Stock Code:00960

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Six Months Ended June 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors
Fubon Securities Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Fubon Securities Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of June 30, 2019, December 31, 2018 (restated), June 30, 2018 (restated), and January 1, 2018 (restated), and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018 (restated), as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018 (restated), and 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 June 30, 2019, December 31, 2018 (restated), June 30, 2018 (restated), and January 1, 2018 (restated), and its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018 (restated), as well as its consolidated cash flow for the six months ended June 30, 2019 and 2018 (restated), in accordance with the"Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", and International Accounting Standard 34, "Interim Financial Reporting" 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 Certification of Financial Statements by Certified Public Accountants" and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Refer to Note 12, the Group has acquired 100% equity of FB Investment Management (Hong Kong) Limited from related party controlled by Fubon Financial Holdings Co., Ltd. in February 2019. According to the (100) Letter NO.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and shall be treated as the subsidiary from the beginning. Therefore, the Group has restated the comparative information of the prior period when preparing and presenting consolidated financial statements as of June 30, 2019. We do not revise our opinion thereon.

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 six months ended June 30, 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.

1. Fair value measurement of financial instruments

   Please refer to Note 4 (g) "Financial instruments" and Note 4 (h) "Derivative financial instruments" for related accounting policy, Note 5 (a) for accounting assumptions and estimates, and Note 6 (ah) "Disclosure of financial instruments" for details of valuation on financial instruments.

   The valuation of several financial instruments of the Group are measured using the valuation models, which involved the exercise of professional judgments on valuation techniques and important parameters. Therefore, the valuation on financial instruments has been identified as a key audit matter in our audit.

   We performed our audit procedures by:

   - Inspecting the internal control procedures for fair value measurement performed by the management.
   - Selecting samples to evaluate whether the quoted prices in active markets for financial assets are appropriate.
   - Appointing our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models are used to ensure that the applied valuation techniques are in accordance with IFRS 13 "Fair Value Measurement".
   - Verifying whether the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards.

2. Valuation of investment property

   Please refer to Note 4 (n) "Investment property" for related accounting policy, Note 5 (b) for accounting assumptions and estimates, and Note 6 (m) "Investment property" for details of the valuation of investment properties.

   The Group holds several investment properties. The investment property appraisals are performed by appraisers from professional valuation agencies using the valuation techniques provided by the "Regulations on Real Estate Appraisal" and market evidences in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms". The selection of appraising methods involved the exercise of significant professional judgments. Therefore, the valuation of investment properties has been identified as a key audit matter in our audit.

   We performed our audit procedures by:

   - Inspecting the procedures of investment property appraisals performed by professional evaluation agencies is in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
   - Verifying whether the presentation and disclosure of investment property are in accordance with IFRSs and the "Regulations Governing the Preparation of Financial Reports by Securities Firms".
   - Evaluating the reasonableness of the management's assessment on the valuation of investment property based on the evidences obtained from the audit team and the external estate appraiser joint firms, as well as appraisal reports and observable market evidences.

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Other Matter

Fubon Securities Co., Ltd. has prepared its parent company only financial statements as of and for the six month ended June 30, 2019 and 2018 (restated), on which we have issued an unmodified opinion with emphasis of matter paragraph.

Responsibilities of The Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with "the Regulations Governing the Preparation of Financial Reports by Securities Firms", " Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as the 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, the 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with 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 the management.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wu, Lin and Chung, Tan Tan.

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Taipei, Taiwan (Republic of China)
August 16, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31, June 30, 2018 and January 1, 2019

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2019		December 31, 2018 (Restated)		June 30, 2018 (Restated)		January 1, 2018 (Restated)	
	Assets	Amount	%	Amount	%	Amount	%	Amount	%
	Current assets:								
111100	Cash and cash equivalents (notes 6(a), (ai), (al) and 7)	$ 13,065,769	9	16,030,667	13	20,443,383	14	13,580,884	11
112000	Financial assets measured at fair value through profit or loss－current (notes 6(b), (v), (ah), (ai), (aj), 7 and 8)	43,745,804	32	39,372,249	32	47,746,033	33	41,093,893	33
113200	Financial assets measured at fair value through other comprehensive income－current (notes 6(c), (ah), (ai), 7 and 8)	19,608,992	14	14,408,267	12	19,619,432	13	7,191,655	6
114010	Securities purchased under resell agreements (notes 6(d) and (aj))	-	-	-	-	192,134	-	-	-
114030	Receivables from pecuniary finance (notes 6(e) and (ai))	10,125,395	7	9,948,857	8	15,441,117	11	14,419,909	11
114040	Margin deposits for securities refinance (note 6(e))	4,628	-	62,220	-	25,786	-	3,043	-
114050	Receivables from securities refinance (note 6(e))	4,047	-	51,850	-	21,959	-	3,018	-
114060	Receivables from securities borrowing and lending (note 6(f))	2,994,682	2	2,377,588	2	1,657,345	1	694,614	1
114070	Customer margin account (notes 6(g), (ai) and 7)	20,481,109	15	16,250,349	13	15,339,426	10	20,504,270	16
114090	Collateral for borrowed securities (note 6(ai))	257,805	-	207,172	-	47,146	-	46,188	-
114100	Margin deposits for borrowed securities (notes 6(ai) and 7)	5,503,549	4	4,425,851	4	42,675	-	41,654	-
114130	Notes and accounts receivable (notes 6(h) and (ai))	11,845,751	9	9,673,041	8	14,947,505	10	18,689,767	15
114140	Accounts receivable－related parties (notes 6(h) and 7)	142,824	-	358,626	-	114,960	-	106,754	-
114150	Prepayments	77,552	-	81,683	-	54,481	-	179,001	-
114170	Other receivables	73,128	-	27,899	-	72,959	-	20,755	-
114180	Other receivables－related parties (note 7)	91,555	-	72,969	-	83,953	-	138,963	-
114600	Current tax assets (note 7)	-	-	606	-	606	-	835	-
119000	Other current assets (notes 6(ai), 7 and 8)	1,836,884	1	1,186,747	1	1,715,941	2	1,640,359	1
	Total current assets	129,859,474	93	114,536,641	93	137,566,841	94	118,355,562	94
	Non-current assets:								
123200	Financial assets measured at fair value through other comprehensive income－non-current (notes 6(i), (ah) and (ai))	2,672,325	2	2,410,823	2	2,150,881	2	1,996,391	2
124100	Investments accounted for using the equity method (notes 6(j))	1,571,358	1	1,556,038	1	1,590,676	1	1,163,495	1
125000	Property and equipment (note 6(k) and 8)	1,805,959	2	1,839,128	2	1,721,866	1	1,787,606	1
125800	Right-of-use assets (notes 6(l) and 7)	610,455	-	-	-	-	-	-	-
126000	Investment property (notes 6(m), 7 and 8)	929,618	1	929,618	1	1,048,761	1	1,036,331	1
127000	Intangible assets (note 6(n))	110,265	-	136,821	-	124,480	-	125,734	-
128000	Deferred tax assets	365,314	-	344,172	-	297,513	-	225,202	-
129000	Other non-current assets (notes 6(o), (p), (q), 7 and 8)	1,539,133	1	1,509,881	1	1,733,425	1	1,781,083	1
	Total non-current assets	9,604,427	7	8,726,481	7	8,667,602	6	8,115,842	6
	Total assets	$ 139,463,901	100	123,263,122	100	146,234,443	100	126,471,404	100

		June 30, 2019		December 31, 2018 (Restated)		June 30, 2018 (Restated)		January 1, 2018 (Restated)	
	Liabilities and Equity	Amount	%	Amount	%	Amount	%	Amount	%
	Current liabilities:								
211100	Short-term borrowings (notes 6(r) and (ai))	$ 3,672,060	3	937,921	1	6,024,357	4	2,355,749	2
211200	Commercial paper issued (notes 6(s) and (ai))	6,398,854	4	-	-	10,736,611	7	3,798,891	3
212000	Financial liabilities measured at fair value through profit or loss－current (notes 6(t), (v), (ah) and (ai))	3,322,124	2	3,872,703	3	4,120,941	3	4,293,643	3
214010	Securities sold under repurchase agreements (notes 6(u), (ai) and 7)	40,004,201	29	33,609,095	28	42,606,850	29	25,208,809	20
214040	Securities financing refundable deposits (notes 6(e) and (ai))	1,208,059	1	2,405,456	2	1,278,959	1	2,413,138	2
214050	Deposits payable for securities financing (notes 6(e) and (ai))	1,344,108	1	2,677,332	2	1,386,732	1	2,641,323	2
214070	Securities lending refundable deposits (note 6(ai))	10,331,493	7	13,473,433	11	12,555,683	9	7,196,801	6
214080	Futures traders' equity (notes 6(ai) and 7)	20,481,109	15	16,250,349	13	15,339,426	10	20,504,270	16
214130	Notes and accounts payable (notes 6(w) and (ai))	10,738,591	8	10,114,466	8	13,159,880	9	18,145,483	15
214140	Notes and accounts payable－related parties (notes 6(w), (ai) and 7)	14,401	-	16,877	-	15,856	-	28,116	-
214170	Other payables (notes 6(x) and 9)	1,280,109	1	1,567,591	1	1,194,131	1	1,520,038	1
214180	Other payables－related parties (notes 6(x) and 7)	50,850	-	46,260	-	47,491	-	68,306	-
214600	Current tax liabilities (note 7)	213,075	-	338,975	-	268,231	-	330,055	-
216000	Lease liabilities- current (notes 6(z), (ai) and 7)	246,216	-	-	-	-	-	-	-
219000	Other current liabilities (notes 6(y) and (ai))	2,219,832	2	1,108,979	1	1,526,307	1	1,660,668	1
	Total current liabilities	101,525,082	73	86,419,437	70	110,261,455	75	90,165,290	71
	Non-Current liabilities:								
225100	Provisions－non-current (note 6(aa))	1,130,376	1	1,186,440	1	1,032,215	1	1,046,101	1
226000	Lease liabilities- non-current (notes 6(z), (ai) and 7)	365,435	-	-	-	-	-	-	-
228000	Deferred tax liabilities	117,940	-	113,143	-	80,198	-	79,871	-
229000	Other non-current liabilities	9,615	-	9,746	-	10,503	-	10,715	-
	Total non-current liabilities	1,623,366	1	1,309,329	1	1,122,916	1	1,136,687	1
	Total liabilities	103,148,448	74	87,728,766	71	111,384,371	76	91,301,977	72
	Equity attributable to shareholders of the company (note 6(ad)):								
301000	Share capital	16,643,550	12	16,643,550	13	16,643,550	12	16,643,550	13
	Retained earnings:								
304010	Legal reserve	4,882,237	4	4,684,867	4	4,684,867	3	4,408,753	3
304020	Special reserve	10,446,642	7	10,005,079	8	10,005,079	7	9,392,934	8
304040	Undistributed retained earnings	1,379,879	1	1,958,705	2	1,192,572	1	2,756,747	2
		16,708,758	12	16,648,651	14	15,882,518	11	16,558,434	13
305000	Other equity interests	2,890,517	2	2,134,924	2	2,142,375	1	1,739,236	2
	Total equity attributable to shareholders of the company	36,242,825	26	35,427,125	29	34,668,443	24	34,941,220	28
305600	Equity attributable to former owner of business combination under common control	-	-	34,299	-	32,815	-	74,951	-
306000	**Non-controlling interests**	72,628	-	72,932	-	148,814	-	153,256	-
	Total equity	36,315,453	26	35,534,356	29	34,850,072	24	35,169,427	28
	Total liabilities and equity	$ 139,463,901	100	123,263,122	100	146,234,443	100	126,471,404	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended June 30				For the six months ended June 30			
		2019		2018 (Restated)		2019		2018 (Restated)	
		Amount	%	Amount	%	Amount	%	Amount	%
	Revenue:								
401000	Brokerage handling fee revenue (notes 6(ag) and 7)	$ 992,865	44	1,280,378	49	1,868,251	41	2,453,184	55
403000	Income from securities lendings	242,225	11	192,695	7	451,019	10	357,648	8
404000	Revenues from underwriting business (notes 6(ag) and 7)	23,563	1	84,938	3	97,588	2	140,212	3
406000	Gains on wealth management	1,429	-	1,449	-	2,640	-	3,126	-
410000	Gains on sale of operating securities (note 6(ag))	73,942	3	68,075	3	359,437	8	19,194	-
421100	Revenue from providing agency service for stock affairs (note 7)	18,856	1	17,990	1	35,703	1	35,222	1
421200	Interest revenue (notes 6(ag) and 7)	365,990	16	429,803	17	693,901	16	768,271	17
421300	Dividend revenue (notes 6(c), (i) and 7)	91,247	4	74,317	3	94,367	2	74,501	2
421500	Valuation gains (losses) on operating securities measured at fair value through profit or loss (notes 6(ag) and 7)	56,907	2	(8,497)	-	397,991	9	(16,460)	-
421600	Gains on covering of borrowed securities and bonds with resale agreements－short sales	3,862	-	12,006	-	7,567	-	24,352	1
421610	Valuation gains (losses) on borrowed securities and bonds with resale agreements－ short sales measured at fair value through profit or loss	2,115	-	1,840	-	(30,760)	(1)	5,931	-
422200	Gains from issuance of call (put) warrants (notes 6(ag) and 7)	45,993	2	69,653	3	39,548	1	100,573	2
424300	Revenue from consignment of clearing and settlement	3,049	-	3,431	-	5,214	-	7,186	-
424400	Gains (losses) from derivatives－futures (note 6(v))	(23,057)	(1)	5,263	-	(119,303)	(3)	18,551	-
424500	Gains (losses) from derivatives－OTC (note 6(v))	2,085	-	57,569	2	(83,703)	(2)	119,477	3
425300	Expected credit losses	(2,067)	-	(2,670)	-	(1,557)	-	(164,358)	(4)
428000	Other operating income (notes 6(ag), (al) and 7)	383,462	17	314,405	12	719,100	16	521,525	12
	Total Revenue	2,282,466	100	2,602,645	100	4,537,003	100	4,468,135	100
	Expenditure and expense:								
501000	Brokerage handling fee expense (note 7)	77,971	3	103,029	4	145,953	3	193,956	4
502000	Proprietary handling fee expense (note 7)	3,422	-	4,316	-	6,038	-	8,767	-
503000	Refinancing processing fee expense	162	-	651	-	666	-	1,101	-
504000	Underwriting operation processing fee expense	814	-	773	-	814	-	1,155	-
521200	Finance costs (note 6 (ag) and 7)	155,595	7	131,985	5	291,419	6	212,117	5
521640	Losses from securities borrowing transactions)	272	-	150	-	366	-	150	-
524100	Futures commission expense (note 7)	26,718	1	35,902	1	53,937	1	67,185	2
524300	Expense of clearing and settlement (note 7)	18,368	1	19,476	1	33,530	1	39,722	1
528000	Other operating expenditure	3,921	-	6,228	-	8,928	-	13,106	-
531000	Employee benefits expense (notes 6(ab), (af), (ag) and 12)	845,800	37	909,058	35	1,730,876	38	1,742,526	39
532000	Depreciation and amortization expense (notes 6(ag) and 12)	110,973	5	46,401	2	221,231	5	100,783	2
533000	Other operating expense (notes 6(m), (ag) and 7)	528,009	23	613,270	24	1,034,727	23	1,157,696	26
	Total expenditure and expense	1,772,025	77	1,871,239	72	3,528,485	77	3,538,264	79
	Net operating income	510,441	23	731,406	28	1,008,518	23	929,871	21
	Non-operating income and expenses:								
601000	Share of profit (loss) of associates and joint ventures accounted for using equity method	(29,032)	(1)	33,118	1	15,970	-	41,778	1
602000	Other gains and losses (notes 6(m), (ag) and 7)	260,020	11	200,666	8	524,695	12	388,670	9
	Total non-operating income and expenses	230,988	10	233,784	9	540,665	12	430,448	10
	Net income before tax from continuing operations	741,429	33	965,190	37	1,549,183	35	1,360,319	31
701000	**Less: Income tax expense (note 6(ac))**	79,111	3	128,184	5	148,944	3	184,965	4
	Net income	662,318	30	837,006	32	1,400,239	32	1,175,354	27
805000	**Other comprehensive income:**								
805500	**Items not to be reclassified to profit or loss**								
805540	Unrealized gains from equity instruments measured at fair value through other comprehensive income	305,907	13	67,547	3	665,197	15	395,818	9
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method - items not to be reclassified to profit or loss	1,042	-	(741)	-	5,067	-	(3,591)	-
805599	Less: Income tax related to items not to be reclassified to profit or loss(note 6(ac))	-	-	(1,972)	-	-	-	(20,610)	-
	Subtotal of items not to be reclassified to profit or loss	306,949	13	68,778	3	670,264	15	412,837	9
805600	**Items that may be subsequently reclassified to profit or loss**								
805610	Exchange differences on translation of foreign operations	(15,126)	(1)	7,347	-	34,613	1	17,430	-
805615	Unrealized gains (losses) from debt instruments measured at fair value through other comprehensive income	15,991	1	(1,720)	-	54,752	1	(14,979)	-
805635	Reversal gains from debt instruments measured at fair value through other comprehensive income	2,587	-	-	-	1,842	-	-	-
805699	Less: Income tax related to items that may be subsequently reclassified to profit or loss (note 6(ac))	(3,013)	-	(5,075)	-	5,746	-	(4,907)	-
	Subtotal of items that may be subsequently reclassified to profit or loss	6,465	-	10,702	-	85,461	2	7,358	-
805000	**Other comprehensive income**	313,414	13	79,480	3	755,725	17	420,195	9
	Total comprehensive income	$ 975,732	43	916,486	35	2,155,964	49	1,595,549	36
	Consolidated net income attributable to:								
	Owners of parent	$ 661,926	30	839,119	32	1,399,869	32	1,179,926	27
	Equity attributable to former owner of business combination under common control	-	-	562	-	-	-	1,312	
913200	Non-controlling interests	392	-	(2,675)	-	370	-	(5,884)	-
		$ 662,318	30	837,006	32	1,400,239	32	1,175,354	27
	Total comprehensive income attributable to:								
	Owners of parent	$ 975,340	43	918,576	35	2,155,594	49	1,600,107	36
	Equity attributable to former owner of business combination under common control	-	-	585	-	-	-	1,326	-
	Non-controlling interests	392	-	(2,675)	-	370	-	(5,884)	-
		$ 975,732	43	916,486	35	2,155,964	49	1,595,549	36
	Basic earnings per share (in New Taiwan Dollars) (note 6(ae))	$	0.40		0.50		0.84		0.71
	Diluted earnings per share (in New Taiwan Dollars) (note 6(ae))	$	0.40		0.50		0.84		0.71

