Cathay Securities Investment Trust Co., Ltd. and Subsidiary

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Securities Investment Trust Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Securities Investment Trust Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 in accordance with the Regulations Governing Securities Investment Trust Enterprises 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 based on our audits and the reports of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management Fee Revenue Recognition

The main revenue of the Group's comes from management fee. According to the trust contracts, management fee is calculated by the ratio of net asset value of each fund and each discretionary investment account. Due to the inconsistency and complexity of standard of management fee ratio of each fund and discretionary investment account, calculation errors will affect the correctness of management fee revenue. Therefore, considering the accuracy of management fee calculation is the key audit matter this year.

We performed control tests to understand the design and implementation of the Group's management fee revenue process and related control.

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

1. Sampled and confirmed the recognition of management fee revenue was complied with trust contracts.

2. Sampled and calculated the management fee revenue to verify the recognition of management fee revenue was correct.

3. Sampled and verified the amount of management fee revenue in bank statement and whether was consistent with the amount in accounts.

Other Matter

The consolidated financial statements for the year ended December 31, 2018 of the Group was audited by other auditors who issued an unqualified opinion with emphasis paragraph on March 21, 2019.

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 Securities Investment Trust Enterprises 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 supervisors, are responsible for overseeing the Group's financial reporting process.

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2020

<u>*Notice to Readers*</u>

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 INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 24)	$ 2,344,286	67	$ 2,035,579	64
Financial assets at fair value through profit or loss (Notes 4, 7 and 24)	62,574	2	58,765	2
Accounts receivable, net (Note 4)	11,539	-	12,520	1
Accounts receivables from related parties, net (Notes 4 and 24)	235,187	7	167,953	5
Other receivables (Note 4)	4,223	-	3,934	-
Prepayments (Note 24)	42,838	1	33,225	1
Other current assets	-	-	1,619	-
Total current assets	2,700,647	77	2,313,595	73
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 24)	6,592	-	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	9,138	-	9,318	-
Investments accounted for using the equity method (Notes 4 and 10)	421,059	12	458,070	15
Property and equipment (Notes 4 and 11)	43,284	1	45,904	1
Right-of-use assets (Notes 4, 12 and 24)	5,428	-	-	-
Intangible assets (Notes 4 and 13)	22,834	1	13,871	-
Deferred tax assets (Notes 4 and 20)	26,518	1	23,758	1
Refundable deposits (Notes 4, 14 and 24)	232,317	7	280,476	9
Other non-current assets (Note 24)	22,669	1	24,328	1
Total non-current assets	789,839	23	855,725	27
TOTAL	$ 3,490,486	100	$ 3,169,320	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 18)	$ 12,135	-	$ 21,421	1
Other payables (Notes 15 and 24)	640,593	19	443,793	14
Lease liabilities (Notes 4, 12 and 24)	2,470	-	-	-
Other current liabilities	8,565	-	7,171	-
Total current liabilities	663,763	19	472,385	15
NON-CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 18)	8,547	1	20,682	1
Lease liabilities (Notes 4, 12 and 24)	3,002	-	-	-
Net defined benefit liabilities (Notes 4 and 16)	110,570	3	109,724	3
Other non-current liabilities	6,750	-	6,750	-
Total non-current liabilities	128,869	4	137,156	4
Total liabilities	792,632	23	609,541	19
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 17)				
Ordinary shares	1,500,000	43	1,500,000	47
Capital surplus	16,453	1	13,908	1
Retained earnings				
Legal reserve	487,147	14	422,969	13
Special reserve	82,012	2	51,450	2
Unappropriated earnings	701,411	20	642,240	20
Total retained earnings	1,270,570	36	1,116,659	35
Other equity	(89,169)	(3)	(70,788)	(2)
Total equity attributable to owners of the Corporation	2,697,854	77	2,559,779	81
TOTAL	$ 3,490,486	100	$ 3,169,320	100

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

(With Deloitte & Touche audit report dated March 10, 2020)

CATHAY SECURITIES INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 24)	$ 2,676,068	100	$ 2,411,578	100
OPERATING EXPENSES (Notes 19 and 24)	1,807,326	67	1,552,205	64
PROFIT FROM OPERATIONS	868,742	33	859,373	36
NON-OPERATING INCOME AND EXPENSES				
Gain (loss) on financial assets at fair value through profit or loss (Note 4)	20,582	1	(11,308)	-
Interest income	10,512	-	8,474	-
Foreign exchange loss (Note 4)	(839)	-	(20)	-
Other income	381	-	189	-
Share of loss of associates accounted for using the equity method (Notes 4 and 10)	(21,962)	(1)	(44,213)	(2)
Financial costs	(374)	-	-	-
Total non-operating income and expenses	8,300	-	(46,878)	(2)
INCOME BEFORE INCOME TAX	877,042	33	812,495	34
INCOME TAX EXPENSES (Notes 4 and 20)	175,631	7	170,718	7
NET INCOME FOR THE YEAR	701,411	26	641,777	27
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans (Notes 16 and 17)	(3,940)	-	(17,962)	(1)
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income (Note 17)	(180)	-	(934)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 17 and 20)	788	-	3,592	-

