,050
Cathay Life Insurance Co., Ltd.	12,356	8,065
Associate		
Symphox Information Co., Ltd.	1,043	3,844
	$ 295,149	$ 113,671

Note: Income tax payable calculated due to adoption of the consolidated income tax system.

8) Brokerage handling fee revenue

	For the Year Ended December 31	
	2020	2019
Subsidiary of the parent company		
Cathay Life Insurance Co., Ltd.	$ 155,771	$ 213,844
Cathay United Bank Co., Ltd.	15,201	9,409
Cathay Century Insurance Co., Ltd.	3,449	4,422
	$ 174,421	$ 227,675

9) Revenue from the underwriting business

	For the Year Ended December 31	
	2020	2019
The parent company		
Cathay Financial Holding Co., Ltd.	$ 14,800	$ 7,300

10) Interest revenue

	For the Year Ended December 31	
	2020	2019
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	$ 7,805	$ 12,140

11) Other operating revenue

	For the Year Ended December 31	
	2020	2019
Subsidiary of the parent company		
Cathay Securities Investment Trust Co., Ltd.	$ 330	$ 6,372

12) Other operating expenses

	For the Year Ended December 31	
	2020	**2019**
Associate		
Symphox Information Co., Ltd.	$ 23,071	$ 16,488
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	167,851	80,628
Cathay Life Insurance Co., Ltd.	57,664	42,655
	$ 248,586	$ 139,771

The above-mentioned operating expenses are mainly cable services, joint marketing fees, and insurance fees, etc., and the terms of these transactions are the same as those of non-related parties.

13) Other income and expenses

	For the Year Ended December 31	
	2020	**2019**
Subsidiary of the parent company		
Cathay United Bank Co., Ltd.	$ 9,005	$ 1,975

14) Acquisition of other assets (recorded as intangible assets)

	For the Year Ended December 31	
	2020	**2019**
Subsidiary of the associate		
ThinkPower Information Co., Ltd.	$ 4,997	$ -

c. Compensation of key management personnel

	For the Year Ended December 31	
	2020	**2019**
Short-term employee benefits	$ 158,101	$ 143,708
Post-employment benefits	1,763	1,814
Share-based payments	-	567
	$ 159,864	$ 146,089

The key management personnel of the Group include the chairman, director, supervisor, general manager, senior vice general manager and vice general manager.

30. PLEDGED OR MORTGAGED ASSETS

The following assets are pledged to deposits for securities borrowing, futures trading margin settling, deposits for securities settling, short-term loan, and application for security of provisional attachments:

	December 31	
	2020	**2019**
Financial assets at fair value through profit or loss - current		
Securities held for operations - dealing	$ 3,273,608	$ 700,698
Futures trading margins - securities	-	489,361
Restricted assets - current (recorded as other current assets)	1,200,000	900,000
Investment properties		
Land	260,385	258,218
Building	30,790	35,123
Restricted assets - noncurrent (recorded as other non-current assets)	3,200	21,200

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's 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:

(Foreign Currencies and carrying Amounts in Thousands)

December 31, 2020

	Foreign Currency	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 240,732	28.508	$ 6,862,778
Financial liabilities			
Monetary items			
USD	227,265	28.508	6,478,866

December 31, 2019

	Foreign Currency	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 129,094	30.106	$ 3,886,481
Financial liabilities			
Monetary items			
USD	116,017	30.106	3,492,809

For the years ended December 31, 2020 and 2019, net foreign exchange losses were $16,324 thousand and $9,991 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

32. ADDITIONAL DISCLOSURES

a. The significant transactions related information:

1) Financing provided to others: None.

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: None.