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
	Share capital		Retained earnings				Total other equity interest								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Revaluation surplus	Total	Total equity attributable to owners of parent	Equity attributable o former owner of business combination under common control	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 16,643,550	-	4,408,753	9,392,934	2,746,148	16,547,835	(92,253)	-	647,873	8,120	563,740	33,755,125	-	153,256	33,908,381
Effects of retrospective application	-	-	-	-	10,599	10,599	-	1,823,369	(647,873)	-	1,175,496	1,186,095	-	-	1,186,095
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	74,951	-	74,951
Equity at beginning of period after adjustments	16,643,550	-	4,408,753	9,392,934	2,756,747	16,558,434	(92,253)	1,823,369	-	8,120	1,739,236	34,941,220	74,951	153,256	35,169,427
Provision of special reserve in accordance with Rule No.103008251 issued by the FSC	-	-	-	34,653	(34,653)	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	1,179,926	1,179,926	-	-	-	-	-	1,179,926	1,312	(5,884)	1,175,354
Other comprehensive income	-	-	-	-	20,580	20,580	22,323	377,278	-	-	399,601	420,181	14	-	420,195
Total comprehensive income	-	-	-	-	1,200,506	1,200,506	22,323	377,278	-	-	399,601	1,600,107	1,326	(5,884)	1,595,549
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	276,114	-	(276,114)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	577,492	(577,492)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,872,884)	(1,872,884)	-	-	-	-	-	(1,872,884)	-	-	(1,872,884)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1,442	1,442
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(3,538)	(3,538)	-	3,538	-	-	3,538	-	-	-	-
Changes in equity attributable to former owner of combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	(43,462)	-	(43,462)
Balance at June 30, 2018	**$ 16,643,550**	**-**	**4,684,867**	**10,005,079**	**1,192,572**	**15,882,518**	**(69,930)**	**2,204,185**	**-**	**8,120**	**2,142,375**	**34,668,443**	**32,815**	**148,814**	**34,850,072**
Balance at January 1,2019	$ 16,643,550	-	4,684,867	10,005,079	1,958,705	16,648,651	(112,040)	2,238,844	-	8,120	2,134,924	35,427,125	34,299	72,932	35,534,356
Provision of special reserve in accordance with Rule No.103008251 issued by the FSC	-	-	-	13,108	(13,108)	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	1,399,869	1,399,869	-	-	-	-	-	1,399,869	-	370	1,400,239
Other comprehensive income	-	-	-	-	-	-	28,867	726,858	-	-	755,725	755,725	-	-	755,725
Total comprehensive income	-	-	-	-	1,399,869	1,399,869	28,867	726,858	-	-	755,725	2,155,594	-	370	2,155,964
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	197,370	-	(197,370)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	428,455	(428,455)	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,334,767)	(1,334,767)	-	-	-	-	-	(1,334,767)	-	-	(1,334,767)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(674)	(674)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	132	132	-	(132)	-	-	(132)	-	-	-	-
Reorganization	-	-	-	-	(5,127)	(5,127)	-	-	-	-	-	(5,127)	(34,299)	-	(39,426)
Balance at June 30, 2019	**$ 16,643,550**	**-**	**4,882,237**	**10,446,642**	**1,379,879**	**16,708,758**	**(83,173)**	**2,965,570**	**-**	**8,120**	**2,890,517**	**36,242,825**	**-**	**72,628**	**36,315,453**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	**2018 (Restated)**
Cash flows from (used in) operating activities, indirect method:		
Income before income tax	$ 1,549,183	1,360,319
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	181,447	64,528
Amortization expense	39,784	36,255
Expected credit losses	1,557	164,358
Net gain on financial assets or liabilities at fair value through profit or loss	(375,000)	(428,676)
Interest expense	291,419	212,117
Interest income (including financial income)	(934,422)	(952,807)
Dividend income	(123,054)	(94,173)
Share of profit of associates and joint ventures accounted for using equity method	(15,970)	(41,778)
Loss on disposal of property and equipment	313	157
Gain on disposal of investments	(377,688)	(168,593)
Loss (gain) on non-operating financial instruments at fair value	(49,912)	11,655
Impairment loss on non-financial assets	-	7,455
Total adjustments to reconcile profit (loss)	(1,361,526)	(1,189,502)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(3,632,252)	(6,432,665)
Increase in securities purchased under resell agreements	-	(192,134)
Increase in margin loans receivable	(176,538)	(1,021,208)
Decrease (increase) in refinancing margin	57,592	(22,743)
Decrease (increase) in refinancing collateral receivable	47,803	(18,941)
Increase in receivable of securities business money lending	(617,094)	(962,731)
Decrease (increase) in customer margin account	(4,230,760)	5,164,844
Increase in security borrowing collateral price	(50,633)	(958)
Increase in security borrowing margin	(1,077,698)	(1,021)
Decrease (increase) in notes receivable	(80)	244
Decrease (increase) in accounts receivable	(2,063,914)	3,702,760
Decrease (increase) in accounts receivable - related parties	215,802	(8,206)
Decrease in other prepayments	1,552	124,520
Increase in other receivables	(46,123)	(47,065)
Decrease (increase) in other receivables- related parties	(17,716)	55,010
Increase in financial assets at fair value through other comprehensive income	(4,730,735)	(12,208,867)
Increase in other current assets	(650,137)	(75,582)
Decrease in overdue receivable	142	457
Subtotal of changes in operating assets	(16,970,789)	(11,944,286)
Changes in operating liabilities:		
Increase in securities sold under repurchase agreements	6,395,105	17,398,041
Increase (decrease) in financial liabilities at fair value through profit or loss	(501,695)	197,231
Decrease in securities financing refundable deposits	(1,197,397)	(1,134,179)
Decrease in deposits payable for securities financing	(1,333,224)	(1,254,591)
Increase (decrease) in securities lending refundable deposits	(3,141,940)	5,358,882
Increase (decrease) in futures traders' equity	4,230,760	(5,164,844)
Increase (decrease) in notes payable	275	(51)
Increase (decrease) in accounts payable	617,102	(5,013,160)
Decrease in accounts payable - related parties	(2,476)	(12,260)
Decrease in other payables	(312,756)	(325,680)
Increase (decrease) in other payables - related parties	4,534	(20,815)
Increase (decrease) in provisions	(56,064)	6,724
Increase (decrease) in other current liabilities	1,110,853	(134,362)
Increase (decrease) in refundable deposit	3	(16)
Subtotal of changes in operating liabilities	5,813,080	9,900,920
Subtotal of changes in operating assets and liabilities	(11,157,709)	(2,043,366)
Subtotal of all adjustments	(12,519,235)	(3,232,868)
Cash flows used in operations	(10,970,052)	(1,872,549)
Interest received	914,023	899,812
Dividends received	35,916	20,573
Interest paid	(275,681)	(204,771)
Income taxes paid	(296,330)	(293,374)
Net Cash flows used in operating activities	(10,592,124)	(1,450,309)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months and six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018 (Restated)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	$ -	(402,597)
Net cash flow from acquisition of subsidiaries	(5,127)	-
Acquisition of property and equipment	(17,891)	(18,602)
Proceeds from disposal of property and equipment	70	-
Decrease in operation guarantee	20,000	25,000
Increase in deposits settlement fund	(18,183)	(41,245)
Decrease (increase) in refundable deposits	(18,137)	63,452
Acquisition of intangible assets	(9,243)	(32,173)
Acquisition of right-of-use assets	(1,276)	-
Increase in other non-current assets	(6,028)	(3,718)
Decrease (increase) in prepayments for business facilities	(16,186)	898
Dividends received	14,530	11,488
Net cash flows used in investing activities	(57,471)	(397,497)
Cash flows from (used in) financing activities:		
Increase in short-term loans	2,734,139	3,668,608
Increase in commercial papers payable	6,398,854	6,937,720
Payment of lease liabilities	(95,155)	-
Decrease in other non-current liabilities	(134)	(196)
Cash dividends paid	(1,334,767)	(1,872,884)
Interest paid	(8,684)	-
Change in non-controlling interests	(674)	1,442
Net cash flows from financing activities	7,693,579	8,734,690
Effect of exchange rate changes on cash and cash equivalents	(8,882)	(24,385)
Net decrease (increase) in cash and cash equivalents	(2,964,898)	6,862,499
Cash and cash equivalents at beginning of period	16,030,667	13,580,884
Cash and cash equivalents at end of period	**$ 13,065,769**	**20,443,383**

See accompanying notes to consolidated financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization

FUBON SECURITIES CO., LTD. (the Company) was incorporated on July 11, 1988, as a company limited by shares and with an integrated securities firm license. The Company's operations include securities underwriting, dealing, brokerage, pecuniary, securities financing and refinancing, securities transfer services, dealing brokerage services related to futures, foreign securities brokerage, securities borrowing and lending service, trust operations, offshore securities unit operations, securities investment consulting operations and other operations approved by the authorities.

On September 9, 2000, the Company merged with Universal Securities Co., Ltd.; Chung Zu Securities Co., Ltd; King Sheng Securities Co., Ltd; Wa Hsing Securities Co., Ltd; Shih Lin Securities Co., Ltd; and Happy Securities Co., Ltd. The continuing company is Fubon Securities Co., Ltd. The exchange ratios of stock of the abovementioned merged companies were 1.43 shares, 1.39 shares, 1.32 shares, 0.90 share, 0.92 share and 1.17 shares, respectively, for 1 share of the Company.

Following the enactment of the Financial Holding Company Act in Taiwan, Fubon Financial Holding Co., Ltd. ("Fubon Financial") was established on December 19, 2001, as the holding entity of four financial services companies, including Fubon Securities Co., Ltd., under the Fubon brand name. Shares of Fubon Securities Co., Ltd., Fubon Commercial Bank Co., Ltd. ("Fubon Bank"), Fubon Life Insurance Co., Ltd. ("Fubon Life Insurance"), and Fubon Insurance Co., Ltd. ("Fubon Insurance") were exchanged for shares in Fubon Financial at the following exchange ratios:

	Exchange ratio per Fubon Financial share
Fubon Securities Co., Ltd.	1.5078
Fubon Bank	1.7053
Fubon Life Insurance	0.7556
Fubon Insurance	1

The Company's parent and ultimate parent is Fubon Financial Holding Co., Ltd. The registered address of the Company is 15F., No.169 Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). As of June 30, 2019, there were 41 branches (including head office) established for operating.

(2) Approval date and procedures of the consolidated financial statements

On August 16, 2019, the consolidated financial statements were presented to the board of directors and authorized for issuance afterward.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (p).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(Continued)

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group recognizes the lease payments of short-term leases or lease of low-value assets as expenses.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
  - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

  In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

  - Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied the exemption from recognizing the right-of-use asset and lease liabilities for leases within lease terms that ends within 12 months of the date of the initial application.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- Leases previously classified as finance leases

  For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(Continued)

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for their leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $471,124 of right-of-use assets and $468,735 of lease liabilities, and the difference arose from adjustments in prepaid rents and other payables. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 3.27%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the consolidated financial statements	$ 528,850
Recognition exemption for:	
short-term leases	(6,195)
low-value items	(18,808)
	$ 503,847
Discounted using the incremental borrowing rate at January 1, 2019	$ 466,946
Finance lease liabilities recognized as at December 31, 2018	1,789
Lease liabilities recognized at January 1, 2019	**$ 468,735**

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

(i) Amendments to IFRS 3 “Business Combination”

This amendment is a narrow-scope to improve the definition of a business and is applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The Group assesses that an acquisition transaction, which constitutes a business under the previous definition, may be regarded as an asset acquisition based on the adoption of the amendments. The Group will continue to assess the impacts of this amendment on its consolidated financial position and financial performance.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (TIFRS) for a complete set of the annual consolidated financial statements .

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated balance sheets:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments).

2) Financial assets measured at fair value through other comprehensive income.

3) Investment property.

4) The net liability of the defined benefit asset, which is recognized as plan assets at fair value, less, the present value of the defined benefit obligation and the effect of the ceiling.

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group entities operate. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Principles of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise Fubon Securities Co., Ltd. and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Profit (loss) applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**June 30, 2019**	**December 31, 2018 (Restated)**	**June 30, 2018 (Restated)**	**January 1, 2018 (Restated)**
The Company	Fubon Futures Co., Ltd.	Futures	100 %	100 %	100 %	100 %
The Company	Fubon Investment Service Co., Ltd.	Investment Service	100 %	100 %	100 %	100 %
The Company	Fubon Securities (BVI) Ltd.	Securities business	100 %	100 %	100 %	100 %
The Company	Fubon Asset Management Co., Ltd.	Investment trust	100 %	100 %	100 %	100 %
The Company	Fubon Securities Venture Capital	Venture Capital	100 %	100 %	100 %	100 %
The Company	Fubon Equity Investment	Equity Investment	100 %	100 %	100 %	100 %
The Company	Fubon Mintou Venture Capital Co., Ltd.	Venture Capital	67 %	67 %	67 %	67 %
Fubon Securities (BVI) Ltd.	Fubon Securities (HK) Ltd.	Securities business	100 %	100 %	100 %	100 %
Fubon Securities (BVI) Ltd.	Fubon Fund Management (Hong Kong) Limited (Note 1)	Asset management	100 %	100 %	100 %	100 %
Fubon Asset Management	Fubon Convoy Asset Management (Hong Kong) Limited (Note 2)	Asset management	49 %	49 %	49 %	49 %

Note 1: A subsidiary was acquired in February 2019. Since it was treated as the subsidiary from the beginning, the Group has restated the comparative information of the prior period.

Note 2: In February 2017, Fubon Asset Management and Convoy Asset Management Limited set up Fubon Convoy Asset Management (HK) Limited. After the evaluation, since Fubon Asset Management has direct existing rights to its financial and operating activities, it is regarded as having control over Fubon Convoy Asset Management (Hong Kong).

(d) Foreign currency transactions

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the individual entities of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Translation gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was originally determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the original transaction.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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Foreign currency differences arising from settlement or retranslation of monetary assets and liabilities are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income:

1) Non-monetary equity investments measured at fair value through other comprehensive income;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

3) Qualifying cash flow hedges to the extent the hedge is effective.

Translation differences arising from settlement of transactions in foreign currency are recognized in current profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated to the Group's functional currency in New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the foreign currency translation adjustment related to that foreign operation is reclassified to profit or loss as part of the gains or losses on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant cumulative amount of foreign currency translation adjustments is reattributed proportionately to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant foreign currency cumulative amount of translation adjustments is reclassified proportionately to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered as part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

(e) Classification of current and non-current assets and liabilities

The Group shall classify an asset as current in accordance with one of following situations; an entity shall classify all other assets as non-current:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group shall classify a liability as current in accordance with one of following situations; an entity shall classily all other liabilities as non-current:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, unrestricted time deposits which may be terminated anytime without impairing the principal and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(g) Financial instruments

The trading of financial assets is recognized and derecognized by trade-date accounting.

(i) Financial assets

The Group classifies financial assets into measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group reclassifies all affected financial assets only when it changes the business model for managing financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling, therefore, those receivables are measured at FVOCI and recognized as accounts receivable.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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Dividend income derived from equity investments is recognized on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

Financial assets that are not measured at amortized cost or at FVOCI are measured at FVTPL, including derivative financial assets and accounts receivable, and accounts measured at FVTPL are recognized as accounts receivable. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Group makes a combined assessment of the objective of the business model of financial assets which best reflect the management and the information delivery. The information considered includes:

· the stated policies and objectives of the portfolio and how they are operating, including whether management’ s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;

· how the performance of the portfolio is evaluated and reported to the Group’ s management;

· the risks that affect the performance of the business model (and the financial assets held within that business model) and how the risks are managed;

· the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales, and expectations for future sales.

If the transfer of financial assets to third parties does not meet the derecognition condition, then it cannot be considered as part of the abovementioned sale of financial assets; instead, it is considered consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or managed and evaluated on a fair value basis are measured at FVTPL.

(Continued)

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, other receivables, guarantee deposits and other financial assets), and debt investments measured at FVOCI.

The Group assesses that whether the credit risk of financial instruments has increased significantly since initial recognition. To measure loss allowance, lifetime ECL measurement applies for those financial assets that have suffered a significant increase in credit risk since initial recognition and 12 month ECL measurement for those have not at each reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information, which is available without undue cost or effort, including both quantitative and qualitative information, as well as analysis based on the Group' s historical experience, credit assessment and forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(ii) Financial liabilities

1) Financial liabilities measured at fair value through profit or loss

In this category, a financial liability is classified as held for trading or is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term. A financial liability is designated as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial liabilities is evaluated on a fair value basis; or

c) A hybrid instrument contains one or more embedded derivatives.

Financial liabilities are measured at fair value upon initial recognition, and are recognized in profit or loss when trading cost is incurred, and subsequently measured at fair value, with any profit or loss arising on remeasurement (including any interest expense) recognized in profit or loss.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction costs at the time of initial recognition, and subsequently evaluated at amortized cost using the effective interest method. Interest expense that is not capitalized as asset cost shall be recognized in finance cost under non-operating income and expenses.

(Continued)

(iii) Determination of fair value

For the fair value information of financial instrument, please refer to Note 6 (ah) for details.

(iv) Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains (losses) on financial assets measured at fair value through other comprehensive income", in profit or loss, which was presented in non-operating income and expenses in consolidated statements of comprehensive income.

On derecognition of a debt instrument other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, which was presented in net investment gain or loss in consolidated statements of comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet if, and only if, (a) the Group has legally enforceable right to set off the recognized amounts and (b) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(h) Derivative financial instruments

Derivative financial instruments are measured at fair value at initial recognition and in the subsequent period. Fair value is determined using valuation techniques that consider using quoted prices in an active market, recent market price, discounted cash flow models, and option pricing models. If the result of its valuation at fair value is positive, a derivative instrument shall be classified into a financial asset; otherwise, it shall be classified into a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risk of the host contract and the embedded derivatives are not closely related and the host contract is not measured at fair value through profit or loss. Derivative financial instruments are financial assets or liabilities at fair value through profit or loss.

(Continued)

(i) Investment in associates

Associates are those entities in which the Group has the power to exercise significant influence, but not control, over their financial and operating policies.