(Continued)

CATHAY SECURITIES INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 17)	$ (15,049)	-	$ (11,218)	-
Other comprehensive income (loss) for the year, net of income tax	(18,381)	-	(26,522)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 683,030	26	$ 615,255	26
BASIC EARNINGS PER SHARE (Note 21)	$ 4.68		$ 4.28	

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

(With Deloitte & Touche audit report dated March 10, 2020) (Concluded)

CATHAY SECURITIES INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

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

	Ordinary Shares			Retained Earnings				Other Equity					
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurements of Defined Benefit Plans	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Total Equity
BALANCE AT JANUARY 1, 2018	150,000	$ 1,500,000	$ 13,908	$ 379,027	$ 36,673	$ 439,415	$ 855,115	$ (14,477)	$ -	$ (26,055)	$ 463	$ (40,069)	$ 2,328,954
Effect of retrospective application	-	-	-	-	-	463	463	-	(3,734)	-	(463)	(4,197)	(3,734)
BALANCE AT JANUARY 1, 2018 AS RESTATED	150,000	1,500,000	13,908	379,027	36,673	439,878	855,578	(14,477)	(3,734)	(26,055)	-	(44,266)	2,325,220
Appropriation of 2017 earnings													
Legal reserve	-	-	-	43,942	-	(43,942)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	14,777	(14,777)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(380,696)	(380,696)	-	-	-	-	-	(380,696)
Net income for the year ended December 31, 2018	-	-	-	-	-	641,777	641,777	-	-	-	-	-	641,777
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	(11,218)	(934)	(14,370)	-	(26,522)	(26,522)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	641,777	641,777	(11,218)	(934)	(14,370)	-	(26,522)	615,255
BALANCE AT DECEMBER 31, 2018	150,000	1,500,000	13,908	422,969	51,450	642,240	1,116,659	(25,695)	(4,668)	(40,425)	-	(70,788)	2,559,779
Appropriation of 2018 earnings													
Legal reserve	-	-	-	64,178	-	(64,178)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	30,562	(30,562)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(547,500)	(547,500)	-	-	-	-	-	(547,500)
Share-based payment of Cathay Financial Holdings' common stock	-	-	2,545	-	-	-	-	-	-	-	-	-	2,545
Net income for the year ended December 31, 2019	-	-	-	-	-	701,411	701,411	-	-	-	-	-	701,411
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	(15,049)	(180)	(3,152)	-	(18,381)	(18,381)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	701,411	701,411	(15,049)	(180)	(3,152)	-	(18,381)	683,030
BALANCE AT DECEMBER 31, 2019	150,000	$ 1,500,000	$ 16,453	$ 487,147	$ 82,012	$ 701,411	$ 1,270,570	$ (40,744)	$ (4,848)	$ (43,577)	$ -	$ (89,169)	$ 2,697,854

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

(With Deloitte & Touche audit report dated March 10, 2020)

CATHAY SECURITIES INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 877,042	$ 812,495
Adjustments for:		
Depreciation expenses	65,400	18,367
Amortization expenses	7,085	5,826
Compensation costs of employee share options	2,545	-
Financial costs	374	-
Loss (gain) on fair value change of financial instruments at fair value through profit or loss	(20,582)	11,308
Interest income	(10,512)	(8,474)
Share of loss of associates accounted for using the equity method	21,962	44,213
Gain on lease modification	(1)	-
Changes in operating assets and liabilities		
Decrease in accounts receivables	981	992
Increase in accounts receivables from related parties	(67,234)	(7,488)
Decrease in other receivables	5	14
Increase in prepayments	(9,613)	(12,767)
Decrease (increase) in other current assets	1,619	(1,619)
Decrease in contract liabilities	(21,421)	(23,502)
Increase in other payables	102,270	63,455
Increase in other current liabilities	1,394	1,077
Increase (decrease) in net defined benefit liabilities	(3,094)	2,522
Net cash generated from operating activities	948,220	906,419
Interest received	10,220	8,748
Income tax paid	(83,075)	(149,502)
Net cash generated from operating activities	875,365	765,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(70,623)	(64,579)
Proceeds from sale of financial assets at fair value through profit or loss	80,804	5,103
Payments for property and equipment	(16,087)	(9,580)
Decrease (increase) in refundable deposits	48,159	(46,449)
Payments for intangible assets	(16,048)	(11,020)
Decrease in other non-current assets	1,659	965
Net cash generated from (used in) investing activities	27,864	(125,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(47,022)	-
Cash dividends paid	(547,500)	(380,696)
Net cash used in financing activities	(594,522)	(380,696)