7) Intercompany relationships and significant intercompany transactions: Table 3.

b. The related information of investees: Table 1.

c. Information on established branch units or representative offices overseas: None.

d. Information on investments in mainland China: None.

e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Not applicable.

f. According to Rule No. 10703209011 issued by the FSC, the business operations of foreign investment enterprises should be disclosed: The Company invests in foreign companies that are not registered with IOSCO MMoU signatory members or have not obtained the securities or futures licenses of IOSCO MMoU signatory members: Cathay Investment Consulting (Shanghai) Co., Ltd. information and the relevant financial statements are referred in Table 2.

g. Other: Impact of COVID-19

   The Group has evaluated the economic impact caused by the COVID-19, and as of the date these consolidated financial statements were authorized for issue, there were no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

33. SEGMENTS INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's operating segments for 2020 and 2019 are as follows:

Securities brokerage: Buying and selling of securities on behalf of others on a centralized securities exchange market.

Securities dealing: Buying and selling of securities for own account on a centralized securities exchange market.

Securities underwriting: Raising of funds and delivering securities in the market.

Other segments: Other business activities other than securities brokers, securities dealers, and securities underwriters.

Segment revenue and results

	Securities Brokerage	Securities Underwriting	Securities Dealing	Other Segments	Total
For the year ended December 31, 2020					
Revenue					
Revenue from external customers	$ 3,825,196	$ 64,588	$ 1,607,031	$ 264	$ 5,497,079
Interest revenue	194,355	-	45,027	-	239,382
	4,019,551	64,588	1,652,058	264	5,736,461
Expenses					
Interest expense	11,480	-	22,596	17,786	51,862
Depreciation and amortization	87,428	1,566	17,999	72,527	179,520
Operating expenses and other expenses	2,312,970	83,296	1,010,270	461,321	3,867,857
	2,411,878	84,862	1,050,865	551,634	4,099,239
Other gains and losses	86,365	(13)	5,588	14,719	106,659
Profit before tax	1,694,038	(20,287)	606,781	(536,651)	1,743,881
Income tax expense	-	-	-	276,496	276,496
Segment profit (loss)	$ 1,694,038	$ (20,287)	$ 606,781	$ (813,147)	$ 1,467,385
For the year ended December 31, 2019					
Revenue					
Revenue from external customers	$ 2,600,774	$ 42,770	$ 941,012	$ 336	$ 3,584,892
Interest revenue	157,872	-	45,036	-	202,908
	2,758,646	42,770	986,048	336	3,787,800
Expenses					
Interest expense	16,961	-	32,129	36,364	85,454
Depreciation and amortization	92,270	2,422	13,297	62,318	170,307
Operating expenses and other expenses	1,734,813	84,393	613,061	395,151	2,827,418
	1,844,044	86,815	658,487	493,833	3,083,179
Share of profit of associates accounted for using the equity method	-	-	-	(737)	(737)
Other gains and losses	100,373	-	2,368	8,241	110,982
Profit before tax	1,014,975	(44,045)	329,929	(485,993)	814,866
Income tax expense	-	-	-	114,791	114,791
Segment profit (loss)	$ 1,014,975	$ (44,045)	$ 329,929	$ (600,784)	$ 700,075

The Group's operating decision-makers do not use the segment assets and liabilities as the basis for decision-making, hence, only information on segment profit and loss are disclosed.

34. FINANCIAL RATIO RESTRICTIONS AND ITS STATUS OF COMPLIANCE BASED ON THE RELATED FUTURES DEALING REGULATIONS

Futures dealing segment of the Company

In accordance with: "Regulations Governing Futures Commission Merchants"

Unit: NT$

		December 31					
		2020		2019			
No.	Calculation Formula	Calculation Formula	Ratio	Calculation Formula	Ratio	Standard	Status of Compliance
17	Total equity / (Total liabilities - futures traders' equity)	$1,737,158 / $52,624	33.01 times	$1,340,302 / $85,838	15.61 times	≧1	In compliance
17	Total current assets / Total current liabilities	$3,556,473 / $52,397	67.88 times	$2,239,762 / $84,559	26.49 times	≧1	In compliance
22	Total equity / Common stock	$1,737,158 / $400,000	434.29%	$1,340,302 / $400,000	335.08%	≧60% ≧40%	In compliance
22	ANC / Total customer margin accounts after offsetting futures traders' equity	$1,059,278 / $1,280,999	82.69%	$758,543 / $626,607	121.06%	≧20% ≧15%	In compliance