Investments in associates, except for held-for-sale assets, are accounted for using the equity method and are recognized initially at cost. The carrying amount of investment in associates, which includes goodwill arising from business acquisition, is stated at cost, less, any accumulated impairment losses. The consolidated interim financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its investment in equity-accounted investees, the carrying amount of the investment, including any long-term interests that from part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When an associate is disposed of such that significant influence is lost, the residual investment is measured at fair value at the date of disposal. The difference between the residual value measured at fair value, plus, consideration received for the disposal of shares of an associate and the carrying amount at the time of losing significant influence is recognized in profit or loss. The associate-related amount initially recognized in other comprehensive income is then reclassified to profit or loss.

When the Group subscribes for additional investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Group's share of the investee's equity. The Group records such differences as adjustments to capital surplus and investment accounted for using the equity method, with the corresponding amount charged or credited to capital surplus. When there is insufficient capital surplus resulted from investment accounted for using the equity method, such differences shall be debited to retained earnings.

(j) Bonds investment with agreement

Repo and reverse repo bond transactions are the sale or purchase of bonds coupled with an agreement to repurchase or resell the same or substantially identical bonds at a stated price. The securities sold or purchased are treated as collateral for financing transactions and not as the sale or purchase of trading securities. Repo and reverse repo bond transactions are recorded as bonds sold under repurchase agreements and bonds purchased under resale agreements, respectively.

The difference between the selling and the purchase prices during the holding period for repo and reverse repo bond transactions is treated as finance cost or interest income. Repo and reverse repo bonds remain under the original operating account and are unaffected by temporary transfer in or out.

(Continued)

(k) Pecuniary and securities financing and refinancing

Pecuniary finance represents loans extended to securities investors and is accounted for as receivable from pecuniary finance. Such loans are secured by the securities purchased by investors. These securities are not reflected in the financial statements of the Company. These securities are returned to investors when investors terminate pecuniary financing.

Securities finance is affected by lending securities under custody that are received from pecuniary finance or borrowed from securities finance companies to investors. Such securities finance is not reflected in the financial statements of the Company. The investors' deposits for borrowing securities are held by the Company as collateral and are recorded under securities financing refundable deposits. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as deposits payable for securities financing.

Pecuniary refinancing represents loans from securities finance companies when the Company lacks sufficient funds to perform pecuniary financing. These loans are recorded as refinance borrowings.

Securities refinancing represents borrowing securities from securities finance companies when the Company does not have sufficient securities to perform securities financing. For securities refinancing, the Company pays margin deposits to securities finance companies. These margin deposits are recorded as margin deposits for securities refinance. The Company also provides securities investors' proceeds from selling borrowed securities to securities finance companies as collateral and records them under deposits payable for securities financing and receivables from securities refinance.

(l) Securities lending

The Company lends only the following securities in conducting securities lending business: the securities held for the Company's own account, the securities borrowed through the securities lending system of a securities exchange, and the collateral securities obtained in connection with customer margin purchases when conducting securities trading margin purchase and short sale business.

As the securities held for the Company's own account are for lending to securities borrowers, these securities shall be transferred out from the original account to securities lent for securities financing and measured at fair value. The securities borrowed through the securities lending system of a securities exchange are not reflected in the financial statements of the Company. The collateral securities obtained in connection with customer margin purchases when conducting securities trading margin purchase and short sale business are not reflected in the financial statements of the Company either because these collateral securities are the collateral of the borrowers.

If the collateral from securities lending is other securities, the Company will not have to record them in the financial statements but will have to record them in each borrower's account for each trade. For cash collateral, it will be recognized as securities lending refundable deposits. When the value of the collateral is insufficient, the Company will inform the borrower to make up the difference.

The fee from securities lending business is recognized as income from securities lending.

(Continued)

(m) Customer margin account

Customer margin account presented under current assets includes trading margins received from customers and the gains (losses) generated from unsettled futures contracts based on daily market values. The following are included in customer margin account:

(i) Deposits: Futures commission merchants deposit initial margins and premiums of traders in "customer margin account" accounts at banks.

(ii) Clearing balances of futures clearing house: Futures commission merchants qualified as clearing members appropriate initial margins and premiums of traders to the clearing balance of the clearing house.

(iii) Clearing balances of other futures commission merchants: Futures dealers not qualified as clearing members appropriate initial margins and premiums of traders to the clearing balance of futures dealers qualified as clearing members.

(n) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for production or supply of goods or services, or for administrative purposes. Investment property is measured at cost at initial recognition and subsequently at cost. After initial recognition, depreciation expense would be calculated for the amount of depreciation available. The depreciation method, useful life, and residual value of investment property are determined in accordance with the guidance under IAS 16 as endorsed by the FSC. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs. In accordance with IAS 40, investment property is subsequently measured at fair value, except for those which are classified as held for sale according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Gains or losses arising from the changes in fair value must be included in the net profit or loss for the period in which they arise.

An investment property should be derecognized upon disposal or when the investment property is permanently withdrawn from use, and no future economic benefits are expected from its disposal.

The Group transferres investment property in or out based on its actual use. Transfers between categories should be based on market values, and accounting treatment should be conducted in accordance with IAS 40 " Investment Property".

(o) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The profit or loss arising from the derecognition of an item of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassification to investment property

When transferring from owner-occupied property to investment property, the property should be reclassified as investment property at fair value. Any difference arising between the carrying amount and the fair value at the date of transfer is recognized in profit or loss within the scope of previously accumulated impairment of that property. The remaining difference is recognized in "Other comprehensive income－revaluation gains on property" and accumulated in "Other equity－revaluation gains".

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss. Lease assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings	25~55 years
Transportation equipment	5 years
Office equipment	1~5 years
Other equipment	1~ 5 years
Leasehold improvement	1~ 5 years

(p) Leases

(i) Identifying a lease (applicable since January 1, 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

— the Group has the right to operate the asset and the asset supplier has no right to change the way the asset is operated; or

— the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee (applicable since January 1, 2019)

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group' estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the evaluation of asset purchase option; or
- there is a change of the assessment on whether it will exercise a purchase, extension or termination option; or
- there is any modifications in the asset, scope or other terms in the lease

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

(iii) As a lessor (applicable since January 1, 2019)

When the Group acts as a lessor, they determine at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor' s net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(iv) Lessor (applicable before January 1, 2019)

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(v) Lessee (applicable before January 1, 2019)

Leases whose terms require the Group to assume substantially all of the risks and rewards of ownership of a leased asset are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to property and equipment.

Other leases are operating leases and are not recognized in the Group's consolidated balance sheet.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognized and amortized on a straight-line basis to decrease lease expenses over the lease term.

(Continued)

(q) Intangible assets

(i) Other intangible assets

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Operating right	10 years
Computer software	3~5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(r) Impairment of non-financial instruments

The Group assesses the non-financial assets, except for deferred tax assets, assets generated from employee benefits, and non-current assets held for sale, for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The recoverable amount of goodwill, an intangible asset with an indefinite useful life, and an intangible asset that are not yet available for use is assessed at least annually. If the recoverable amount of any of these assets is lower than its carrying amount, impairment loss is recognized.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit.

(s) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest cost.

Under IAS 37 as endorsed by the FSC, the Group should estimate the costs of dismantling, relocating and restoring the leased assets at the end of the lease term, and the costs are estimated based on discounted present value.

(t) Futures traders' equity

Payables to customers presented under current liabilities correspond to futures trading margin. The account will be recorded as futures trading margin receivable when it becomes a debit balance.

(u) Revenue recognition

The Group's major revenue and cost recognition principles are as follows:

(i) Brokerage handling fee revenue, futures commission revenue, profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.

(ii) Interest income or expense from margin loans, securities financing and refinancing, and bonds purchased under agreements to resell and sold under agreements to repurchase are recognized on an accrual basis.

(iii) Recognition of service revenue depends on the degree of service delivered.

(iv) Management fees are received from providing management services to securities investment trust funds and investors' discretionary managed accounts. Management fees are calculated daily on the net assets of each securities investment trust fund account and investor's discretionary managed account multiplied by the contract rates. Management fees are paid monthly by each securities investment trust fund and investor's discretionary managed account, and selling fees would be received at a certain rate when issuing funds or buying back and reissuing beneficiary certificates.

(Continued)

(v) Gains or losses on disposal of equity investments of financial assets measured at fair value are recognized at the trading date.

(vi) Dividend revenue are recognized when the Group have the defined right to receive the payment.

(vii) Gains or losses on futures and options trade: Trading margin is recognized at cost and measured through mark-to-market valuation. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period; dealing handling fee expenditures are recognized on the date of futures and options transaction.

(v) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefits expense in profit or loss in the periods during which services are rendered by employees.

Pursuant to the ROC Labor Pension Act, the Company and domestic subsidiaries make contribution to the Bureau of Labor Insurance. This contribution is recognized as pension expenses on accrual basis.

Foreign subsidiaries make contributions based on the regulation of local government, and these contributions are recognized as pension expenses on accrual basis.

(ii) Defined benefit plans

When the benefits of the plan are improved, the portion of the increased benefits related to past service costs are recognized in profit or loss immediately. Net interests of the Group's service cost and net defined benefit asset or liability are recognized as employee benefit expenses when they occurred. All re-measurements arised from the defined benefit plan, including actuarial gains and return of planed assets, minus, interests, are recognized into other comprehensive income, and accounted for as retained earnings, and not subsequently reclassified into profit or loss.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, and adjusted by the prior year end's significant market fluctuations for significant curtailments, settlements, or other significant one-off events.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Other long-term employee benefit

The accounting policy of other long-term employee benefits is the same as the defined retirement benefits plans, whereas, related re-measurement is recognized as profit or loss.

(Continued)

(w) Income tax

(i) Current income tax

The Group estimated and disclosed interim income tax under IAS 34 "Interim Financial Reporting" Appendix B12.

Income tax expense for the interim reporting period is best estimated by multiplying pretax income for the period with the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.

The surtax on undistributed earnings, computed according to the ROC Income Tax Act, is charged to current income tax expense in the year when stockholders decide not to distribute the earnings.

The adjustment of prior year’s income tax payable is included in the current income tax.

(ii) Deferred income tax

Deferred tax is measured based on the enacted or substantively enacted tax rate on the reporting date applicable during the year of expected asset realization or debt settlement.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Temporary differences arise primarily from the evaluation of financial instruments (including derivative financial instrument), pension, and the reserve for and reversal of employee retirement benefits.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting 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.

Temporary differences arising from investment in subsidiaries, associates, and joint ventures are recognized as deferred income tax assets or liabilities, except when the Group has the ability and intention to control the timing of reversal of the temporary differences ; and it is highly possible that the temporary differences are not reversible in the foreseeable future.

Deferred income tax assets and liabilities are not offset if they relate to income taxes examined by different tax authorities.

The Company and the parent company file a combined corporate income tax return. However, the measurement of income tax follows the above-mentioned principles. The excess or deficit payment of income tax due to a combined corporate income tax filing is charged to current income tax assets or current income tax liabilities.

(x) Business combination

Business combinations of the Group is accounted for using the acquisition method. Goodwill is measured as the difference between (a) the aggregate of the value of the consideration transferred at fair value and the amount of any non-controlling interest and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, which normally measured at fair value. If the difference above is negative, the Group will undertake a review to ensure that the identification of assets and liabilities is complete, and that measurements appropriately reflect consideration of all available information before recognizing bargain purchase gains into profit or loss.

In a business combination achieved in stages, the previously held equity interest in the acquiree at its acquisition-date, fair value is remeasured and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items are reported in the financial statements for which the accounting is incomplete. During the measurement period, the provisional amounts recognized at the acquisition date are retroactively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

According to IFRS3 comment letter “Accounting treatment about business combinations of entities under common control” issued by Accounting Research and Development Foundation, business combinations of the Group is accounted for using the book value method when the Group and the acquiree are ultimately controlled by the parent company. Since the acquiree was treated as the subsidiary from the beginning, the Group should restate the comparative information of the prior period.

(y) Earnings per share

Earnings per share are calculated by dividing net income after tax by the weighted average number of shares outstanding in each year. The employees' bonuses are regarded as potential common stock. If the potential common stock has dilutive effect; both basic earnings per share and diluted earnings per share are presented; otherwise, only basic earnings per share is disclosed. The consolidated net income and number of common stocks outstanding are adjusted for the effects of all potentially dilutive common stock assuming that all potentially dilutive common stock are outstanding for the entire period. The effect of any increase in outstanding shares due to the issuance of common stock from capitalization of retained earnings or capital surplus approved in the shareholders' meeting is retroactively adjusted.

(z) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

(5) Major sources of accounting assumptions, judgments, and estimation uncertainty

The preparation of the consolidated financial statements in conformity with the regulations governing the preparation of financial reports and the IAS 34 " Interim Financial Reporting" endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impacts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next one year is included in the following notes:

(a) Fair value of financial instruments

The fair value of non-active-market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or a valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by a valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model uses only observable data as much as possible. Regarding credit risk of the Group and counterparties, management should estimate the variation and the relevance. Please refer to note 6 (ai) for the analysis of the risk of financial instruments.

(Continued)

(b) Fair value of investment property

Fair value is determined using the valuation techniques, including income-based valuation and market-based valuation. The changes of these valuation assumptions will affect the fair value of investment property in the financial statements. Please refer to note 6 (m) for the valuation assumptions of investment property.

(c) Assessment of financial assets' impairment

The allowance loss of the Group's financial assets is estimated based on the assumption of default risk and expected loss rate. The Group considers historical experience, current market conditions and forward-looking estimates on each reporting date to determine the inputs and assumptions to be used in calculating the impairment.

(d) Income tax

The Group calculates its income tax in accordance with the local ordinances. The possible difference in tax base and calculation between the Group and the tax authorities leads to the uncertainty of income tax. The Group recognizes related income tax and deferred income tax by assessing possible additional income tax pursuant to the transactions and calculations for the tax. If the final tax determined by the authorities differs from the initial recognized amount, the difference will affect the income tax and deferred income tax accounts.

(e) Measurement of defined benefit obligations

Defined benefit costs and net defined benefit liabilities (assets) under defined benefit pension plans are calculated using the Projected Unit Credit Method. The Group determines the appropriate actuarial assumptions, and comprise the discount rate and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018 (Restated)	June 30, 2018 (Restated)	January 1, 2018 (Restated)
Petty cash	$ 2,536	2,565	2,835	2,789
Demand deposits and checking accounts	3,361,481	2,673,569	3,079,870	2,949,805
Time deposits	2,340,905	2,108,727	2,145,951	2,141,246
Foreign currency deposits	6,611,721	10,786,233	15,044,947	7,987,854
Cash and cash equivalents－commercial paper	749,126	459,573	169,780	499,190
Total	**$ 13,065,769**	**16,030,667**	**20,443,383**	**13,580,884**

Please refer to note 6 (ai) for the disclosure of the sensitivity analysis and interest rate risk of the financial assets and financial liabilities of the Group.

(Continued)

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(b) Financial assets measured at fair value through profit or loss－current

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Non-hedge derivative instruments	$ 507,925	312,144	552,457
Non-derivative financial assets	43,237,879	39,060,105	47,193,576
Total	**$ 43,745,804**	**39,372,249**	**47,746,033**

The related accounts were as follows:

(i) Financial assets mandatorily measured at fair value through profit or loss－non-derivative

	June 30, 2019	December 31, 2018	June 30, 2018
Securities invested by broker	$ 901,841	751,390	739,724
Open-end funds, money market instruments and other securities	1,233,263	3,700,278	1,316,971
Operating securities－dealing	34,389,060	29,055,659	37,442,570
Operating securities－underwriting	827,960	1,063,099	1,309,531
Operating securities－hedging	5,885,755	4,489,679	6,384,780
Total	**$ 43,237,879**	**39,060,105**	**47,193,576**

1) Details of securities invested by broker

	June 30, 2019	December 31, 2018	June 30, 2018
Securities invested by broker	$ 813,720	718,616	702,081
Valuation adjustment	88,121	32,774	37,643
Total	**$ 901,841**	**751,390**	**739,724**

2) Details of open-end funds, money market instruments and other securities

	June 30, 2019	December 31, 2018	June 30, 2018
Open-end funds, money market instruments and other securities	$ 1,206,564	3,715,574	1,314,270
Valuation adjustment	26,699	(15,296)	2,701
Total	**$ 1,233,263**	**3,700,278**	**1,316,971**

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3) Operating securities

	June 30, 2019	December 31, 2018	June 30, 2018
Dealing department－domestic:			
Listed stocks and funds－TWSE	$ 817,669	462,079	454,359
Listed stocks and funds－TPEx	538,038	68,496	99,187
Bonds	24,618,221	23,628,355	21,568,871
Emerging stocks and funds－TPEx	247,955	405,806	984,261
Others	446,427	404,402	399,865
Subtotal	26,668,310	24,969,138	23,506,543
Dealing department－foreign:			
Stocks	-	-	25,673
Bonds	7,490,898	4,056,751	13,780,401
Subtotal	7,490,898	4,056,751	13,806,074
Valuation adjustment	229,852	29,770	129,953
Total	**$ 34,389,060**	**29,055,659**	**37,442,570**

	June 30, 2019	December 31, 2018	June 30, 2018
Underwriting department－domestic:			
Listed stocks－TPEx	$ -	-	142,941
Bonds	802,828	1,051,442	1,117,802
Subtotal	802,828	1,051,442	1,260,743
Valuation adjustment	25,132	11,657	48,788
Total	**$ 827,960**	**1,063,099**	**1,309,531**

	June 30, 2019	December 31, 2018	June 30, 2018
Hedging department－domestic:			
Listed stocks and warrants－TWSE	$ 1,595,514	489,571	1,932,491
Listed stocks and warrants－TPEx	53,194	59,255	155,414
Listed corporate bonds－TPEx	4,106,702	3,948,177	4,233,433
Subtotal	5,755,410	4,497,003	6,321,338
Valuation adjustment	130,345	(7,324)	63,442
Total	**$ 5,885,755**	**4,489,679**	**6,384,780**

(Continued)

(ii) Financial assets mandatorily measured at fair value through profit or loss－derivatives

	June 30, 2019	December 31, 2018	June 30, 2018
Futures trading margin－own funds	$ 197,667	89,219	387,372
Interest rate swap contracts	288,141	209,164	144,467
IRS portion of asset swap contracts	18,835	13,570	19,861
Call options	3,282	191	757
Total	$ 507,925	312,144	552,457

(iii) Related investment profit or loss please refer to note 6(ag).

(iv) Information of risk management and fair value, please refer to note 6(ah) and (ai).

(v) The guarantee of financial assets provided as pledged assets, please refer to note 8 for details.