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CATHAY SECURITIES INVESTMENT TRUST CO., LTD. AND SUBSIDIARY

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

	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 308,707	$ 259,409
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,035,579	1,776,170
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,344,286	$ 2,035,579

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

(With Deloitte & Touche audit report dated March 10, 2020) (Concluded)

1. GENERAL

Cathay Securities Investment Trust Co., Ltd. ("the Company") was established in Taipei City, Taiwan, Republic of China (ROC) on February 11, 2000. The Company was registered in the Securities and Futures Bureau, Financial Supervisory Commission (FSC) of the ROC on March 9, 2000.

The Company obtained business licenses, established branches and started operating business in Kaohsiung, Taichung and Hsinchu in September 2008, May 2010 and June 2011, respectively.

The Company became one of the subsidiaries of Cathay Financial Holding Co., Ltd. after the former stockholders of the Company sold all their shares to Cathay Financial Holding Co., Ltd. on June 24, 2011.

The Company is authorized to conduct business in (1) raising securities investment trust funds through issuance of beneficiary certificates to invest in securities and related products; (2) discretionary investment services; (3) futures trust business; (4) securities investment consulting business; (5) other business permitted by the Securities and Futures Bureau, FSC of the ROC.

The consolidated financial statements are presented in New Taiwan dollars which is the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 10, 2020.

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) (IFRSs) endorsed and issued into effect by the FSC.

   Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Company and its subsidiary ("the Group"):

   - IFRS 16 "Leases"

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

Definition of a lease

The Group reassesses whether a contract is a lease in accordance with the definition of a lease under IFRS 16. Contracts which were previously identified as containing a lease under IAS 17 and IFRIC 4, and reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.50%. The difference between the lease liabilities recognized and operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 51,666
Less: Recognition exemption for short-term leases	(3,424)
Undiscounted amounts on January 1, 2019	$ 48,242
Discounted amounts using the incremental borrowing rate and lease liabilities recognized on January 1, 2019	$ 47,804

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 47,804	$ 47,804
Total effect on assets	$ -	$ 47,804	$ 47,804
Lease liabilities - current	$ -	$ 46,136	$ 46,136
Lease liabilities - non-current	-	1,668	1,668
Total effect on liabilities	$ -	$ 47,804	$ 47,804

b. The IFRSs endorsed by the FSC for application starting from 2020

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group assesses the amendments of other standards and explanations will not have a major impacts on 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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing Securities Investment Trust Enterprises, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) 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 which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, 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:

1) Assets held primarily for the purpose of trading;

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

3) 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:

1) Liabilities held primarily for the purpose of trading;

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

3) 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). All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency 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.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including 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.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are 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 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 is not allocated to any asset, that 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.

g. Property and equipment

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

The depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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. Intangible assets

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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

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 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.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; 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 23.

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; and

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivables at amortized cost, accounts receivables from related parties, other receivables and refundable deposits 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.

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 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 and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

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 sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

k. Revenue recognition

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

Revenue from the rendering of services comes from providing services. Revenue from the rendering of services is recognized when services are rendered according to contracts.

1) Management fee

The Group receives management fee for managing the funds and discretionary investment account, according to the trust contracts. The one-off management fee is recognized as contract liabilities before the services are performed. The contract liabilities are recognized as revenue as the contract obligations are performed.

2) Sale service fee

The transaction fee is collected when investors subscribe the securities investment trust funds under the Group's management.

l. Leasing

2019

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

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 subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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 future lease payments resulting from a change in a lease contracts, 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.

2018

All other leases are classified as operating leases. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

m. 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 expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under 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, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. 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 Group's defined benefit plans. 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.

n. Share-based payment arrangements

The employee share options are granted to the Group's employees when the Group's parent issues additional common stocks. 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 record date of ordinary shares for cash which are issued from the shares reserved for exercise of employee share options is the date on which the employee confirmed the number of shares to be acquired from the exercise of options.

o. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for 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 elected to file jointly with its parent company, with the parent company as the taxpayer, corporation income tax returns and tax returns for surcharge on undistributed retained earnings under the integrated income tax system. The 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only 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 assets 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 liabilities and assets 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 and deferred taxes

Current and deferred taxes are recognized in profit or loss.