Cathay Futures Co., Ltd. (the Company's subsidiary)

In accordance with: "Regulations Governing Futures Commission Merchants"

Unit: NT$

		December 31					
		2020		2019			
No.	Calculation Formula	Calculation Formula	Ratio	Calculation Formula	Ratio	Standard	Status of Compliance
17	Total equity / (Total liabilities - futures traders' equity)	$1,563,305 / $68,168	22.93 times	$1,434,927 / $52,425	27.37 times	≧1	In compliance
17	Total current assets / Total current liabilities	$15,729,693 / $15,338,432	1.03 times	$8,611,192 / $8,235,094	1.05 times	≧1	In compliance
22	Total equity / Common stock	$1,563,305 / $600,000	260.55%	$1,434,927 / $600,000	239.15%	≧60% ≧40%	In compliance
22	ANC / Total customer margin accounts after offsetting futures traders' equity	$1,149,771 / $2,649,619	43.39%	$1,035,112 / $1,324,319	78.16%	≧20% ≧15%	In compliance

35. SPECIFIC RISK FROM FUTURES DEALING AND BROKERAGE

a. Futures dealing

When engaging in futures trading, the Group must pay a certain amount as security deposit. In addition, if the seller's position is held and the Group engages in option trading, a certain percentage of the amount must also be paid as security deposit. The Group calculates daily changes in its margin and premium accounts based on the market settlement price of open futures contracts and option contracts held by the Group. When the margin gradually decreases to the regulated amount due to the market price decline, the Group immediately repays the deposit or reverse write-offs.

b. Futures brokerage

When entering into futures transactions, customers must pay a certain percentage of the transaction amount as margin deposit. Due to the leverage effects of the margin deposits, customers may earn either huge profits or conversely suffer immense losses. To prevent the customers' losses from impacting the Group's financial security, the Group should calculate the changes in the margin deposit and premium accounts based on the market closing prices of the customers' open futures contracts and immediately notify the customer to top up the margin account should the margin deposit fall below a certain amount (the "maintenance margin") due to a gradual decline in market prices. If the customers fail to do so within the allotted time, the Group will close their futures position.

36. TRUST BUSINESS UNDER THE TRUST ENTERPRISE ACT

According to Article 17 of the Trust Enterprise Act, the balance sheets, income statements and trust estate catalogs of trust accounts which should be disclosed were as follows:

a. Balance sheet of trust business

Balance Sheets of Trust Accounts
December 31, 2020 and 2019

Unit: NT$

	2020	2019
Trust assets		
Bank deposits	$ 7,957	$ 74
Funds	101,802	3,927
Securities sold receivables	3,089	-
	$ 112,848	$ 4,001
Trust liabilities		
Trust capital	$ 104,087	$ 3,905
Profit (loss) for current year	12,746	96
Accumulated loss	(3,985)	-
	$ 112,848	$ 4,001

b. Income statement of trust accounts

Income Statements of Trust Accounts
Years Ended December 31, 2020 and 2019

Unit: NT$

	2020	**2019**
Trust income		
Dividends	$ 313	$ 57
Investment income - realized	4,321	16
Investment income - unrealized	8,112	23
Income before income tax	12,746	96
Income tax expense	-	-
Net income after tax	$ 12,746	$ 96

c. Trust estate catalog

Trust Estate Catalog of Trust Accounts
December 31, 2020 and 2019

Unit: NT$

Investment Portfolio	**2020**	**2019**
Bank deposits	$ 7,957	$ 74
Funds	101,802	3,927
Securities sold receivables	3,089	-
	$ 112,848	$ 4,001

The Company is entrusted to manage and use the trust funds, independently setting up accounts and preparing the financial statements. The trust assets and the profit or loss of such assets are not included in the Company's consolidated statements of comprehensive income.