(c) Financial assets measured at fair value through other comprehensive income－current

	June 30, 2019	December 31, 2018	June 30, 2018
Debt investments measured at fair value through other comprehensive income:			
Government bonds	$ -	-	1,045,300
Financial bonds	399,999	399,999	200,000
Corporate bonds	4,808,199	3,508,866	3,510,206
Foreign bonds	4,555,457	4,291,352	4,361,551
Valuation adjustment	30,525	(23,348)	(21,609)
Subtotal	9,794,180	8,176,869	9,095,448
Equity investments measured at fair value through other comprehensive income:			
Stocks	8,710,775	5,583,956	9,627,579
Valuation adjustment	1,104,037	647,442	896,405
Subtotal	9,814,812	6,231,398	10,523,984
Total	$ 19,608,992	14,408,267	19,619,432

(i) Debt investments measured at fair value through other comprehensive income

The Group has assessed that the securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities. They were classified as financial assets measured at fair value through other comprehensive income.

(ii) Equity investments measured at fair value through other comprehensive income

The Group has designated the equity investments as at fair value through other comprehensive income because it intends to hold for long-term strategic purposes.

Dividend incomes from abovementioned financial assets measured at profit or loss through other comprehensive income were as follows,

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Dividend income	$ 72,800	40,000	72,800	40,000

Dividend incomes from disposed financial assets measured at profit or loss through other comprehensive income within the reporting period were as follows,

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Dividend income	$ -	-	-	-

For the three months and six months ended June 30, 2019 and 2018, the Group has sold the stocks designated as at fair value through other comprehensive income for the consideration of allocation and reconciliation of the portfolios. The sold stocks had a fair value of $859,842, $751,998, $977,342 and $1,996,417 and the Group recognized accumulated gain (loss) of $128, $(9,015), $132 and $(3,538). The accumulated gain (loss) has been transferred from other equity to retained earnings.

(iii) Information of risk management and fair value, please refer to note 6 (ah) and (ai) for details.

(iv) The guarantee of the financial assets measured at fair value through other comprehensive income provided as pledged assets, please refer to note 8 for details.

(d) Securities purchased under resell agreements

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Pecuniary financing	$ -	-	192,134
The end date of the holding period	-	-	July 3, 2018
Interest rate range	- %	- %	0.00~1.50%

(e) Pecuniary and securities financing and refinancing

Securities received and lent for pecuniary and securities financing and refinancing were as follows:

	June 30, 2019		
	Shares (thousands)	**Face value**	**Market value**
Collateral securities for pecuniary financing	549,039	$ 5,490,390	16,692,965
Securities lent for securities financing	54,637	$ 546,370	1,409,723

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	December 31, 2018		
	Shares (thousands)	Face value	Market value
Collateral securities for pecuniary financing	512,586	$ 5,125,860	14,991,569
Securities lent for securities financing	52,142	$ 521,420	2,668,223

	June 30, 2018		
	Shares (thousands)	Face value	Market value
Collateral securities for pecuniary financing	666,034	$ 6,660,340	25,202,152
Securities lent for securities financing	26,333	$ 263,330	1,475,725

Pecuniary finance represents loans extended to securities investors and is accounted for as receivables from pecuniary finance. Such loans are secured by the securities purchased by investors. These securities are not reflected in the financial statements of the Group. These securities will be returned to investors when investors terminate pecuniary financing. As of June 30, 2019, December 31 and June 30, 2018, the Group had receivables from pecuniary finance amounting to $10,125,395, $9,948,857 and $15,441,117, respectively, and allowances for uncollectible accounts were $0, respectively. Please refer to note 6 (ai) for the estimation of impairment.

Securities finance represents securities lent to securities investors and is affected by lending to securities investors securities in custody that are received from pecuniary finance or borrowed from securities finance companies when necessary. The investors' deposits for borrowing securities are held by the Group as collateral and recorded under securities financing refundable deposits. In addition, investors are required to deposit the proceeds from sales of borrowed securities. Such deposits are accounted for as deposits payable for securities financing. As of June 30, 2019, December 31 and June 30, 2018, securities financing refundable deposits amounted to $1,208,059, $2,405,456 and $1,278,959, respectively, and deposits payable for securities financing amounted to $1,344,108, $2,677,332 and $1,386,732, respectively.

The guarantees provided to securities finance companies (securities borrowed by the Group in refinancing activities) were as follows:

	June 30, 2019		
	Shares (thousands)	Face value	Market value
Securities borrowed in refinancing activities	91	$ 910	4,047

	December 31, 2018		
	Shares (thousands)	Face value	Market value
Securities borrowed in refinancing activities	2,076	$ 20,760	51,850

	June 30, 2018		
	Shares (thousands)	Face value	Market value
Securities borrowed in refinancing activities	763	$ 7,630	21,959

(Continued)

Securities refinancing is affected by borrowing securities from securities finance companies when the Group does not have sufficient securities to perform securities financing. For securities refinancing, the Group pays margin deposits to securities finance companies. These margin deposits are recorded as margin deposits for securities refinance. The Group also provides proceeds from selling borrowed securities to securities finance companies as collateral and records them under margin deposits for securities refinance and receivables from securities refinance. As of June 30, 2019, December 31 and June 30, 2018, margin deposits for securities refinance amounted to $4,628, $62,220 and $25,786, respectively, and receivables from securities refinance amounted to $4,047, $51,850 and $21,959, respectively.

As of June 30, 2019, December 31 and June 30, 2018, the Group provided other securities as collateral due to borrowing securities amounting to $1,251,390, $5,497,267 and $5,671,193, respectively.

(f) Receivables from securities borrowings and lending

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables from securities borrowings and lending－secured securities purchased or owned by investors as collateral	$ 2,787	5,940	6,279
Receivables from securities borrowings and lending－non restricted	2,991,895	2,371,648	1,651,066
Total	$ **2,994,682**	**2,377,588**	**1,657,345**

The Group secures securities purchased or owned by investors as collateral to perform securities borrowing and lending. The calculation of the collateral maintenance ratio should comply with regulations and shouldn't be lower than 130%.

(g) Customer margin account

The details of the Group's customer margin account were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Bank deposits	$ 14,118,483	10,080,933	8,369,556
Clearing balance of futures clearing house	2,205,929	2,415,595	1,540,552
Clearing balance of other futures commission merchants	4,156,100	3,753,301	5,428,303
Securities	597	109	321
Others	-	411	694
	$ **20,481,109**	**16,250,349**	**15,339,426**

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(h) Notes and accounts receivable

	June 30, 2019	December 31, 2018 (Restated)	June 30, 2018 (Restated)	January 1, 2018 (Restated)
Accounts receivable from non-related parties				
Proceeds receivable from customers	$ 341,975	282,504	595,369	765,225
Accounts receivable－brokering	10,052,075	8,627,911	12,807,169	9,299,684
Clearance	523,136	4,625	695,730	7,980,768
Securities financing interest receivable	220,676	241,255	275,998	225,916
Bonds interest receivable	224,992	209,846	223,001	197,489
Cash dividends receivable	89,742	-	73,633	33
Revenues receivable	325,761	244,507	242,542	190,841
Others	226,413	221,953	193,735	29,522
Less: Loss allowance	(159,264)	(159,725)	(159,717)	-
	11,845,506	9,672,876	14,947,460	18,689,478
Notes receivable from non-related parties	245	165	45	289
Notes and accounts receivable	$ 11,845,751	9,673,041	14,947,505	18,689,767
Accounts receivable from related parties	$ 142,824	358,626	114,960	106,754

As of June 30, 2019, December 31 and June 30, 2018, the aging analysis of notes and accounts receivables were as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not overdue	$ 11,988,575	-	10,031,667	-	15,060,873	-
Overdue 0 to 180 days	-	-	159,725	159,725	161,309	159,717
Overdue 181 days to one year	-	-	-	-	-	-
Overdue more than one year	159,264	159,264	-	-	-	-
Total	$ 12,147,839	159,264	10,191,392	159,725	15,222,182	159,717

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(i) Financial assets measured at fair value through other comprehensive income－non-current

	June 30, 2019	December 31, 2018	June 30, 2018
Debt investments measured at fair value through other comprehensive income－non-current:			
Others	$ 300,178	300,195	300,211
Valuation adjustment	15,232	14,271	15,183
Subtotal	315,410	314,466	315,394
Equity investments measured at fair value through other comprehensive income－non-current:			
Stock	547,485	495,397	517,265
Valuation adjustment	1,809,430	1,600,960	1,318,222
Subtotal	2,356,915	2,096,357	1,835,487
Total	**$ 2,672,325**	**2,410,823**	**2,150,881**

(i) Equity investments measured at fair value through other comprehensive income

Dividend incomes from abovementioned equity investments measured at fair value through other comprehensive income- non-current, were as follows,

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Dividend income	**$ 24,524**	**2,403**	**24,524**	**2,403**

For the three months and six months ended June 30, 2019 and 2018, the Group has not disposed of abovementioned equity investments.

(ii) Information of risk management and fair value, please refer to note6 (ah) and (ai).

(j) Investments accounted for using the equity method

(i) Significant associates of the Group were as follows:

Name of associates	Relationship with the Group	Main Operating Location/Country of Registry	Proportion of shareholding and voting rights		
			June 30, 2019	December 31, 2018	June 30, 2018
Fubon Financial Holding Venture Capital Co., Ltd.	A subsidiary of the Company's parent company Fubon Financial Holding Co., Ltd. that engages in venture capital.	Taiwan	11.20 %	11.20 %	11.20 %
Founder Fubon Fund Management Co., Ltd.	Engages in fund raising, selling and assets management and plays an important role in developing markets in China for the Group.	Mainland China	33.3 %	33.3 %	33.3 %

A summarized financial information of material significant associates was as follows :

1) Fubon Financial Holding Venture Capital Co., Ltd.

	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	$ 2,653,002	2,355,136	2,859,128
Non-current assets	6,266,317	6,002,844	5,424,486
Current liabilities	(527,351)	(365,597)	(429,781)
Non-current liabilities	(403,624)	(385,591)	(361,744)
Net assets	**$ 7,988,344**	**7,606,792**	**7,492,089**
Share of net assets of associates	**$ 7,988,344**	**7,606,792**	**7,492,089**

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Revenue	**$ (15,527)**	**1,098,863**	**775,787**	**1,612,563**
Net income from continuing operations	$ (110,263)	433,296	465,992	645,920
Other comprehensive loss	9,301	(6,608)	45,240	(31,703)
Total comprehensive income (loss)	**$ (100,962)**	**426,688**	**511,232**	**614,217**
Share of comprehensive income (loss) of associates	**$ (100,962)**	**426,688**	**511,232**	**614,217**

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	For the six months ended June 30	
	2019	2018
Share of net assets of associates at the beginning of periods	$ 851,957	791,061
Effects of retrospective application	-	(9,255)
Total comprehensive income attributable to the Group for the periods	57,258	68,792
Dividends received from associates	(14,530)	(11,488)
Share of net assets of associates at the end of periods	894,685	839,110
Add: Unamortized premium	22,016	22,016
Carrying amount of equity of associates at the end of periods	**$ 916,701**	**861,126**

2) Founder Fubon Fund Management Co., Ltd.

	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	$ 2,158,812	305,066	255,870
Non-current assets	168,677	2,131,477	2,373,735
Current liabilities	(154,470)	(216,362)	(299,940)
Non-current liabilities	(207,082)	(171,937)	(138,823)
Net assets	**$ 1,965,937**	**2,048,244**	**2,190,842**
Share of net assets of associates	**$ 1,965,937**	**2,048,244**	**2,190,842**

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Revenue	**$ 93,098**	**117,802**	**187,185**	**235,496**
Net loss from continuing operations	$ (50,099)	(47,003)	(108,772)	(91,786)
Other comprehensive income (loss)	(28,219)	(23,841)	26,464	(6,475)
Total comprehensive loss	**$ (78,318)**	**(70,844)**	**(82,308)**	**(98,261)**
Share of other comprehensive loss of associates	**$ (78,318)**	**(70,844)**	**(82,308)**	**(98,261)**

	For the six months ended June 30	
	2019	2018
Share of net assets of associates at the beginning of the periods	$ 682,065	359,674
Issue of shares	-	402,597
Total comprehensive loss attributable to the Group	(27,408)	(32,721)
Carrying amount of equity of associates at the end of periods	**$ 654,657**	**729,550**

(Continued)

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(k) Property and equipment

Changes in the cost, depreciation, and impairment loss of the property and equipment of the Group for the six month ended June 30, 2019 and 2018 were as follows:

	Land	Buildings	Information Appliance	Communication	Leasehold improvement	Leased equipment	Miscellaneous	Total
Cost or deemed cost:								
Balance at January 1, 2019	$ 1,315,356	404,294	869,977	138	391,384	7,594	153,275	3,142,018
Additions	-	-	7,747	-	6,097	-	4,047	17,891
Reclassification	-	-	5,159	-	-	(7,594)	-	(2,435)
Disposals	-	-	(3,855)	-	(7,926)	-	(1,823)	(13,604)
Effect of change in exchange rates	-	-	176	-	42	-	18	236
Balance at June 30, 2019	$ 1,315,356	404,294	879,204	138	389,597	-	155,517	3,144,106
Balance at January 1, 2018	$ 1,204,021	410,665	840,892	138	405,379	6,482	153,904	3,021,481
Additions	-	-	5,782	-	9,610	1,112	2,098	18,602
Reclassification	(15,458)	(9,910)	-	-	-	-	-	(25,368)
Disposals	-	-	(4,268)	-	(8,697)	-	(2,713)	(15,678)
Effect of change in exchange rates	-	-	305	-	379	-	(56)	628
Balance at June 30, 2018	$ 1,188,563	400,755	842,711	138	406,671	7,594	153,233	2,999,665
Depreciation and impairment loss:								
Balance at January 1, 2019	$ -	155,095	676,935	138	341,111	5,833	123,778	1,302,890
Depreciation	-	3,799	34,775	-	10,404	-	5,150	54,128
Reclassification	-	-	-	-	-	(5,833)	-	(5,833)
Disposals	-	-	(3,854)	-	(7,666)	-	(1,700)	(13,220)
Effect of change in exchange rates	-	-	152	-	16	-	14	182
Balance at June 30, 2019	$ -	158,894	708,008	138	343,865	-	127,242	1,338,147
Balance at January 1, 2018	$ -	153,078	600,852	138	355,813	4,616	119,378	1,233,875
Depreciation	-	3,740	44,867	-	10,173	565	5,183	64,528
Reclassification	-	-	(4,268)	-	(8,539)	-	(2,713)	(15,520)
Disposals	-	(5,483)	-	-	-	-	-	(5,483)
Effect of change in exchange rates	-	-	297	-	74	-	28	399
Balance at June 30, 2018	$ -	151,335	641,748	138	357,521	5,181	121,876	1,277,799
Carrying amounts:								
Balance at January 1, 2019	$ 1,315,356	249,199	193,042	-	50,273	1,761	29,497	1,839,128
Balance at June 30, 2019	$ 1,315,356	245,400	171,196	-	45,732	-	28,275	1,805,959
Balance at January 1, 2018	$ 1,204,021	257,587	240,040	-	49,566	1,866	34,526	1,787,606
Balance at June 30, 2018	$ 1,188,563	249,420	200,963	-	49,150	2,413	31,357	1,721,866

As of June 30, 2019, December 31 and June 30, 2018, certain property were pledged as collateral, please refer to note 8 for detail.

(l) Right-of-use assets

Information about leases of land, buildings, machinery, transportation equipment, and other equipment of the Group is presented below:

	Land	Buildings	Machinery	Transportation equipment	Other equipment	Total
Cost:						
Balance at January 1, 2019	$ -	-	-	-	-	-
Effects of retrospective application	91	401,448	32,123	6,514	30,948	471,124
Additions	-	262,160	168	-	11,946	274,274
Disposals	-	(23,635)	(2,665)	-	(497)	(26,797)
Reclassification	-	(2,164)	6,306	-	136	4,278
Effect of changes in exchange rates	-	103	-	-	59	162
Balance at June 30, 2019	$ 91	637,912	35,932	6,514	42,592	723,041

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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		Land	Buildings	Machinery	Transportation equipment	Other equipment	Total
Accumulated depreciation and impairment losses:							
Balance at January 1, 2019	$	-	-	-	-	-	-
Depreciation, including capitalization		68	110,024	8,770	2,011	6,446	127,319
Disposals		-	(17,555)	(2,512)	-	(196)	(20,263)
Reclassification		-	-	5,529	-	-	5,529
Effect of changes in exchange rates		-	(4)	-	-	5	1
Balance at June 30, 2019	$	**68**	**92,465**	**11,787**	**2,011**	**6,255**	**112,586**
Carrying amounts:							
January 1, 2019	$	-	-	-	-	-	-
June 30, 2019	$	23	545,447	24,145	4,503	36,337	610,455

(m) Investment property

		Land and land improvements	Buildings	Total
Cost or deemed cost:				
Balance at January 1, 2019	$	827,692	101,926	929,618
Balance at June 30, 2019	**$**	**827,692**	**101,926**	**929,618**
Balance at January 1, 2018	$	929,155	107,176	1,036,331
Reclassification		8,515	3,915	12,430
Balance at June 30, 2018	**$**	**937,670**	**111,091**	**1,048,761**
Carrying amount:				
Balance at January 1, 2019	**$**	**827,692**	**101,926**	**929,618**
Balance at June 30, 2019	**$**	**827,692**	**101,926**	**929,618**
Balance at January 1, 2018	**$**	**929,155**	**107,176**	**1,036,331**
Balance at June 30, 2018	**$**	**937,670**	**111,091**	**1,048,761**

(i) Buildings are leased out as operating leases, and the primary terms of the lease agreements are the same as those of the general lease agreement.

(ii) A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

		June 30, 2019
Less than one year	$	9,587
One to two years		15,592
Two to three years		8,993
Three to four years		4,343
Total undiscounted lease payments	**$**	**38,515**

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(iii) Investment property of the Company was evaluated by appraisers from professional real estate appraisers firm, with fair value as the appraisal basis in accordance with the “Regulations on Real Estate Appraisal”. The valuation date was on December 31, 2018 and 2017, respectively. The Company has consulted the appraisers about the effectiveness of the original appraisal report. As of June 30, 2019 and 2018, the fair value of aforementioned investment property on December 31, 2018 and 2017 were considered valid, respectively. The appraisals were performed by following valuation agencies:

The appraiser was Chang Shih-Xian from Zhan-Mao Real Estate Appraisers Firm on December 31, 2018.

The appraisers were Chih Wei Hsin, Wang Shih Ming, Chi Liang An and Tsai Wen Che from Xinyi Real Estate Appraisers Firm on December 31, 2017.