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, estimations, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 50	$ 50
Checking accounts and demand deposits	115,236	119,529
Cash equivalents (investments with original maturities of less than 12 months)		
Time deposits	1,909,000	1,589,000
Repurchase agreements collateralized by bonds	320,000	327,000
	$ 2,344,286	$ 2,035,579

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank balance	0.01%-0.59%	0.01%-0.54%
Repurchase agreements collateralized by bonds	0.46%-0.47%	0.33%-0.34%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficial interest certificates	$ 62,574	$ 58,765
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficial interest certificates	$ 6,592	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following are investments in equity instruments as at FVTOCI:

	December 31	
	2019	2018
Non-current		
Domestic investments		
Unlisted shares	$ 9,138	$ 9,318

The investments in equity instrument (FundRich Securities Co., Ltd.) are held for medium to long-term strategic purposes and expected to earn profit in the long term. 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.

The investments in equity instruments at FVTOCI held by the Group on December 31, 2019 and 2018 did not have dividend income.

9. SUBSIDIARY

Subsidiary included in the consolidated financial statements

Investee	Nature of Activities	Proportion of Ownership and Voting Rights December 31 2019	2018
Cathay Private Equity Co., Ltd.	Private equity business	100%	100%

Cathay Private Equity Co., Ltd. was established on November 15, 2017 as a 100% owned subsidiary.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2019	2018
Material associates		
CDBS Cathay Asset Management Co., Ltd. (CDBS)	$ 421,059	$ 458,070

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2019	2018
CDBS	Entrusted securities investments	Beijing	33.3%	33.3%

	December 31 2019	2018
Current assets	$ 1,237,835	$ 1,395,245
Non-current assets	167,626	37,645
Current liabilities	(141,020)	(57,304)
Equity	$ 1,264,441	$ 1,375,586
Proportion of the Group's ownership	33.3%	33.3%
Carrying amount	$ 421,059	$ 458,070

	For the Year Ended December 31 2019	2018
Operating revenue	$ 151,277	$ 142,684
Net loss for the year	$ (65,954)	$ (132,772)

The amount of the share of profit or loss and other comprehensive income of associate is based on audited financial statements for the same year.

11. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1, 2018	$ 38,992	$ 9,785	$ 67,442	$ 116,219
Additions	5,076	520	3,984	9,580
Disposals	(3,588)	(530)	-	(4,118)
Balance at December 31, 2018	$ 40,480	$ 9,775	$ 71,426	$ 121,681
Accumulated depreciation				
Balance at January 1, 2018	$ 23,911	$ 6,147	$ 31,470	$ 61,528
Depreciation expenses	4,955	658	12,754	18,367
Disposals	(3,588)	(530)	-	(4,118)
Balance at December 31, 2018	$ 25,278	$ 6,275	$ 44,224	$ 75,777
Carrying amounts at December 31, 2018	$ 15,202	$ 3,500	$ 27,202	$ 45,904
Cost				
Balance at January 1, 2019	$ 40,480	$ 9,775	$ 71,426	$ 121,681
Additions	13,825	-	2,262	16,087
Disposals	(88)	(374)	-	(462)
Balance at December 31, 2019	$ 54,217	$ 9,401	$ 73,688	$ 137,306
Accumulated depreciation				
Balance at January 1, 2019	$ 25,278	$ 6,275	$ 44,224	$ 75,777
Depreciation expenses	5,351	707	12,649	18,707
Disposals	(88)	(374)	-	(462)
Balance at December 31, 2019	$ 30,541	$ 6,608	$ 56,873	$ 94,022
Carrying amounts at December 31, 2019	$ 23,676	$ 2,793	$ 16,815	$ 43,284

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

Category	Year
Computer equipment	3-8 years
Office equipment	5-10 years
Leasehold improvements	3-5 years

Property and equipment are used by the Group.

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 3,276
Transportation equipment	2,152
	$ 5,428

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 4,773
Depreciation charge for right-of-use assets	
Buildings	$ 45,631
Transportation equipment	1,062
	$ 46,693

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 2,470
Non-current	$ 3,002

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.24%-1.39%
Transportation equipment	3.61%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 6,458
Total cash outflow for leases	$ 53,480

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

2018

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

	December 31, 2018
Not later than 1 year	$ 48,939
Later than 1 year and not later than 5 years	2,727
	$ 51,666

13. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2018	$ 65,754
Additions	11,020
Balance at December 31, 2018	$ 76,774
Accumulated amortization	
Balance at January 1, 2018	$ 57,077
Amortization expenses	5,826
Balance at December 31, 2018	$ 62,903
Carrying amounts at December 31, 2018	$ 13,871
Cost	
Balance at January 1, 2019	$ 76,774
Additions	16,048
Balance at December 31, 2019	$ 92,822
Accumulated amortization	
Balance at January 1, 2019	$ 62,903
Amortization expenses	7,085
Balance at December 31, 2019	$ 69,988
Carrying amounts at December 31, 2019	$ 22,834

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

Category	Year
Computer software	3-5 years

14. REFUNDABLE DEPOSITS

	December 31	
	2019	2018
Non-current		
Security deposits	$ 170,905	$ 219,200
Operating deposits	50,000	50,000
Lease deposits	11,412	11,276
	$ 232,317	$ 280,476

Security deposits are placed as collaterals in certain discretionary contracts.