TABLE 1

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Date of Incorporation	Approval Date of Financial Supervisory Commission and Ref. No.	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Operating Revenues (Loss) of the Investee	Net Income (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	Proportion	Carrying Amount					
Cathay Securities Corporation	Cathay Futures Co., Ltd.	19th Floor, No. 333, Section 2, Dunha South Road, Da'an South Road, Da'an District, Taipei city, Taiwan R.O.C.	December 29, 1993	N/A	Futures related business	$ 710,406	$ 710,406	66,694	99.99%	$ 1,563,159	$ 369,175	$ 62,402	$ 62,396	$ 38,998	Note 1
	Cathay Securities (Hong Kong) Corporation Limited	Room 1001, 10th Floor, China Building 29 Queen's Road Central, Hong Kong	March 22, 2007	Rule No. 1040009705, issued by the FSC	Securities related business	902,723	902,723	270	100.00%	593,861	115,971	(23,181)	(23,181)	-	Note 1
Cathay Securities (Hong Kong) Corporation Limited	Cathay Securities (Asia) Corporation Limited	Unit B, 17th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong	February 24, 2020	N/A	Investment related business	HK$ 1,000 thousand	-	1	100.00%	3,254	(5)	(439)	(439)	-	Notes 1 and 2

Note 1: All intercompany transactions have been eliminated upon consolidation.

Note 2: It was established on February 24, 2020, and cash was remitted completely by Cathay Securities (Hong Kong) Corporation Limited on March 26, 2020.

TABLE 2

CATHAY INVESTMENT CONSULTING (SHANGHAI) CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019 AND
PERIOD FROM JANUARY 1, 2019 TO FEBRUARY 26, 2019(Note)
(In CNY)

	2019	
	Amount	**%**
OPERATING REVENUE	$ -	-
OPERATING EXPENSES	(188,465)	-
OPERATING LOSS	(188,465)	-
NON-OPERATING INCOME AND EXPENSES	-	-
NET LOSS BEFORE TAX	(188,465)	-
INCOME TAX EXPENSE	-	-
NET LOSS FOR THE YEAR	(188,465)	-
OTHER COMPREHENSIVE LOSS (NET LOSS AFTER TAX)	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (188,465)	-

Note: The board of directors of Cathay Investment Consulting (Shanghai) Co., Ltd. resolved to dissolve the company on November 7, 2017, and obtained approval from the FSC based on letter No. 1060046018 on November 29, 2017, and completed the cancellation procedures on February 26, 2019.

CATHAY SECURITIES CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenue or Assets (Note 3)
0	Cathay Securities Corporation	Cathay Futures Co., Ltd.	a	Financial assets at fair value through profit or loss - current	$ 2,068,539	Note 4	3.19
		Cathay Futures Co., Ltd.	a	Other receivables	6,727	Note 4	0.01
		Cathay Futures Co., Ltd.	a	Clearing and settlement service fee expenses	7,549	Note 4	0.13
		Cathay Futures Co., Ltd.	a	Other non-operating income	12,744	Note 4	0.22
		Cathay Futures Co., Ltd.	a	Futures commission income	43,821	Note 4	0.76
		Cathay Futures Co., Ltd.	a	Account receivables	3,494	Note 4	0.01
		Cathay Futures Co., Ltd.	a	Other operating expenses	77,184	Note 4	1.35
		Cathay Futures Co., Ltd.	a	Other payables	3,726	Note 4	0.01
		Cathay Securities (Hong Kong) Corporation Limited	a	Accounts receivables	3,146	Note 4	-
		Cathay Securities (Hong Kong) Corporation Limited	a	Brokerage fee revenue	17,193	Note 4	0.30

Note 1: Parent company is numbered 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue and assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in the terms and conditions between related party and non-related party transactions.

Note 5: All intercompany transactions have been eliminated upon consolidation.

Note 6: The table discloses transactions over $3,000 thousand.