The fair value of investment property is supported by observable evidences in the market. Appraising methods mainly include the DCF method of income.

Commercial office buildings and terraced shops are appraised using the DCF method of income approach mostly because of the market liquidity and the comparable sales and rental cases in their neighboring areas.

Reasonable net profit refers to market practices. On June 30, 2019 and December 31, 2018, total revenue from subject properties are estimated with the assumption that rent level is adjusted by 0.83% every year. On June 30, 2018, total revenue from subject properties are estimated with the assumption that rent level is adjusted within 0.17%～0.25% every year, minus, expected loss due to idled or others reasons and relevant expense raised from operating activities.

In accordance with R.O.C. Real Estate Appraiser Alliance Statement No.5, total assessment of the current value of the building refers to the assessed current value of the building released by the local governments, and is calculated from areas of property right (including public facility). House tax is calculated with total assessment of the current value of the building, and tax rate in accordance with the Regulations of House Tax.

Land tax refers to future publicly announced price of the subject property estimated by changes of publicly announced price in recent year.

The principle of calculating replacement allowance on June 30, 2018 is to multiply 10%~20% of the building and construction expense and amortized in 10~20 years, and the principle of calculating replacement allowance on June 30, 2019 and December 31, 2018 is construction fee, multiply building area, multiply amortization of replacement allowance, use 0.5% as amortization of replacement allowance, in accordance with R.O.C Real Estate Appraiser Alliance Statement No.5.

The inputs applied are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Discount rate	2.095%~5.345%	2.095%~5.345%	4.345%

(Continued)

The decision of discount rate is based on risk premium method, consideration of time deposit rates, government bond rates, risk on real estate investments changes in currency situation, and estate price, etc. Discount rate is based on the two-year time deposit floating rate below ten million of Chunghwa Post Co., Ltd., in consideration of the earning position, liquidity, risk, increment and the difficulty of management, plus, risk premium, in accordance with Rule No.9 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms". When the discount rate decreases, the fair value will increase, and vice versa.

For the three months and six months ended June 30, 2019 and 2018, rental revenue from investment property amounted to $5,306, $5,231, $10,607 and $10,478, respectively; direct operating expenses were $2,976, $1,268, $4,167 and $1,490, respectively; while the direct operating expenses of investment property which did not generate rental revenue amounted to $1,150, $1,139, $1,205 and $1,322, respectively.

As of June 30, 2019, December 31 and June 30, 2018, certain investment property were pledged as collateral, please refer to note 8 for detail.

(n) Intangible assets

The costs and amortization of intangible assets of the Group for the six months ended June 30, 2019 and 2018, were as follows:

	Operating rights	Computer software	Other intangible assets	Total
Costs:				
Balance at January 1, 2019	$ 25,769	825,094	1,925	852,788
Acquisitions	-	9,243	-	9,243
Reclassification	-	776	-	776
Disposals	-	(281)	-	(281)
Effect of change in exchange rates	-	59	-	59
Balance at June 30, 2019	**$ 25,769**	**834,891**	**1,925**	**862,585**
Balance at January 1, 2018	$ 79,742	744,329	1,925	825,996
Acquisition	-	32,173	-	32,173
Disposals	-	(105)	-	(105)
Effect of change in exchange rates	-	96	-	96
Balance at June 30, 2018	**$ 79,742**	**776,493**	**1,925**	**858,160**
Amortization:				
Balance at January 1,2019	$ 25,769	690,198	-	715,967
Amortization	-	36,581	-	36,581
Disposals	-	(281)	-	(281)
Effect of change in exchange rates	-	53	-	53
Balance at June 30, 2019	**$ 25,769**	**726,551**	**-**	**752,320**

(Continued)

	Operating rights	Computer software	Other intangible assets	Total
Balance at January 1, 2018	$ 79,742	620,520	-	700,262
Amortization	-	33,438	-	33,438
Disposals	-	(105)	-	(105)
Effect of change in exchange rates	-	85	-	85
Balance at June 30, 2018	**$ 79,742**	**653,938**	**-**	**733,680**
Carrying amount:				
Balance at January 1, 2019	**$ -**	**134,896**	**1,925**	**136,821**
Balance at June 30, 2019	**$ -**	**108,340**	**1,925**	**110,265**
Balance at January 1, 2018	**$ -**	**123,809**	**1,925**	**125,734**
Balance at June 30, 2018	**$ -**	**122,555**	**1,925**	**124,480**

(o) Operating deposits

As stipulated in the Regulations Governing Securities Firms, the Regulations for Securities Brokers Undertaking Pecuniary and Securities Financing, the Regulations Governing Futures Commission Merchants, and the Securities Investment Trust and Consulting Act, the Group had provided time deposits as operating deposits amounting to $825,000, $845,000 and $850,000 as of June 30, 2019, December 31 and June 30, 2018, respectively, recorded under other non-current assets.

(p) Settlement and clearing funds

As stipulated in the Regulations Governing Securities Firms and the Taiwan Futures Exchange Corporation Criteria for Clearing Membership, the Group had deposited settlement and clearing funds in the TWSE, the Taiwan Futures Exchange, Hong Kong Exchanges and Clearing Limited, and the TPEx as of June 30, 2019, December 31 and June 30, 2018. The details are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Centralized exchange market	$ 111,482	144,616	148,495
Taipei Exchange	112,716	61,249	61,249
Taiwan Futures Exchange	140,265	140,414	146,166
Total	**$ 364,463**	**346,279**	**355,910**

(q) Overdue receivables

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, the Group disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables from pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of. The Group has persistently tried to settle the aforementioned claims and has recorded the uncollected receivables from such unsettled pecuniary finance contracts and past-maturity corporate bonds as overdue receivables, recorded under other non-current assets.

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As of June 30, 2019, December 31 and June 30, 2018, the details of overdue receivables were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables from failed pecuniary finance contracts and the related interest	$ 46,167	45,958	3,757
Other overdue receivables	6,944	7,044	6,263
Subtotal	53,111	53,002	10,020
Less: loss allowance	39,919	39,668	9,089
Total	**$ 13,192**	**13,334**	**931**

The composition of loss allowance was as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Beginning balance	$ 39,668	13,644	13,644
Allowance for doubtful account	265	30,866	-
Write-off	(14)	(4,842)	(4,555)
Ending balance	**$ 39,919**	**39,668**	**9,089**

(r) Short-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured and secured loans	**$ 3,672,060**	**937,921**	**6,024,357**
Interest rate (%) range	0.80%~2.95%	2.87%~2.93%	0.60%-2.57%
Unissued short-term borrowings facilities	**$ 26,212,940**	**27,917,079**	**22,824,643**

For the details of short-term borrowings pledged as of June 30, 2019, December 31 and June 30, 2018, please refer to note 8.

(s) Commercial paper issued

	June 30, 2019	December 31, 2018	June 30, 2018
Commercial paper issued, par value	$ 6,400,000	-	10,740,000
Less: discounts on commercial paper issued	(1,146)	-	(3,389)
Total	**$ 6,398,854**	**-**	**10,736,611**
Interest rate (%) range	0.45%~0.75%		0.38~0.69%
Unissued commercial paper facilities	**$ 16,300,000**	**19,800,000**	**7,560,000**

All of these commercial papers were underwritten by bills finance corporations and banks.

(t) Financial liabilities measured at fair value through profit or loss－current

	June 30, 2019	December 31, 2018	June 30, 2018
Securities purchased under resell agreements-pecuniary refinancing	$ -	-	191,515
Warrant liabilities	142,127	169,643	354,192
Settlement coverage bonds payable of short sale	199,070	-	-
Liabilities on sale of borrowed securities	515,032	358,057	200,372
Derivative liabilities－OTC	962,734	889,025	900,785
Financial liabilities designated at fair value through profit or loss at time of initial recognition	1,502,388	2,455,857	2,473,728
Put options-futures	773	121	349
Total	$ 3,322,124	3,872,703	4,120,941

The related accounts were as follows:

(i) Warrant liabilities

The Group was approved by the authorities to issue warrants. As of June 30, 2019, December 31 and June 30, 2018, the details of warrant liabilities were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Warrant liabilities	$ 8,029,778	13,599,446	7,667,436
Less: gains from change in value of warrant liabilities	(1,832,401)	(4,957,016)	(876,846)
Market value	6,197,377	8,642,430	6,790,590
Warrants redeemed	7,462,549	12,037,199	6,796,531
Less: losses from change in value of warrant liabilities	(1,407,299)	(3,564,412)	(360,133)
Market value	6,055,250	8,472,787	6,436,398
Warrant liabilities, net	$ 142,127	169,643	354,192

(ii) Settlement coverage bonds payable of short sale

	June 30, 2019	December 31, 2018	June 30, 2018
Settlement coverage bonds payable of short sale	$ 199,049	-	-
Valuation adjustment	21	-	-
Total	$ 199,070	-	-

(iii) Liabilities on sale of borrowed securities

	June 30, 2019	December 31, 2018	June 30, 2018
Hedged:			
Listed stocks－TWSE	$ 248,198	147,616	42,948
Listed stocks－TPEx	14,829	60,284	4,300
Valuation adjustment	(8,848)	(16,106)	(5,928)
Subtotal	254,179	191,794	41,320
Non-hedged:			
Listed stocks－TWSE	249,320	171,894	158,568
Listed stocks－TPEx	8,557	14,895	-
Valuation adjustment	2,976	(20,526)	484
Subtotal	260,853	166,263	159,052
Total	$ **515,032**	**358,057**	**200,372**

(iv) Derivative liabilities－OTC

	June 30, 2019	December 31, 2018	June 30, 2018
Interest rate swap contracts	$ 227,299	206,770	110,862
IRS portion of asset swap contracts	6,038	11,504	6,927
Asset swap options	729,397	670,751	774,681
Exchange rate derivative	-	-	8,315
Total	$ **962,734**	**889,025**	**900,785**

(v) Financial liabilities designated at fair value through profit or loss at time of initial recognition

	June 30, 2019	December 31, 2018	June 30, 2018
Structured notes	$ 1,326,810	2,457,071	2,474,170
ETN	175,140	-	-
Valuation adjustment	438	(1,214)	(442)
Total	$ **1,502,388**	**2,455,857**	**2,473,728**

(vi) Sell options-futures

	June 30, 2019	December 31, 2018	June 30, 2018
Sell options-futures	$ **773**	**121**	**349**

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(u) Securities sold under repurchase agreements

	June 30, 2019	December 31, 2018	June 30, 2018
Government bonds	$ 9,438,283	8,160,337	8,571,657
Corporate bonds and financial bonds	30,565,918	25,448,758	34,035,193
Total	**$ 40,004,201**	**33,609,095**	**42,606,850**
Interest rate	0.30%~3.10%	0.34%~4.10%	0.325%~4.35%

As of June 30, 2019, December 31 and June 30, 2018, the bonds sold under repurchase agreements will be due within a year, and will be repurchased with an interest at a contracted price on a specific date. The total amount of repurchase agreement is $40,263,531, $33,824,114 and $42,968,147, respectively.

(v) Derivative instruments

As of June 30, 2019, December 31 and June 30, 2018, the derivative instruments for trading were as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Book value	Nominal amount	Book value	Nominal amount	Book value	Nominal amount
Total derivative assets:						
Futures trading margin－own funds	$ 197,667	-	89,219	-	387,372	-
Call options	3,282	-	191	-	757	-
Interest rate swap contracts	288,141	76,200,000	209,164	29,700,000	144,467	31,000,000
IRS portion of asset swap contracts	18,835	969,200	13,570	762,800	19,861	997,900
Total derivative liabilities:						
Interest rate swap contracts	$ 227,299	42,400,000	206,770	50,500,000	110,862	35,200,000
IRS portion of asset swap contracts	6,038	396,200	11,504	453,600	6,927	412,500
Asset swap options	729,397	2,943,000	670,751	3,010,400	774,681	3,020,000
Exchange rate derivatives	-	-	-	-	8,315	1,821,600
Put options－futures	773	-	121	-	349	-
Financial liabilities designated at fair value through profit or loss at time of initial recognition	1,502,388	1,325,956	2,455,857	2,456,896	2,473,728	2,475,744

The derivative financial assets detailed above were recognized as financial assets measured at fair value through profit or loss－current in the financial statements, whereas the derivative financial liabilities were recognized as financial liabilities measured at fair value through profit or loss－current.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group conducted a trading of futures and options for trading purpose, and the details for the six months ended June 30, 2019 and 2018 were as follows:

(i) Futures contracts

1) As of June 30, 2019, December 31 and June 30, 2018, the Company's unsettled futures contracts were as follows:

June 30, 2019						
	Transaction	Unsettled part		Contract		
Item	types	Buy/Sell	Volume	Value	Fair value	Note
Future:						
	10-Year T-Note Futures	Buy	11	$ 43,664	43,749	
	10-Year T-Note Futures	Sell	106	(418,252)	(421,581)	
	2-Year T-Note Futures	Buy	165	1,102,665	1,103,460	
	2-Year T-Note Futures	Sell	10	(66,834)	(66,876)	
	5-Year T-Note Futures	Buy	4	14,619	14,689	
	5-Year T-Note Futures	Sell	356	(1,305,545)	(1,307,308)	
	Mini-Dow Jones	Buy	1	4,128	4,132	
	Mini NASDAQ 100	Sell	4	(19,203)	(19,129)	
	MiniS&P500	Sell	2	(9,188)	(9,151)	
	MSCI China Free Index Futures	Sell	121	(153,900)	(158,741)	
	VIX	Buy	49	25,301	24,328	
	JTM	Sell	5	(2,238)	(2,238)	
	MCH	Buy	6	2,578	2,588	
	China A50	Buy	157	65,083	65,874	
	China A50	Sell	86	(35,463)	(36,084)	
	JNI	Sell	4	(12,136)	(12,248)	
	BRENT	Sell	7	(13,428)	(14,085)	
	SI	Sell	5	(11,942)	(11,920)	
	NIFTY 50	Sell	18	(13,300)	(13,245)	
	US, Treasury Bond Futures	Sell	4	(18,566)	(19,343)	
	HG	Sell	8	(16,546)	(16,867)	
	JNM	Buy	5	3,035	3,068	
	Soybean Future	Sell	24	(46,085)	(46,261)	
	STW	Sell	38	(45,807)	(45,630)	
	FESX	Sell	9	(10,965)	(11,035)	
	STW	Sell	7	(8,436)	(8,406)	Hedge
	China A50	Sell	7	(2,934)	(2,937)	Hedge
	Stock Futures	Sell	146	(37,935)	(40,163)	Non-hedge account
	FITX	Sell	10	(21,084)	(21,154)	Non-hedge account

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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June 30, 2019						
Item	Transaction types	Unsettled part Buy/Sell	Unsettled part Volume	Contract Value	Fair value	Note
	Stock Futures	Buy	905	111,228	113,221	Hedge account
	FITE	Buy	15	25,300	25,266	Hedge account
	Stock Futures	Sell	5,307	(1,006,039)	(1,027,551)	Hedge account
	FITF	Sell	5	(6,340)	(6,433)	Hedge account
	FITX	Sell	44	(93,271)	(93,077)	Hedge account
	Total			$ (1,977,836)	(2,011,088)	

December 31, 2018						
Item	Transaction types	Unsettled part Buy/Sell	Unsettled part Volume	Contract Value	Fair value	Note
Future:						
	10-Year T-Note Futures	Buy	11	$ 40,724	41,274	
	5-Year T-Note Futures	Buy	10	34,941	35,268	
	HHI	Buy	9	17,861	17,856	
	JTM	Buy	4	1,660	1,663	
	MCH	Buy	3	1,183	1,190	
	China A50	Buy	163	52,139	52,193	
	BRENT	Buy	9	14,851	14,890	
	US, Treasury Bond Futures	Buy	30	134,480	134,691	
	10-Year T-Note Futures	Sell	6	(22,124)	(22,513)	
	2-Year T-Note Futures	Sell	40	(259,740)	(261,158)	
	Mini NASDAQ 100	Sell	9	(34,970)	(35,057)	
	MSCI China Free Index Futures	Sell	23	(26,117)	(26,360)	
	VIX	Sell	9	(6,604)	(6,457)	
	JTI	Sell	1	(4,431)	(4,156)	
	China A50	Sell	7	(2,229)	(2,241)	
	NIFTY 50	Sell	26	(17,502)	(17,466)	
	US, Treasury Bond Futures	Sell	2	(8,495)	(8,979)	
	HG	Sell	11	(22,711)	(22,249)	
	Soybean Future	Sell	6	(8,342)	(8,257)	
	STW	Sell	64	(69,774)	(70,734)	
	FESX	Sell	9	(9,542)	(9,417)	
	FITX	Buy	22	42,222	42,544	Non-hedge account
	Stock Futures	Sell	3	(566)	(535)	Non-hedge account
	Stock Futures	Sell	1,788	(189,005)	(190,740)	Hedge account
	FITX	Sell	34	(65,523)	(65,749)	Hedge account
	FITF	Sell	5	(6,081)	(5,893)	Hedge account
	S&P 500 Futures	Sell	7	(3,487)	(3,496)	Hedge account
	Total			$ (417,182)	(419,888)	

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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June 30, 2018						
Item	Transaction types	Unsettled part Buy/Sell	Unsettled part Volume	Contract Value	Fair value	Note
Future:						
	JNH	Buy	1	$ 611	614	
	JTM	Buy	2	975	953	
	China A50	Buy	4	1,370	1,406	
	STW	Buy	5	5,821	5,911	
	China A50	Buy	4	1,403	1,407	
	HHI	Buy	15	32,021	31,691	
	MCH	Buy	3	1,244	1,268	
	NIFTY 50	Buy	1	651	652	
	JTI	Sell	4	(19,514)	(19,063)	
	JNI	Sell	2	(6,195)	(6,125)	
	China A50	Sell	23	(7,911)	(8,089)	
	STW	Sell	8	(9,354)	(9,458)	
	VIX	Sell	105	(48,002)	(51,794)	
	10-Year T-Note Futures	Sell	1	(3,648)	(3,666)	
	US, Treasury Bond Futures	Sell	1	(4,381)	(4,423)	
	MINI NASDAQ100	Sell	4	(17,698)	(17,244)	
	SI	Sell	2	(5,071)	(4,941)	
	MHI	Sell	1	(1,096)	(1,117)	
	Mini S&P 500	Sell	1	(4,133)	(4,151)	
	5-Year T-Note Futures	Sell	435	(1,503,636)	(1,507,555)	
	2-Year T-Note Futures	Sell	149	(962,150)	(962,742)	
	FITX	Buy	15	32,029	32,032	
	FITE	Buy	1	1,744	1,741	
	FITF	Buy	1	1,241	1,243	
	FITX	Sell	56	(118,998)	(119,582)	
	FITX	Sell	47	(100,085)	(100,364)	Non-hedge account
	Stock Futures	Sell	784	(26,269)	(25,857)	Non-hedge account
	Stock Futures	Buy	1,209	89,361	88,469	Hedge account
	Stock Futures	Sell	5,316	(1,130,855)	(1,103,186)	Hedge account
	Total			$ (3,800,525)	(3,781,970)	

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) As of June 30, 2019, December 31 and June 30, 2018, Fubon Futures' unsettled futures contracts were as follow:

June 30, 2019						
Item	**Transaction types**	**Unsettled part Buy/Sell**	**Unsettled part Volume**	**Contract value**	**Fair value**	**Note**
Future:						
	FITX	Buy	5	$ 10,602	10,577	
	FIMTX	Buy	140	74,001	74,039	
	Foreign Bond Futures	Buy	5	19,526	19,873	
	Foreign Index Futures	Buy	6	18,128	18,115	
	Foreign Exchange Futures	Buy	5	22,192	22,220	
	Total			$ 144,449	144,824	

December 31, 2018						
Item	**Transaction types**	**Unsettled part Buy/Sell**	**Unsettled part Volume**	**Contract value**	**Fair value**	**Note**
Future:						
	Foreign Bond Futures	Sell	2	$ 423	425	
	Foreign Index Futures	Sell	21	772	783	
	Foreign Metal Futures	Sell	5	338	329	
	Total			$ 1,533	1,537	

June 30, 2018						
Item	**Transaction types**	**Unsettled part Buy/Sell**	**Unsettled part Volume**	**Contract value**	**Fair value**	**Note**
Future:						
	Stock Futures	Buy	34	$ 4,483	4,377	
	FITX	Buy	1	2,135	2,135	
	FITE	Buy	3	5,203	5,224	
	Foreign Index Futures	Sell	8	(14,495)	(14,256)	
	Foreign Metal Futures	Sell	8	(20,244)	(19,736)	
	Total			$ (22,918)	(22,256)	

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(ii) Option contracts

The Company engaged in market-making business after obtaining approval from the TAIFEX and engaged in structured transaction business approved by the TPEx in February 2002 and July 2003, respectively.