Operating deposits are required in the operation of discretionary investment and futures trust business in accordance with the "Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises" and "Standards Governing the Establishment of Futures Trust Enterprises". Operating deposits are placed in a designated bank.

15. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries or bonus	$ 225,279	$ 213,862
Payables to related parties for integrated income tax system	176,613	82,083
Payables for sale service fees	111,796	41,696
Payables for advisory service fees	60,585	54,217
Others	66,320	51,935
	$ 640,593	$ 443,793

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the Labor Pension Act (the "LPA"), an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average salary of the one month before retirement. The Company contributes amounts equal to 2% of total monthly salaries to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of the defined benefit obligation	$ 137,103	$ 135,533
Fair value of the plan assets	(26,533)	(25,809)
Net defined benefit liabilities	$ 110,570	$ 109,724

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, 2018	$ 112,328	$ (23,088)	$ 89,240
Service cost			
Current service cost	3,035	-	3,035
Interest expense (income)	1,670	(369)	1,301
Recognized in profit or loss	4,705	(369)	4,336
Remeasurement			
Return on plan assets (excluded the amount in net interest expense)	-	(538)	(538)
Actuarial (gain) loss			
Changes in demographic assumptions	381	-	381
Changes in financial assumptions	12,147	-	12,147
Experience adjustments	5,972	-	5,972
Recognized in other comprehensive income	18,500	(538)	17,962
Contributions from the employer	-	(1,814)	(1,814)
Balance at December 31, 2018	135,533	(25,809)	(109,724)
Service cost			
Current service cost	3,212	-	3,212
Interest expense (income)	1,739	(351)	1,388
Recognized in profit or loss	4,951	(351)	4,600
Remeasurement			
Return on plan assets (excluded the amount in net interest expense)	-	(780)	(780)
Actuarial (gain) loss			
Changes in demographic assumptions	(124)	-	(124)
Changes in financial assumptions	33	-	33
Experience adjustments	4,811	-	4,811
Recognized in other comprehensive income	4,720	(780)	3,940
Contributions from the employer	-	(7,694)	(7,694)
Benefits paid	(8,101)	8,101	-
Balance at December 31, 2019	$ 137,103	$ (26,533)	$ 110,570

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	**2018**
Discount rate(s)	0.80%	1.21%-1.36%
Expected rate(s) of salary increase	3.00%	3.50%

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 would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.5% increase	$ (8,747)	$ (8,773)
0.5% decrease	$ 9,450	$ 9,519
Expected rate(s) of salary increase		
0.5% increase	$ 9,194	$ 9,261
0.5% decrease	$ (8,608)	$ (8,633)

The sensitivity analysis previously presented 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	
	2019	**2018**
Expected contributions to the plans for the next year	$ 73,227	$ 74,754
Average duration of the defined benefit obligation	12-15 years	11-16 years

Pension expense under retirement benefits for the years ended December 31, 2019 and 2018 were calculated by using the actuarially determined pension cost rate at the end of the prior financial year and recognized as follow:

	For the Year Ended December 31	
	2019	**2018**
Employee benefits expenses	$ 4,600	$ 4,336

17. EQUITY

a. Ordinary shares

	December 31	
	2019	**2018**
Numbers of shares authorized (in thousand)	150,000	150,000
Amount of shares authorized	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousand)	150,000	150,000
Amount of shares issued and fully paid	$ 1,500,000	$ 1,500,000

Fully paid ordinary shares, with a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 13,908	$ 13,908
May not be used for any purpose (2)		
Employee share options	2,545	-
	$ 16,453	$ 13,908

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, the Board of Cathay Financial Holdings approved to issue additional common stocks and retained 10% to be subscribed by employees of Cathay Financial Holdings and its associated companies. In December 2019, the compensation expenses of the share-based payment and capital surplus of $2,545 thousand were included in the fair value of the stock options on the grant date.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation, refer to employees' compensation in Note 19-c.

The Company distributes dividends in cash under the principle of promoting financial stability and maintaining shareholder's interests.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

According to the Rules Governing Future Trust Enterprises, the Company shall appropriate 20% of the current year after income tax earnings which belong to Future Trust Enterprises as special reserve. Once the special reserve reaches the amount of paid-in capital, the appropriation to special reserve is stopped. In accordance with "Order No. Financial Supervisory Securities Investment 1010055977" issued on December 12, 2012, the Company shall set aside to special reserve an amount equal to a net decrease in other equity in the current year. In accordance with "Order No. Financial Supervisory Securities Investment 10500278285" issued on August 5, 2016, the Company shall appropriate 0.5% to 1% of net income as special reserve when distributing earnings of 2016 to 2018 for the development of financial technology.