1) As of June 30, 2019, December 31 and June 30, 2018, the Company's unsettled option contracts were as follow:

June 30, 2019						
		Unsettled part				
Item	Volume	Buy/sell	Volume	Contract value	Fair value	Note
Option:						
	TXO (call option)	Buy	250	$ 550	444	Non-hedge account
	Single Stock Options (put option)	Buy	687	2,182	2,036	Hedge account
	Single Stock Options (call option)	Buy	144	461	212	Hedge account
	Single Stock Options (put option)	Sell	3	(10)	(31)	Hedge account
	Total			$ 3,183	2,661	

December 31, 2018						
		Unsettled part				
Item	Volume	Buy/sell	Volume	Contract value	Fair value	Note
Option:						
	TXO (call option)	Buy	34	$ 145	79	Non-hedge account
	TXO (put option)	Sell	68	(247)	(119)	Non-hedge account
	TX1 (call option)	Buy	101	248	102	Hedge account
	TXO (call option)	Buy	2	12	10	Hedge account
	TXO (put option)	Sell	30	(10)	(2)	Hedge account
	Total			$ 148	70	

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2018						
		Unsettled part				
Item	Volume	Buy/sell	Volume	Contract value	Fair value	Note
Option:						
	TXO (put option)	Sell	41	$ (62)	(24)	
	TX1 (call option)	Buy	20	110	192	
	TX1 (put option)	Buy	24	41	24	
	TX1 (put option)	Sell	4	(15)	(15)	
	TX1 (put option)	Sell	16	(73)	(18)	
	TXO (put option)	Buy	150	530	533	Non-hedge account
	TXO (put option)	Sell	150	(593)	(274)	Non-hedge account
	Total			$ (62)	418	

2) As of June 30, 2019, Fubon Futures' unsettled option contracts were as follow:

June 30, 2019						
		Unsettled part				
Item	Volume	Buy/sell	Volume	Contract value	Fair value	Note
Option:						
	TX1	Buy	253	$ 590	590	
	TX1	Sell	140	719	742	
	Total			$ 1,309	1,332	

As of December 31 and June 30, 2018, there were no unsettled option contracts.

Profit or loss from futures contracts and options were as follows (recognized as gains (losses) from derivatives – futures):

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Gains (losses) on futures contracts－realized	$ 2,452	7,348	(85,368)	(2,724)
Gains (losses) on futures contracts－unrealized	(22,806)	1,265	(31,731)	21,805
Gains (losses) on options－realized	(2,242)	(3,733)	(1,737)	(1,153)
Gains (losses) on options－unrealized	(461)	383	(467)	623
Gains (losses) from derivatives －futures	**$ (23,057)**	**5,263**	**(119,303)**	**18,551**

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The Group entered into interest rate swaps, asset swaps, and structured notes expressed in the statements of comprehensive income as follows (recognized as gains (losses) from derivatives – OTC):

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Gains (losses) on valuation exchange	$ 45,327	(716)	55,050	(5,307)
Valuation gains (losses) on asset swap options	(26,288)	41,620	(106,517)	46,614
Gains on maturity of asset swap options	6,313	5,324	7,477	53,797
Gains (losses) on exercise of asset swap options	(18,739)	12,814	(38,644)	18,879
Valuation gains (losses) from IRS portion of asset swap contracts	1,936	13,404	12,130	21,822
Losses on structured notes	(6,462)	(6,435)	(12,837)	(5,930)
Valuation losses on exchange rate derivatives	(2)	(8,442)	(362)	(10,398)
Gains (losses) from derivatives－OTC	$ **2,085**	**57,569**	**(83,703)**	**119,477**

(w) Notes and accounts payable

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Accounts payable－non-related parties:			
Account payable of securities sold for customers	$ 747,894	337,779	1,208,623
Account payable for settlement	9,910,422	8,699,206	11,898,965
Settlement proceeds	1,773	659,109	-
Others	78,494	418,313	52,284
Subtotal	10,738,583	10,114,407	13,159,872
Notes payable－non-related parties	8	59	8
Total	$ **10,738,591**	**10,114,466**	**13,159,880**
Notes payable－related parties	$ 326	83	-
Accounts payable－related parties	14,075	16,794	15,856
Notes and accounts payable －related parties	$ **14,401**	**16,877**	**15,856**

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(x) Other payables

		June 30, 2019	December 31, 2018 (Restated)	June 30, 2018 (Restated)	January 1, 2018 (Restated)
Other payables－non-related parties:					
Tax payable	$	43,128	45,298	48,740	50,097
Employee bonuses payable		603,753	884,419	556,631	865,021
Pensions payable		16,300	17,339	19,103	25,721
Brokerage payable		4,289	6,042	9,173	9,506
Discount on brokerage commission payable		104,461	117,411	190,785	163,280
Information technology fees payable		49,738	37,768	56,620	54,325
Judicial indemnification payable		11,526	11,526	11,526	10,850
Professional service payable		17,378	19,703	17,171	25,162
Insurance premium payable		27,163	29,823	30,667	26,891
Short-term paid leave payable		92,621	98,602	102,980	107,644
Rents payable		-	1,655	4,737	4,118
Interest payable		72,753	42,743	28,112	12,045
Others (no individual accounts for more than $10,000)		236,999	255,262	117,886	165,378
Other payables	$	1,280,109	1,567,591	1,194,131	1,520,038
Other payables－related parties	$	50,850	46,260	47,491	68,306

(y) Other current liabilities

		June 30, 2019	December 31, 2018	June 30, 2018
Advance receipts	$	71	80	80
Receipts under custody		1,857,341	815,739	1,239,544
Temporary receipts		30,734	30,698	50,309
Customer Accounts		331,686	262,462	236,374
Total	$	2,219,832	1,108,979	1,526,307

(z) Lease liabilities

The Group's lease liabilities were as follow:

		June 30, 2019		
		Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$	263,256	17,040	246,216
Between one and five years		377,560	16,073	361,487
More than five years		4,083	135	3,948
	$	644,899	33,248	611,651
Current	$	263,256	17,040	246,216
Non-current	$	381,643	16,208	365,435

(Continued)

The amounts recognized in the statement of cash flows for the Group were as follows:

		For the six months ended June 30, 2019
Total cash outflow for leases	$	**103,839**

(i) Real estate leases

As of June 30, 2019, the Group leases land and buildings for office space. The leases of office space typically run for a period of 1 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of 3 to 8 years.

For short-term or leases of low-value items, the Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(aa) Provisions－non-current

		June 30, 2019	December 31, 2018	June 30, 2018
Provision for employee benefits	$	1,099,806	1,154,721	1,000,295
Decommissioning costs		30,570	31,719	31,920
Total	**$**	**1,130,376**	**1,186,440**	**1,032,215**

Under IAS 37 as endorsed by the FSC, the Group should estimate the costs of dismantling, relocating, and restoring the leased assets at the end of the lease term, and the costs are estimated based on discounted present value. The discount rate was the one-year time deposit rate from Chunghwa Post Co., Ltd.

(ab) Employee benefits

(i) Defined benefit plans

There was no significant volatility of the market or any significant reimbursement, settlement or other one time event in the prior fiscal year, the Group used December 31, 2018 and 2017 pension cost measured and disclosed the interim pension cost.

The Group's expenses recognized in profit or loss were as follows:

		For the three months ended June 30		For the six months ended June 30	
		2019	**2018**	**2019**	**2018**
Pension expense (recognized as operating expense)	**$**	**9,096**	**15,845**	**17,479**	**27,787**

(ii) Defined contribution plans

The Group contributed 6% of each employee's monthly wages to a labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group contributed a fixed amount to the Bureau of Labor Insurance without any additional legal or constructive obligations.

Pension under defined contribution plans has been deposited to Bureau of Labor Insurance. The Group's expenses recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Pension expense (recognized as operating expense)	$ 25,008	28,484	50,972	53,973

(ac) Income tax

(i) The components of income tax expense (benefit) for the three months and six month ended June 30, 2019 and 2018 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Current tax expense (benefit)				
Current period	$ 77,918	68,856	171,347	197,393
Adjustment for prior periods	(312)	-	(312)	-
Deferred tax benefit				
Incurrence and reversal of temporary differences	1,505	59,328	(22,091)	(12,428)
Income tax expense	$ 79,111	128,184	148,944	184,965

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(ii) The details of income tax recognized in other comprehensive income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Items not to be reclassified to profit or loss:				
Remeasurements of the defined benefit plans	$ -	(1,972)	-	(20,569)
Losses on valuation of equity instruments measured at fair value through other comprehensive income	-	-	-	(30)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	-	(11)
	$ -	**(1,972)**	**-**	**(20,610)**
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	**$ (3,013)**	**(5,075)**	**5,746**	**(4,907)**

(iii) The ROC income tax authorities have examined the income tax returns of the Company all years through 2014. For the reconciliation items recognized by the tax authorities from 2010 to 2014, the Company has filed an appeal within the statutory period. The income tax returns of Fubon Futures all years through 2016 have been assessed by the tax authority. And the income tax returns of Fubon Asset Management, Fubon Securities Investment Service, Fubon Securities Venture Capital and Fubon Mintou Venture Capital all years through 2017 have been assessed by the tax authority.

(ad) Capital and other equity

As of June 30, 2019, December 31 and June 30, 2018, the total value of nominal ordinary shares amounted to $26,000,000. Face value of each share is $10, so in total there were 2,600,000 ordinary shares, and paid-in capital was $16,643,550.

(i) Capital surplus

According to the ROC Company Act, capital surplus should be used to offset the accumulated deficit first, and could be used to distribute as stock or cash dividends using the realized capital surplus. The aforementioned realized capital surplus includes the amount derived from the issuance of new shares at a premium and the income from endowments received by the Company. The share capital capitalized in any one year may not exceed 10% of the Company's paid-in capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

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(ii) Retained earnings

1) Legal reserve

Following the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until it is equal to share capital. When the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of the legal reserve which exceeds 25 percent of the paid-in capital can be distributed.

2) Special reserve

	June 30, 2019	December 31, 2018	June 30, 2018
Appropriation under Regulations Governing Securities Firms	$ 10,076,502	9,658,497	9,658,497
Appropriation of bad debts loss expense reserve	10,909	10,909	10,909
Appropriation of the adoption of investment property using the fair value model	327,176	314,068	314,068
Appropriation of Fintech development	32,055	21,605	21,605
	$ 10,446,642	**10,005,079**	**10,005,079**

According to the Regulations Governing Securities Firms, the Company must retain 20% of its after-tax annual earnings as special reserve until it is equal to share capital. Special Reserve can only be used to offset the accumulated deficit or be converted to share capital when it reaches an amount equals to one-half of paid-in capital.

According to Rule Letter No. 1010032090 of the FSC, reserve for bad debt was transferred to special reserve on January 1, 2013. The special reserve can only be used to offset an accumulated deficit, or be converted to share capital, when it reaches an amount equal to one-half of issued share capital.

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In 2014, the Company changed the subsequent measurement of investment property from cost model to fair value model. According to Rule Letter No.1030008251 issued by the FSC on April 11, 2014, the Company recognized the same amount of net increase in fair value as special reserve at the first-time adoption of fair value model. Thus, the net increase of fair value amounted to $277,894, which was recognized in retained earnings. As of January 1, 2014, the Company retained its special reserve to restrict earning distribution at the first-time adoption of the fair value model. When allocating distributable earnings every year, the Company recognizes special reserve in the following order:

a) If there is a net increase of fair value generated from the adoption of fair value model in the current period, the Company should recognize the same amount of increase as special reserve from its current profit or loss or prior unappropriated earnings. If there was an accumulated net increase in the prior period, the Company should recognize the same amount of increase from its prior unappropriated earnings as special reserve which could not be distributed. When there was the deduction of accumulated net increase of fair value or disposal of investment property, the Company should reverse and distribute the earnings to cover the deduction or the disposal.

b) According to Rule Letter No.1010028514 issued by the FSC on June 29, 2012, the difference between the deduction of other equity and the special reserve recognized due to the first-time adoption of IFRSs, the Company should retain its special reserve from the current profit or loss and unappropriated earnings in the prior period. If there was the deduction of accumulation in other equity, the Company should recognize its special reserve from the unappropriated earnings in the prior period which could not be distributed. When reversing the deduction of other equity, the Company can distribute its reversed earnings.

According to Rule Letter No.10500278285 issued by the FSC on August 5, 2016, for the development of Fintech, the Company should retain 0.5% of its after-tax net income as special reserve upon distributing its annual earnings from 2016 to 2018 in order to guarantee the right of employees. Also, upon distributing the earnings of 2017, the expenditure of staff education training, staff transfer or resettlement arising from the development of Fintech could be reversed from those special reserve.

According to this regulation, the Company decided to appropriate its special reserve via board of directors' meeting on behalf of the shareholders held on April 26, 2019, and April 24, 2018, as follows:

	2019	2018
Appropriation under Rule Letter No. 1030008251 of the FSC	$ 13,108	34,653
Appropriation under Regulations Governing Securities Firms	418,005	563,407
Appropriation under Rule Letter No. 10500278285 of the FSC	10,450	14,085
Total	428,455	577,492
	$ 441,563	**612,145**

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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3) Unappropriated earnings

In accordance with Articles of Incorporation, 10% of annual earnings after offsetting accumulated deficit (if any) is to be retained as legal reserve and 20% as special reserve. The remaining of the unappropriated earnings together with the prior year unappropriated earnings including the reverse from the special reserve, which is to be distributed as the common stock dividends upon the approval of the shareholders' meeting.

The authority of the shareholders' meeting has been fully executed by the board of directors' meeting since the Company became Fubon Financial's 100%-owned subsidiary.

Distribution of earnings for the year 2018 and 2017 was approved via the board of directors' meeting on behalf of the shareholders held on April 26, 2019 and April 24, 2018, respectively. The relevant earnings distributions were as follows:

	Earnings distribution		**Earnings per share (New Taiwan Dollars)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 197,370	276,114	-	-
Special reserve	441,563	612,145	-	-
Cash dividend	1,334,767	1,872,884	0.80	1.13
	$ 1,973,700	**2,761,143**		

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign operations	**Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income**	**Revaluation gains on property**	**Total**
Balance as of January 1, 2019	$ (112,040)	2,238,844	8,120	2,134,924
Exchange differences on translation of foreign operations	28,867	-	-	28,867
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	721,791	-	721,791
Disposal of equity instruments measured at fair value through other comprehensive income	-	(132)	-	(132)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income of the associates accounted for using equity method	-	5,067	-	5,067
Balance as of June 30, 2019	**$ (83,173)**	**2,965,570**	**8,120**	**2,890,517**

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FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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		Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Revaluation gains on property	Total
Balance as of January 1, 2018	$	(92,253)	-	647,873	8,120	563,740
Effects of retrospective application		-	1,823,369	(647,873)	-	1,175,496
Balance as of January 1, 2018 after adjustment		(92,253)	1,823,369	-	8,120	1,739,236
Exchange differences on translation of foreign operations		18,775	-	-	-	18,775
Share of exchange differences on translation of the associates accounted for using equity method		3,548	-	-	-	3,548
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		-	377,278	-	-	377,278
Disposal of equity instruments measured at fair value through other comprehensive income		-	3,538	-	-	3,538
Balance as of June 30, 2018	$	**(69,930)**	**2,204,185**	**-**	**8,120**	**2,142,375**

(iv) Non-controlling interests

		For the six months ended June 30	
		2019	2018
Beginning balance	$	72,932	153,256
Attributable to non-controlling interests			
Net profit (loss)		370	(5,884)
Others		(674)	1,442
Ending balance	$	**72,628**	**148,814**

(ae) Earnings per share

For the three months and six months ended June 30, 2019 and 2018, basic EPS and diluted EPS were calculated as follows:

(i) Basic earnings per share

		For the three months ended June 30		For the six months ended June 30	
		2019	2018	2019	2018
Net income attributable to ordinary shareholders of the Company	$	**661,926**	**839,119**	**1,399,869**	**1,179,926**
Weighted-average number of ordinary shares outstanding (thousand)		**1,664,355**	**1,664,355**	**1,664,355**	**1,664,355**
Basic earnings per share	$	**0.40**	**0.50**	**0.84**	**0.71**

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Net income attributable to ordinary shareholders of the Company	$ 661,926	839,119	1,399,869	1,179,926
Weighted-average number of ordinary shares outstanding (thousand)	1,664,355	1,664,355	1,664,355	1,664,355
Dilutive potential ordinary shares	32	44	68	62
Weighted-average number of shares outstanding (thousand) for calculating diluted EPS	1,664,387	1,664,399	1,664,423	1,664,417
Diluted earnings per share	$ 0.40	0.50	0.84	0.71

(af) Employees' compensation and remuneration to directors and supervisors

In accordance with the Articles of Incorporation, 0.1% of the employees' compensation should be distributed if there is profit for the period. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit. Employees entitled to receive shares or cash include the employees of the subsidiaries meeting certain requirements.

For the three months and six months ended June 30, 2019 and 2018, the estimated employees' compensation were $700, $940, $1,482 and $1,340, respectively, and remuneration to directors and supervisors was $0. The amounts were calculated by using the income before tax, minus, employees' compensation and remuneration to directors and supervisors, multiple by the employees' compensation and remuneration to directors and supervisors quotient as the estimation basis; which is to be assigned in the Articles of Incorporation, and recognized as operating expenses for the three months and six months ended June 30, 2019 and 2018. If the actual distribution is different from the estimation, the difference will be dealt as changes in accounting estimates and recognized in profit or loss in the following year.

For the year ended December 31 2018, the employees' compensation was $2,419, which was the same as the amounts for actual distribution. The relevant information has been disclosed in the website of the Market Observation Post System.

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(ag) Revenue and expense

For the three months and six months ended June 30, 2019 and 2018, the details of the revenue and expense of the Group were as follows:

(i) Brokerage handling fee revenue

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Centralized securities exchange market	$ 538,795	718,051	972,354	1,350,465
Over-the-counter securities exchange	176,833	280,157	363,882	513,336
Futures Exchange	160,600	183,073	302,308	375,391
Handling fees from securities financing	8,747	10,569	15,373	21,132
Income from dealing with securities lending	15,773	19,486	32,163	35,318
Revenues from sub-broker handling fee	92,117	69,042	182,171	157,542
Total	$ **992,865**	**1,280,378**	**1,868,251**	**2,453,184**

(ii) Revenues from underwriting business

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Revenues from underwriting securities on a firm commitment basis	$ 10,881	36,040	32,819	73,189
Handling fee revenues from underwriting operations	1,418	1,542	7,718	5,848
Revenues from underwriting consultation	2,480	2,595	5,740	7,420
Other revenues from underwriting business	9,394	44,756	17,970	53,745
Commissions income from securities proxy sale	(610)	5	33,341	10
Total	$ **23,563**	**84,938**	**97,588**	**140,212**

(iii) Gains (losses) on sale of operating securities

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Dealing－domestic	$ 19,683	100,497	155,859	123,979
Dealing－foreign	17,128	(40,292)	44,178	(79,220)
Underwriting－domestic	16,383	11,649	59,655	37,629
Hedging－domestic	20,748	(3,779)	99,745	(63,194)
Total	$ **73,942**	**68,075**	**359,437**	**19,194**

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(iv) Valuation gains on operating securities measured at fair value through profit or loss

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Dealing－domestic	$ (4,676)	28,365	134,960	77,001
Dealing－foreign	43,868	62,781	111,909	15,533
Underwriting－domestic	(2,782)	59,730	13,475	26,008
Hedging－domestic	20,519	(159,373)	137,669	(134,957)
Settlement coverage bonds payable of short sale	(22)	-	(22)	(45)
Total	$ 56,907	(8,497)	397,991	(16,460)

(v) Gains (losses) from issuance of call (put) warrants

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Gains from changes in fair value of call (put) warrants	$ 7,056,764	2,833,776	9,424,348	6,904,764
Losses on exercise of call (put) warrants before maturity	(3,946)	(115,470)	(10,663)	(198,726)
Losses on changes in fair value upon redemption of call (put) warrants	(6,994,624)	(2,627,084)	(9,350,811)	(6,565,069)
Expenses arising from issuance of call (put) warrants	(12,201)	(21,569)	(23,326)	(40,396)
Total	$ 45,993	69,653	39,548	100,573

(vi) Interest revenue

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Margin purchase / short sales	$ 155,254	220,622	303,834	429,334
Dividend yield of fund	11,795	13,027	12,983	13,027
Bonds interests	173,081	159,841	334,757	273,935
Others	25,860	36,313	42,327	51,975
Total	$ 365,990	429,803	693,901	768,271

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(vii) Other operating income

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Management fee revenues	$ 307,185	244,166	591,310	466,690
Foreign exchange gains (losses)	19,991	42,811	4,122	(17,273)
Others	56,286	27,428	123,668	72,108
Total	**$ 383,462**	**314,405**	**719,100**	**521,525**

(viii) Employee benefits expense

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Wages and salaries	$ 725,531	774,631	1,475,006	1,474,373
Insurance expense	50,049	54,430	114,118	117,177
Director's remuneration	5,782	5,632	11,160	11,755
Pension expense	41,678	50,509	81,883	91,645
Other employee benefits expense	22,760	23,856	48,709	47,576
Total	**$ 845,800**	**909,058**	**1,730,876**	**1,742,526**

(ix) Depreciation and amortization expense

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Depreciation	$ 91,309	27,815	181,447	64,528
Amortization	19,664	18,586	39,784	36,255
Total	**$ 110,973**	**46,401**	**221,231**	**100,783**

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(x) Other operating expense

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Rental expense	$ 15,633	87,213	29,653	173,276
Taxes	85,403	119,875	160,999	242,308
Information technology expense	61,699	62,896	111,462	110,066
Postage expense	29,870	28,266	55,282	56,478
Commission expense	39,087	17,938	97,666	46,002
Repair and maintenance expense	31,108	22,871	61,742	47,439
Professional service fees	20,882	15,052	37,235	32,084
Stock borrowing fees	120,283	107,227	234,625	207,222
Depository service expense	22,340	30,113	41,922	55,626
Utilities expense	9,152	9,143	15,941	16,261
Entertainment expense	11,503	11,635	16,158	17,876
Advertisement expense	-	25,005	23,226	26,857
Traveling expense	5,847	5,985	8,241	7,469
Stationery and printing expense	5,094	3,871	8,459	4,961
Membership fee	3,837	4,132	7,603	7,544
Employee training expense	2,550	2,860	3,477	3,857
Others	63,721	59,188	121,036	102,370
Total	$ **528,009**	**613,270**	**1,034,727**	**1,157,696**

(xi) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest expense of asset swap	$ 1,260	1,788	1,496	4,843
Interest expense of securities sold under repurchased agreements	32,856	21,129	65,470	39,162
Interest expense and handling fee of commercial paper	8,212	9,071	9,880	14,299
Interest expense of foreign currency bonds	68,822	78,443	129,775	115,451
Others	44,445	21,554	84,798	38,362
Total	$ **155,595**	**131,985**	**291,419**	**212,117**

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(xii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2019	**2018**	**2019**	**2018**
Financial income	$ 124,102	90,184	240,521	184,528
Losses on disposal of property and equipment	(1)	-	(313)	(157)
Gains on disposal of non-operating financial instruments	7,997	3,158	5,821	6,695
Valuation gains (losses) on non-operating financial instruments measured at fair value through profit or loss	6,913	(10,911)	49,912	(11,655)
Dividend revenue	27,514	15,956	28,687	19,672
Rent revenue	5,306	5,231	10,607	10,478
Rental revenue	62,655	67,996	122,023	132,847
Cross-selling revenue	16,528	14,825	51,832	31,363
Others	9,006	14,227	15,605	14,899
Total	**$ 260,020**	**200,666**	**524,695**	**388,670**

(ah) Disclosure of financial instruments

(i) Fair value information

1) Summary

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Group determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

2) Definition of fair value hierarchy

a) Level 1

Level 1 means fair value of the financial instruments is based on quoted market prices of identical financial instruments in an active market. The definition of active market refers to a market that satisfies all of the following conditions:

i) The products traded in the market are homogeneous.

ii) Willing parties are available anytime in the market.

iii) Price information is available for the public.

b) Level 2

Level 2 means fair value of the financial instruments is based on inputs other than quoted prices in active markets, including observable input parameters that are obtained directly (i.e., prices) or indirectly (i.e., derived from prices) in active markets. For instance:

i) Quoted prices of similar financial instruments in active markets. The fair value of financial instruments is inferred from the recent trading price of similar financial instruments. Whether products are similar should be judged based on their characteristics and trading rules. Fair value of financial instruments should be based on observable trading prices adjusted over time, trading conditions, the impact of related parties, and correlation of price with similar financial instruments.

ii) Quoted prices of similar financial instruments in non-active markets.

iii) Fair value using valuation models. The inputs of valuation models (i.e., interest rates, yield curve, volatility, etc.) are based on available data in the market and should be observable. Observable inputs are those that can be obtained from the market and reflect the expectations of market participants.

iv) The majority of the input parameters is derived from observable market data or can be validated by their correlation with observable market data.

c) Level 3

Level 3 means inputs in this level are not based on direct market data. For instance, historical volatility used in valuation options is an unobservable input because it cannot represent all market participants' expectations regarding future volatility.

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(ii) Measured at fair value

1) Fair value hierarchy

The Group's financial instruments and investment properties measured at fair value are evaluated on a recurring basis. Information of fair value hierarchy was as follows:

Financial instruments measured at fair value	June 30, 2019 Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurement				
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	$ 3,875,418	3,687,331	148,087	40,000
Bond investment	37,227,357	14,849,213	22,168,515	209,629
Securities invested by broker	901,841	469,989	60,786	371,066
Others	1,233,263	1,233,263	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	12,171,727	9,814,812	-	2,356,915
Bond investment	10,109,590	315,410	9,637,929	156,251
Investment property	929,618	-	-	929,618
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	714,102	714,102	-	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	507,925	200,949	306,976	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,105,634	142,900	962,734	-
Financial liabilities designated as at fair value through profit or loss	1,502,388	176,533	-	1,325,855

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Financial instruments measured at fair value	December 31, 2018 Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurement				
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	$ 1,969,753	1,969,753	-	-
Bond investment	32,638,684	13,863,623	18,568,583	206,478
Securities invested by broker	751,390	451,240	58,167	241,983
Others	3,700,278	3,700,278	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	8,327,756	6,231,398	-	2,096,358
Bond investment	8,491,334	314,465	8,176,869	-
Investment property	929,618	-	-	929,618
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	358,057	358,057	-	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	312,144	89,410	222,734	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,058,790	169,765	889,025	-
Financial liabilities designated as at fair value through profit or loss	2,455,857	-	-	2,455,857

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Financial instruments measured at fair value	June 30, 2018 Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurement				
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Stock investment	$ 4,293,319	4,293,319	-	-
Bond investment	40,843,561	27,198,354	13,645,207	-
Securities invested by broker	739,725	464,000	-	275,725
Others	1,316,971	1,316,971	-	-
Financial assets measured at fair value through other comprehensive income				
Stock investment	12,359,471	10,536,836	-	1,822,635
Bond investment	9,410,842	1,065,761	8,345,081	-
Investment property	1,048,761	-	-	1,048,761
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	391,887	391,887	-	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	552,457	388,129	164,328	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,255,326	293,972	961,354	-
Financial liabilities designated as at fair value through profit or loss	2,473,728	-	-	2,473,728

2) Valuation techniques

a) Financial instruments

Financial assets are recognized based on the quoted market price. However, if the market price is unavailable, then the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Group are identical to those of other market participants.

If a market for a derivative financial instrument is not active, an entity shall apply different valuation techniques for different financial instruments. For options on futures, an entity could apply the Black Scholes model, Black 76 model, or Merton model as a valuation basis. For fixed-income securities that do not have an active market, the discounted cash flow valuation will be applied to interest rate swap contracts, and the binary tree approach will be applied to bond options.

b) Non-financial instruments

Fair value of investment property is determined based on the rules stipulating in the Regulation Governing Preparation of Financial Reports by Securities Firms . The fair value of investment property is based on a valuation set by a professional appraisal agency and supported by market evidences, or appraised by using the income approach of discounted cash flow method. Please refer to note 6 (m) for details.

3) Fair value adjustment

a) Limitation of evaluation models and uncertainty inputs

The output of the evaluation model is a approximate amount, and the valuation techniques may not reflect all relevant elements of the Group's financial instrument and non-financial instrument. Therefore, the estimated value will be adjusted based on others parameters, such as model risk or liquidity risk. According to the Group' s policy of the fair value model management and pertinent control procedure, the management believes that in order to express the fair value of the financial and non financial instrument in balance sheet, the adjustments are proper and essential. Price information and parameters for measurement are carefully used, and the adjustments are based on the current market conditions.

b) Credit risk valuation adjustment

Credit risk valuation adjustment is the fair value of the over-the-counter (OTC) derivative contracts that reflect the credit risks of the two parties, and it is mainly divided into:

i) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the stock exchange market, which refers to OTC derivative contracts, in order to reflect the possibility of the counter parties' delayed payment and default into fair value.

ii) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the stock exchange market, which refers to OTC derivative contracts, in order to reflect the possibility of the counter parties' delayed payment and default into fair value.

CVA and DVA are loss expectation and can be measured at the products of PD (probability of default), LGD (loss given default), EAD (exposure at default). The Group use the fair value of OTC derivatives as exposure at default (EAD).

60% of LGD is adopted per the "Disclosure guidance of CVA and DVA" under IFRS13 by TWSE.

The Group includes the credit risk valuation adjustment in calculating its fair value in order to reflect the credit risks of its counter party and the credit quality of the Group.

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4) Transfers between Level 1 and Level 2

Transfers between Level 1 and Level 2 for the six months ended June 30, 2019, were mainly due to the activity of valuation objects.

There was no significant transfer between Level 1 and Level 2 for the six months ended June 30, 2018.

5) Reconciliation for Level 3 of the fair value hierarchy

a) Reconciliation of financial assets measured at fair value in Level 3 of the fair value hierarchy

For the six months ended June 30, 2019								
		Gains (Losses) on Valuation		Increase		Decrease		
Name	Beginning balance	Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	Ending balance
Financial assets mandatorily measured at fair value through profit or loss	$ 448,461	35,934	-	136,300	-	-	-	620,695
Financial assets measured at fair value through other comprehensive income	2,096,358	-	209,325	208,353	-	870	-	2,513,166
Investment property	929,618	-	-	-	-	-	-	929,618
Total	$ 3,474,437	35,934	209,325	344,653	-	870	-	4,063,479

For the six months ended June 30, 2018								
		Gains (Losses) on Valuation		Increase		Decrease		
Name	Beginning balance	Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	Ending balance
Financial assets mandatorily measured at fair value through profit or loss	$ 305,762	23,244	-	-	252,422	-	305,703	275,725
Financial assets measured at fair value through other comprehensive income	1,618,075	-	206,299	-	-	1,739	-	1,822,635
Investment property	1,036,331	-	12,430	-	-	-	-	1,048,761
Total	$ 2,960,168	23,244	218,729	-	252,422	1,739	305,703	3,147,121

For gains or losses on the valuation recognized as profit or loss, the changes in gains or losses were the profits of $35,934 and the losses of $23,127 as of June 30, 2019 and 2018, respectively.

For gains or losses on the valuation recognized as other comprehensive income, the changes in gains or losses were the profits of $242,107 and the losses of $202,820 as of June 30, 2019 and 2018, respectively.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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b) Reconciliation of financial liabilities measured at fair value in Level 3 of the fair value hierarchy

For the six months ended June 30, 2019								
		Gains (Losses) on Valuation		Increase		Decrease		
Name	Beginning balance	Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	Ending balance
Financial liabilities designated as at fair value through profit or loss	$ 2,455,857	12,837	-	12,842,614	-	13,985,453	-	1,325,855

For the six months ended June 30, 2018								
		Gains (Losses) on Valuation		Increase		Decrease		
Name	Beginning balance	Profit and Loss	Other Comprehensive Income	Purchased/ Issued	Transferred to Level 3	Disposed/ Sold	Transferred from Level 3	Ending balance
Financial liabilities designated as at fair value through profit or loss	$ 2,073,271	(925)	-	15,558,585	-	15,157,203	-	2,473,728

Valuation gains or losses recognized as profit or loss for the liabilities still held were gains \$956 and \$442, as of June 30, 2019 and 2018, respectively.

6) Quantitative information of fair value on significant unobservable inputs (Level 3)

Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, investment property and financial liabilities designated as at fair value through profit or loss of the Group are categorized into Level 3.

The Group uses unadjusted transaction price or third party pricing information. Therefore, there is no need to disclose quantitative information.

Most level 3 inputs, which lack quoted prices in an active market, are referred to the valuation commonly used by market participants or quoted prices of the counter party. The inputs are irrelevant to each other.

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Quantitative information of Level 3 inputs was as follows:

	June 30, 2019				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurements					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Stock investment	$ 40,000	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Bond investment	209,629	BVAL valuation technique of Bloomberg	BVAL scores	Not applicable	The higher the BVAL scores, the higher the fair value.
Securities invested by broker	371,066	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	2,356,915	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Bond investment	156,251	BVAL valuation technique of Bloomberg	BVAL scores	Not applicable	The higher the BVAL scores, the higher the fair value.
Investment property	929,618	Note 2	Note 2	Note 2	Note 2
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	1,325,855	Option pricing model	Volatility	1%～80%	The higher the volatility, the higher the fair value.

(Continued)

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	December 31, 2018				
	Fair value	Valuation techniques	Significant unobservable inputs	Intervals	Relationship between inputs and fair value
Recurring fair value measurements					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Bond investment	$ 206,478	BVAL valuation technique of Bloomberg	BVAL scores	Not applicable	The higher the BVAL scores, the higher the fair value.
Securities invested by broker	241,983	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	2,096,358	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Investment property	929,618	Note 2	Note 2	Note 2	Note 2
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,455,857	Option pricing model	Volatility	1%～80%	The higher the volatility, the higher the fair value.

(Continued)

	June 30, 2018				
	Fair value	**Valuation techniques**	**Significant unobservable inputs**	**Intervals**	**Relationship between inputs and fair value**
Recurring fair value measurements					
Non-derivative financial instruments					
Assets:					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Securities invested by broker	$ 275,725	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Financial assets measured at fair value through other comprehensive income					
Stock investment	1,822,635	Evaluation methods of unlisted stock (Note 1)	The selection of the model is based on the evaluation methods of unlisted stock. (Note 1)	Not applicable	The selection of the model is based on the evaluation methods of unlisted stock.
Investment property	1,048,761	Note 2	Note 2	Note 2	Note 2
Liabilities:					
Financial liabilities measured at fair value through profit or loss					
Financial liabilities designated as at fair value through profit or loss	2,473,728	Option pricing model	Volatility	1%～80%	The higher the volatility, the higher the fair value.