The appropriations of earnings for 2018 and 2017 which were approved in the resolution of the board of directors (on behalf of the shareholder) in April 2019 and April 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 64,178	$ 43,942
Special reserve	$ 30,562	$ 14,777
Cash dividends	$ 547,500	$ 380,696
Cash dividends per share (NT$)	$ 3.65	$ 2.54

d. Other equity items

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (25,695)	$ (14,477)
Recognized for the year		
Share from associates accounted for using the equity method	(15,049)	(11,218)
Balance at December 31	$ (40,744)	$ (25,695)

2) Unrealized loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (4,668)	$ (3,734)
Recognized for the year		
Unrealized loss - equity instruments	(180)	(934)
Balance at December 31	$ (4,848)	$ (4,668)

3) Remeasurement of defined benefit plan

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (40,425)	$ (26,055)
Remeasurement of defined benefit plan	(3,940)	(17,962)
Remeasurement of defined benefit plan related income tax	788	3,592
Balance at December 31	$ (43,577)	$ (40,425)

18. REVENUE

	For the Year Ended December 31	
	2019	2018
Management fee income	$ 2,609,065	$ 2,375,909
Sales and advisory service fees income	67,003	35,669
	$ 2,676,068	$ 2,411,578

The Group receives the management fees resulting from managing the investment of the funds and discretionary investment accounts in accordance with the trust contracts.

Sale service fees are collected when investors subscribe the securities investment trust funds under the Group's management. The Group receives advisory service fees when provides the analytical recommendations on securities investment in accordance with securities investment consulting contracts.

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities			
Contract liabilities - current	$ 12,135	$ 21,421	$ 23,502
Contract liabilities - non-current	8,547	20,682	42,103
	$ 20,682	$ 42,103	$ 65,605

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	For the Year Ended December 31	
	2019	2018
From the beginning contract liabilities		
Funds management services	$ 21,421	$ 23,502

b. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Timing of revenue recognition		
Satisfied at a point in time	$ 21,559	$ 234,693
Satisfied over time	2,654,509	2,176,885
	$ 2,676,068	$ 2,411,578

19. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Right-of-use assets	$ 46,693	$ -
Property and equipment	18,707	18,367
Intangible assets	7,085	5,826
	$ 72,485	$ 24,193
An analysis of depreciation by function		
Operating expenses	$ 72,485	$ 24,193

b. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 741,406	$ 716,216
Post-employment benefits		
Defined contribution plan	18,151	16,722
Defined benefit plan	4,600	4,336
	22,751	21,058
Other employee benefits	21,943	24,767
Total employee benefits expense (accounted as operating expenses)	$ 786,100	$ 762,041

c. Employees' compensation

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at the rate of 1%. However, on November 12, 2019, the board of directors (on behalf of the shareholder) approved the change of the accrual rate of employees' compensation from 1% to 0.01%. The new accrual rate of employees' compensation was not retrospective for the period from January 1, 2019 to November 30, 2019. The employees' compensation for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors in March 2020 and March 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	0.01%-1%	1%

Amount

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 8,354	$ 8,211

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

20. INCOME TAXES

a. Major components of income tax expense

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 177,600	$ 174,479
Adjustments for prior years	3	17
	177,603	174,496
Deferred tax		
In respect of the current year	(1,948)	(886)
Adjustments for prior years	(4)	-
Effect of tax rate changes	-	(2,892)
	(1,972)	(3,778)
Income tax expense recognized in profit or loss	$ 175,631	$ 170,718

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

	For the Year Ended December 31	
	2019	2018
Income before income tax	$ 877,042	$ 812,495
Income tax expense calculated at the statutory rate	$ 175,408	$ 162,499
Unrecognized deductible temporary differences	4,393	8,843
Tax-exempt income	(4,169)	2,247
Effect of tax rate changes	-	(2,888)
Adjustments for prior years	(1)	17
Income tax expense recognized in profit or loss	$ 175,631	$ 170,718

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	$ 788	$ 3,592

c. Deferred tax assets

The movements of deferred tax assets are as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Provision	$ 832	$ 270	$ -	$ 1,102
Defined benefit plan	21,945	(619)	788	22,114
Others	526	(199)	-	327
	23,303	(548)	788	23,543
Loss carryforwards	455	2,520	-	2,975
	$ 23,758	$ 1,972	$ 788	$ 26,518

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Provision	$ 478	$ 354	$ -	$ 832
Defined benefit plan	15,171	3,182	3,592	21,945
Others	718	(192)	-	526
	16,367	3,344	3,592	23,303
Loss carryforwards	21	434	-	455
	$ 16,388	$ 3,778	$ 3,592	$ 23,758

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Deductible temporary differences	$ 145,648	$ 108,637

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	Expiry Year
$ 122	2027
2,173	2028
12,579	2029
$ 14,874	

f. Income tax assessments

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

21. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share (NT$)	$ 4.68	$ 4.28

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic earnings per share	$ 701,411	$ 641,777

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	150,000	150,000

22. 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 shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the future.

The capital structure of the Group consists of equity of the Group (which are ordinary shares, capital surplus, retained earnings and other equity).

23. FINANCIAL INSTRUMENTS

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

The Group's management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficial interest certificates	$ 62,574	$ -	$ 6,592	$ 69,166
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 9,138	$ 9,138

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficial interest certificates	$ 58,765	$ -	$ -	$ 58,765
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 9,318	$ 9,318

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

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL Equity Instruments
Balance at January 1, 2019	$ -
Recognized in profit or loss	(608)
Purchases	7,200
Balance at December 31, 2019	$ 6,592

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	$ 9,318
Recognized in other comprehensive income	(180)
Balance at December 31, 2019	$ 9,138

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	$ 10,252
Recognized in other comprehensive income	(934)
Balance at December 31, 2018	$ 9,318

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

a) The fair values of beneficial interest certificates was determined using the asset-based approach. The Group's administration department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department also makes an analysis of the movements in the values of assets and liabilities and evaluates the need to remeasure or re-assesse according to the Group's accounting policies at each reporting date.

At December 31, 2019, the significant unobservable input used by the Group is 10% discount for lack of liquidity. If the discount for lack of liquidity was increased (decreased) by 1% while all the other variables were held constant, the equity of the Group would decrease (increase) by $73 thousand.

b) The fair values of domestic unlisted equity securities were determined using the asset-based approach. The Group's Conference of self-owned capital is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Conference also makes an analysis of the movements in the values of assets and liabilities and evaluates the need to remeasure or re-assesse according to the Group's accounting policies at each reporting date.

At December 31, 2019 and 2018, the significant unobservable input used by the Group is 10% discount for lack of liquidity. If the discount for lack of liquidity was increased (decreased) by 1% while all the other variables were held constant, the equity of the Group would decrease (increase) by $102 thousand and $104 thousand, respectively.

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 69,166	$ 58,765
Financial assets at amortized cost (1)	2,827,502	2,500,412
Financial assets at FVTOCI		
Equity instruments	9,138	9,318
Financial liabilities		
Financial liabilities at amortized cost (2)	640,593	443,793

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents (excluded cash on hand), accounts receivables (including accounts receivables from related parties), other receivables and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, accounts receivables (including accounts receivables from related parties), other receivables, financial assets at FVTPL, financial assets at FVTOCI, refundable deposits and other payables.

The Group's principle financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due process must be carried out based on related protocols and internal control procedures, and approval by the board of directors must be obtained. The Group complies with its financial risk management policies at all times.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 25.

Sensitivity analysis

The Group is mainly exposed to the CNY.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the functional currency strengthening 1% against the relevant currency. For a 1% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	NTD to CNY	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ -	$ 3
Equity	$ 4,211	$ 4,581

b) Interest rate risk

The Group's interest rate risk is mainly from floating interest rate investments of financial assets at amortized cost.

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	$1,909,000	$1,589,000
Cash flow interest rate risk		
Financial assets	115,236	119,529

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $576 thousand and $598 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate financial assets at amortized cost.

c) Other price risk

The fair value of the Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets at FVTOCI. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, the other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $91 thousand and $93 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, profit or loss for the years ended December 31, 2019 and 2018 would have increased/decreased by $692 thousand and $588 thousand, respectively, as a result of the changes in fair value of beneficial interest certificates of financial assets at FVTPL,

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk of 53.07% and 56.27% of total accounts receivables as of December 31, 2019 and 2018, respectively, was on the Group's ten largest customers. The credit concentration risk of other accounts receivables is insignificant.

The Group only transacts with counterparties that meet the requirements under the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

3) Liquidity risk

The Group's working capital is adequate for the operation; there is no liquidity risk due to inability to raise funds to fulfill contractual obligations.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	**Related Party Category**
Cathay Financial Holding Co., Ltd.	The Company's parent
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Conning Asia Pacific Limited	Fellow subsidiary
Cathay Securities Co., Ltd.	Fellow subsidiary
Conning, Inc.	Fellow subsidiary
Symphox Information Co., Ltd.	Associate

b. Cash and cash equivalents

		December 31	
Line Items	**Related Party Name**	**2019**	**2018**
Cash and cash equivalents	Cathay United Bank Co., Ltd.	$ 88,704	$ 101,890

c. Financial assets designated as at FVTPL

	December 31	
Related Party Name	**2019**	**2018**
The funds managed by the Group	$ 62,574	$ 58,765
The private equity fund managed and consulted by the Group	6,592	-
	$ 69,166	$ 58,765

d. Receivables from related parties

Line Items	Related Party Name	December 31 2019	December 31 2018
Accounts receivables from related parties	The funds managed by the Group	$ 221,014	$ 154,280
	Cathay Life Insurance Co., Ltd.	13,146	13,166
	Others	1,027	507
		$ 235,187	$ 167,953

For the years ended December 31, 2019 and 2018, no impairment losses were recognized for accounts receivables from related parties.

e. Refundable deposits

Related Party Name	December 31 2019	December 31 2018
Cathay United Bank Co., Ltd.	$ 71,000	$ 80,300

f. Prepayments

Related Party Name	December 31 2019	December 31 2018
Cathay Life Insurance Co., Ltd.	$ 7,281	$ 12,175

g. Other non-current assets

Related Party Name	December 31 2019	December 31 2018
Cathay Life Insurance Co., Ltd.	$ 5,128	$ 12,409

h. Payables to related parties

Line Items	Related Party Name	December 31 2019	December 31 2018
Other payables	Cathay Financial Holding Co., Ltd. (Note)	$ 176,613	$ 82,083
	Conning Asia Pacific Limited	34,193	31,003
	Cathay Life Insurance Co., Ltd.	21,929	14,662
	Symphox Information Co., Ltd.	4,600	1
	Cathay United Bank Co., Ltd.	4,342	3,356
	Cathay Securities Co., Ltd.	3,576	44
		$ 245,253	$ 131,149

Note: The payable consists of tax payable under the integrated income tax system.

i. Lease arrangements

Related Party Name	For the Year Ended December 31 2019	2018
Acquisitions of right-of-use assets		
Cathay Life Insurance Co., Ltd.	$ 4,131	$ -

Line Items	Related Party Name	December 31 2019	2018
Refundable deposits	Cathay Life Insurance Co., Ltd.	$ 11,127	$ 10,991
Lease liabilities	Cathay Life Insurance Co., Ltd.	$ 3,281	$ -

Line Items	Related Party Name	For the Year Ended December 31 2019	2018
Lease expense	Cathay Life Insurance Co., Ltd.	$ 3,220	$ 48,087

j. Revenue

Line Items	Related Party Name	For the Year Ended December 31 2019	2018
Management fee income	The funds managed by the Group	$ 2,310,677	$ 1,825,974
	Cathay Life Insurance Co., Ltd.	182,830	402,183
	The private equity fund managed and consulted by the Group	16,045	-
	Cathay Century Insurance Co., Ltd.	6,911	4,230
		$ 2,516,463	$ 2,232,387
Advisory service fee income	Cathay United Bank Co., Ltd.	$ 7,200	$ 7,200

k. Expenses

Related Party Name	Transaction Types	For the Year Ended December 31 2019	2018
Conning Asia Pacific Limited	Consulting expenses	$ 128,022	$ 120,304
Cathay Life Insurance Co., Ltd.	Selling expenses etc.	92,244	95,521
Cathay United Bank Co., Ltd.	Selling expenses etc.	39,887	43,295
Conning, Inc.	Consulting expenses	10,754	10,604
Cathay Securities Co., Ltd.	Selling expenses etc.	6,372	6,905
Symphox Information Co., Ltd.	Data transferring expenses etc.	5,373	5,363
		$ 282,652	$ 281,992

l. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 101,189	$ 85,583
Post-employment benefits	2,480	1,974
	$ 103,669	$ 87,557

25. 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 and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Non-monetary items			
CNY	$ 97,429	4.3217 (CNY:NTD)	$ 421,059

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign currency assets			
Non-monetary items			
CNY	$ 102,335	4.4762 (CNY:NTD)	$ 458,070

For the years ended December 31, 2019 and 2018, unrealized net foreign exchange gains (losses) were $(268) thousand and $174 thousand, respectively. The amounts were due to the volatility of the exchange rate of USD.

26. SEGMENT INFORMATION

a. General information

The Group's operating segment report is an internal report submitted to the primary operating decision makers. The primary operating decision makers are an individual or a team that assigns resources to the operating segment and evaluates the performance of the operating segment. The board of directors is the primary operating decision makers.

The board of directors (primary operating decision makers) reviews the operating results of the operating segment periodically and makes decisions about resource allocation and performance assessment.

b. Evaluation of segment information

The Group operates under a single business segment. The board of directors makes decisions for resource allocation and performance assessment.

Operating results of the Group's operating segment are mainly from management fees income. The board of directors evaluates the performance based on net income before and after income tax.

The Group has only one reportable segment and does not need to disclose information on segment profit, assets and liabilities.