Note 1: The selection of evaluation methods of unlisted stock are performed case-by-case.

Note 2: The fair value of investment property has been performed by appraisers from professional valuation agencies based on the 'Regulations Governing the Preparation of Financial Reports by Securities Firms'. The main appraising method is the use of the discounted cash flow analysis of the income method. Please refer to note 6 (m) for details.

7) Measurement procedure of Level 3 inputs

The financial instruments valuation team of the Group's risk management department is in charge of examining the fair value by using the independent source data in order to make the valuation results approximate the market condition. The team also confirms that the data source are independent, reliable, and consistent with the other information and can be represented as the exercise price, as well as corrects the valuation model periodically, conducts back testing, updates the inputs and information required for the valuation model, and other essential fair value adjustments, to ensure the consequences of valuation are reasonable.

Investment property is regularly appraised by professional appraisers commissioned by the General Affairs department in conformity with the Regulations Governing the Preparation of financial Reports by Securities Firms.

The Risk Management department and the General Affairs department make the fair value valuation policies and procedures on the financial instruments and investment properties, respectively, and ensure that those policies comply with the relevant IFRSs.

8) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

While under different models or using different parameters may lead to different results, fair value measurement for financial instruments of the Group is reasonable. The following tables shows the valuation impacts from 10% input parameters changes on Level 3 financial instruments.

June 30, 2019

	Profit or loss		Other comprehensive income	
Name	**Favorable**	**Unfavorable**	**Favorable**	**Unfavorable**
Asset				
Financial assets mandatorily measured at fair value through profit or loss	$ 62,069	(62,069)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	251,317	(251,317)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	132,585	(132,585)	-	-

December 31, 2018

	Profit or loss		Other comprehensive income	
Name	**Favorable**	**Unfavorable**	**Favorable**	**Unfavorable**
Asset				
Financial assets mandatorily measured at fair value through profit or loss	$ 44,846	(44,846)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	209,636	(209,636)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	245,586	(245,586)	-	-

June 30, 2018

	Profit or loss		Other comprehensive income	
Name	**Favorable**	**Unfavorable**	**Favorable**	**Unfavorable**
Asset				
Financial assets mandatorily measured at fair value through profit or loss	$ 27,573	(27,573)	-	-
Financial assets measured at fair value through other comprehensive income	-	-	182,264	(182,264)
Liabilities				
Financial liabilities designated as at fair value through profit or loss	247,373	(247,373)	-	-

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(iii) Fair value of financial instruments not carried at fair value

1) Fair value information

The Group's financial instruments that are not measured at fair value include cash and cash equivalents, pecuniary finance and securities finance, receivables from securities borrowing and lending, collateral for borrowed securities, margin deposits for borrowed securities, accounts receivable, notes receivable, other receivables, operating deposits, settlement and clearing funds, refundable deposits, short-term borrowings, commercial paper issued, securities sold under repurchase agreement, accounts payable, notes payable, other payables, and other financial assets. Since their book value is a reasonable approximation to the fair value, no fair value disclosure is necessary.

2) Valuation techniques

The methods and hypothesis that the Group used in estimating the financial instruments not measured at fair value are as follows:

a) The carrying amount of financial instruments are estimated by using the book value. It is considered to be reasonable since the maturity date is short. This method is applied to cash and cash equivalents, pecuniary finance and securities finance, receivables from securities borrowing and lending, collateral for borrowed securities, margin deposits for borrowed securities, accounts receivable, notes receivable, other receivables, short-term borrowings, commercial paper issued, securities sold under repurchase agreement, accounts payable, notes payable and other payables.

b) Because operating deposits, settlement and clearing funds, and refundable deposits do not have specified maturity date, their fair value are estimated based on their book value on the reporting day.

(ai) Financial risk management

(i) Rick management mechanisms.

1) Risk management objectives

The risk management policy aims to establish an overall risk management policy and management mechanisms of the Group. The risk management policy rules the orientation, process, and procedure so as to identify, measure, monitor and control all matters of risk management. In addition, the objective of the risk management policy is to establish systems to manage the risk exposure of the Group, integrate with international risk management standards, and comply with the regulations of the authorities.

(Continued)

2) Risk management mechanisms

The Group has formulated and executed a written overall risk management system:

a) Risk management policy: risk management categories (including risk management culture, risk management organization and risk management process); scopes of risk management policy (including market risk, credit risk, liquidity risk (i.e. funding liquidity risk and liquidation risk), operational risk (i.e. system and event risk), legal risk and compliance; modification, amendments and waivers of the policies, regulations, and standards; application procedure for risk limits; risk control of investment; asset and liability management; large credit exposure management.

b) Implementation standard of risk management system: The Group sets risk management standards for the purpose of establishing risk management mechanisms, ensuring the integrity of the risk management system, and improving the efficiency of risk management. The standards include division of risk responsibility, the scope of risk management, market risk management mechanisms (risk management procedures, management mechanisms of risk limits, valuation management, risk factors management, model testing management), credit risk management mechanisms (management of credit risk rating, credit monitoring after transactions, high-risk-customer supervision, credit enhancement, and credit risk mitigation), liquidity risk management mechanisms (market liquidity risk management and funding liquidity risk management), operational risk management mechanisms (KPI and risk monitoring), legal risk and compliance management, and exceptional management.

3) Risk management organizational framework

In order to control the overall risk of the Group effectively, the Risk Management Department was established to take responsibility for risk management. The Risk Management Department of the Group functions independently under the board of directors and implements risk management systems. The risk management organization includes the board of directors, risk management review committee, risk management department, risk management implementation departments, and business departments. Through division of responsibilities and specialization, the Group cultivates compliance and risk management culture to ensure risk management works efficiently.

4) Risk management procedures

The risk management procedures of the Group include risk identification, risk measurement, risk monitoring, and risk reports. The risk assessments and strategies are as follows:

a) Market risk

i) Strategies and processes

The Group sets complete risk management policies and standards by separating financial instruments positions into interest rate, exchange rate, equity security, and other instruments. The Group sets the overall firewall mechanism between front, middle and back office. Market risk management procedures are controlled independently by the middle office, which engages in risk identification, risk measurement, limit monitoring, profit and loss monitoring, risk reporting, and valuation reporting of fair value.

ii) Risk reporting and information measurement

The Group sets the trading position and profit or loss limit mechanisms and the stop-loss regulations to manage trading positions and the profit or loss situation effectively. In addition, the middle office is responsible for daily monitoring of risk limits (including the analysis of the risk sensitivity factors of Delta, Vega, and DV01) to manage trading positions, management of profit or loss, and management procedures for over-limit exceptions. Cooperating with the Risk Management Division of Fubon Financial Holding Co., Ltd. and improving market risk and related control measures help the Group to implement market risk management more effectively.

b) Credit risk

i) Strategies and processes

The Group has established credit risk management systems. And to control the credit risk of regulatory capital, the Group has implemented risk monitoring and risk rating policies.

The target of credit risk management of the Group is to reach risk-return optimization and use credit risk management instruments to recognize, measure, manage, and monitor credit risks. Through implementation of the risk management systems and standards, the Group can ensure those functions have been implemented.

ii) Risk reporting and information measurement

The operation of credit risk management of the Group includes:

1. Authorization structure and reporting procedures
2. Credit risk evaluation before transactions
3. Management of credit rating
4. Credit monitoring after transactions
5. Control measures for credit risk mitigation
6. Quantitative measurements of credit risk

In addition, the Group monitors the credit status of the counterparty, daily compares it with authorized credit risk limits, and regularly submits risk management reports to the Risk Management Committee. Listed companies are separated into different ratings, and credit ratings are from S&P, Moody's, Fitch, and Taiwan Ratings. If events or situations occur that prejudice the Group’s rights, urgent measures would be adopted immediately to assert its claim.

c) Liquidity risk

i) Strategies and processes

Liquidity risk includes market liquidity risk and funding liquidity risk. The Group has established and implemented liquidity risk management policies.

Strategies such as obtaining steady, low interest rates and sufficient capital, increasing assets, repaying matured loans, and lowering the funding liquidity risk were used by the Group as liquidity risk management policies for prevention of a cash flow deficit.

The amount and duration of funding needs of various departments are taken into consideration when the Company implements capital management.

The Group has also drawn up a capital allocation plan to react to abnormal capital flows or cope with emergency events.

ii) Risk reporting and information measurement

The management and monitoring of liquidity risk includes maintaining appropriate funds, capital allocation, and liquidity management on a daily basis, monitoring the indicators and limits of liquidity risk management, and establishing emergency strategies to control liquidity risk effectively and to adopt emergency measures immediately.

5) Hedging strategy

The Group's hedging trading is mainly for the purpose of hedging the risk of underlying stock price fluctuations after warrants are issued. A dynamic hedging strategy is adapted to hedge warrants. This means that traders calculate required hedging positions on the basis of the price fluctuation rate of underlying stocks and Delta, and engage in hedge trading within the market risk limits. After hours, according to actual situations, the Group should establish hedging positions to show the effectiveness of evaluating hedging to relevant authorities and traders.

(ii) Risk analysis

1) Credit risk presentation and disclosure

The Group has exposure to credit risk, including issuer credit risk, counterparty credit risk, and credit risk of underlying assets.

Issuer credit risk is the risk that an issuer of financial debt instruments or a bank will default and be unable to fulfill the repayment obligation, or go into bankruptcy or liquidation, and thereby cause the Group to suffer a financial loss.

Counterparty credit risk is the risk that a counterparty will default on a transaction and fail to pay due to price movement in the underlying securities of the Group’s derivatives, and thereby cause the Group to suffer a financial loss.

Credit risk of underlying assets is the risk that an underlying asset of an instrument held by the Company will have its credit quality weakened, its risk premium increased, or its credit rating downgraded, or that the issuer will be unable to meet the contractual obligation, and thereby cause the Group to suffer a financial loss.

The Group faced credit risk arising from financial assets including bank deposits, debt securities, over-the-counter (OTC) derivative transactions, repurchase agreements, reverse sell agreements, securities borrowing and lending, refundable deposits, futures trading margin, other refundable deposits, and receivables.

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a) Analysis of concentrations of credit risk

The maximum credit risk exposure amount of financial assets by region and industry was as described in the following tables:

June 30, 2019

	Credit risk exposure amount－by region					
Financial assets	**Taiwan**	**Hong Kong**	**Asia**	**Europe**	**America**	**Total**
Cash and cash equivalents	$ 11,433,091	558,654	875,101	374	198,549	13,065,769
Customer margin account	16,325,009	135,948	2,095,054	3,153	1,921,945	20,481,109
Financial assets mandatorily measured at fair value through profit or loss－current	30,956,041	-	6,968,415	391,274	602,695	38,918,425
Debt securities	29,893,445	-	6,968,415	391,274	602,695	37,855,829
Derivatives－OTC	306,976	-	-	-	-	306,976
Derivatives－futures trading margin	197,667	-	-	-	-	197,667
Other debt securities	554,671	-	-	-	-	554,671
Call Option－Futures	3,282	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	5,503,549
Other refundable deposits	1,376,212	3,636	994	-	-	1,380,842
Other current assets	336,118	1,168,291	-	-	-	1,504,409
Financial assets measured at fair value through other comprehensive income	5,698,633	556,087	2,605,165	249,731	999,974	10,109,590
Debt securities	5,698,633	556,087	2,605,165	249,731	999,974	10,109,590
Total	**$ 71,628,653**	**2,422,616**	**12,544,729**	**644,532**	**3,723,163**	**90,963,693**
Proportion of the total	**78.75 %**	**2.66 %**	**13.79 %**	**0.71 %**	**4.09 %**	**100.00 %**

December 31, 2018 (Restated)

	Credit risk exposure amount－by region					
Financial assets	**Taiwan**	**Hong Kong**	**Asia**	**Europe**	**America**	**Total**
Cash and cash equivalents	$ 14,994,549	148,636	887,066	416	-	16,030,667
Customer margin account	12,497,047	73,902	3,029,911	3,072	646,417	16,250,349
Financial assets mandatorily measured at fair value through profit or loss－current	29,514,537	237,765	3,747,318	-	618,045	34,117,665
Debt securities	28,677,134	237,765	3,747,318	-	618,045	33,280,262
Derivatives－OTC	222,734	-	-	-	-	222,734
Derivatives－futures trading margin	89,219	-	-	-	-	89,219
Other debt securities	525,259	-	-	-	-	525,259
Call Option-Futures	191	-	-	-	-	191
Margin deposits for borrowed securities	4,425,851	-	-	-	-	4,425,851
Other refundable deposits	1,346,196	2,322	982	-	-	1,349,500
Other current assets	590,434	333,782	-	-	-	924,216
Financial assets measured at fair value through other comprehensive income	4,483,124	-	2,754,400	602,350	651,461	8,491,335
Debt securities	4,483,124	-	2,754,400	602,350	651,461	8,491,335
Total	**$ 67,851,738**	**796,407**	**10,419,677**	**605,838**	**1,915,923**	**81,589,583**
Proportion of the total	**83.16 %**	**0.98 %**	**12.77 %**	**0.74 %**	**2.35 %**	**100.00 %**

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	June 30, 2018 (Restated)					
	Credit risk exposure amount－by region					
Financial assets	**Taiwan**	**Hong Kong**	**Asia**	**Europe**	**America**	**Total**
Cash and cash equivalents	$ 17,383,219	344,313	884,927	1,830,924	-	20,443,383
Customer margin account	9,911,123	1,592,000	3,673,082	-	163,221	15,339,426
Financial assets mandatorily measured at fair value through profit or loss－current	28,282,783	86,807	11,975,615	1,067,026	1,233,739	42,645,970
Debt securities	27,234,326	86,807	11,975,615	1,067,026	1,233,739	41,597,513
Derivatives－OTC	164,328	-	-	-	-	164,328
Derivatives－futures trading margin	387,372	-	-	-	-	387,372
Other debt securities	496,000	-	-	-	-	496,000
Call option－Futures	757	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	42,675
Other refundable deposits	1,565,621	7,163	1,044	-	-	1,573,828
Other current assets	1,172,276	307,290	-	-	-	1,479,566
Financial assets measured at fair value through other comprehensive income	5,061,181	-	3,918,219	213,211	218,230	9,410,841
Debt securities	5,061,181	-	3,918,219	213,211	218,230	9,410,841
Total	**$ 63,418,878**	**2,337,573**	**20,452,887**	**3,111,161**	**1,615,190**	**90,935,689**
Proportion of the total	**69.74 %**	**2.57 %**	**22.49 %**	**3.42 %**	**1.78 %**	**100.00 %**

	June 30, 2019													
	Credit risk exposure amount－by industry													
Financial assets	**Financial service**	**Central and local government agencies**	**Retail and wholesale**	**Construction and building materials**	**Biotechnology industry**	**Food and travel industry**	**Shipping industry**	**Electronic industry**	**Chemical industry**	**Cement industry**	**Motor Vehicle industry**	**Information service**	**Culture**	**Other services**	**Total**
Cash and cash equivalents	$ 13,065,769	-	-	-	-	-	-	-	-	-	-	-	-	-	13,065,769
Customer margin account	20,481,109	-	-	-	-	-	-	-	-	-	-	-	-	-	20,481,109
Financial assets mandatorily measured at fair value through profit or loss－current	13,791,027	9,357,615	-	8,084,499	270,169	700,375	1,555,045	2,911,296	119,002	-	4,965	71,386	-	2,053,046	38,918,425
Debt securities	12,728,431	9,357,615	-	8,084,499	270,169	700,375	1,555,045	2,911,296	119,002	-	4,965	71,386	-	2,053,046	37,855,829
Derivatives－OTC	306,976	-	-	-	-	-	-	-	-	-	-	-	-	-	306,976
Derivatives－futures trading margin	197,667	-	-	-	-	-	-	-	-	-	-	-	-	-	197,667
Other debt securities	554,671	-	-	-	-	-	-	-	-	-	-	-	-	-	554,671
Call option－futures	3,282	-	-	-	-	-	-	-	-	-	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	-	-	-	-	-	-	-	-	-	5,503,549
Other refundable deposits	1,377,122	-	-	-	-	-	-	-	-	-	-	-	-	3,720	1,380,842
Other current assets	335,960	-	-	-	-	-	-	-	-	-	-	-	-	1,168,449	1,504,409
Financial assets measured at fair value through other comprehensive income	4,936,510	315,410	-	99,249	-	547,594	1,193,333	946,802	-	198,658	-	-	-	1,872,034	10,109,590
Debt securities	4,936,510	315,410	-	99,249	-	547,594	1,193,333	946,802	-	198,658	-	-	-	1,872,034	10,109,590
Total	**$ 59,491,046**	**9,673,025**	**-**	**8,183,748**	**270,169**	**1,247,969**	**2,748,378**	**3,858,098**	**119,002**	**198,658**	**4,965**	**71,386**	**-**	**5,097,249**	**90,963,693**
Proportion of the total	**65.40 %**	**10.63 %**	**- %**	**9.00 %**	**0.30 %**	**1.37 %**	**3.02 %**	**4.24 %**	**0.13 %**	**0.22 %**	**0.01 %**	**0.08 %**	**- %**	**5.60 %**	**100.00 %**

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December 31, 2018 (Restated)

	Credit risk exposure amount－by industry											
Financial assets	Financial service	Central and local government agencies	Retail and wholesale	Construction and building materials	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Culture	Other services	Total
Cash and cash equivalents	$ 16,030,667	-	-	-	-	-	-	-	-	-	-	16,030,667
Customer margin account	16,250,349	-	-	-	-	-	-	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss－current	8,790,930	8,482,787	-	8,707,692	263,826	726,408	1,384,696	4,124,006	135,483	21,900	1,435,207	34,117,665
Debt securities	7,953,527	8,482,787	-	8,707,692	263,826	726,408	1,384,696	4,124,006	135,483	21,900	1,435,207	33,280,262
Derivative assets－OTC	222,734	-	-	-	-	-	-	-	-	-	-	222,734
Derivative assets－futures trading margin	89,219	-	-	-	-	-	-	-	-	-	-	89,219
Other debt securities	525,259	-	-	-	-	-	-	-	-	-	-	525,259
Call option－futures	191	-	-	-	-	-	-	-	-	-	-	191
Margin deposits for borrowed securities	4,425,851	-	-	-	-	-	-	-	-	-	-	4,425,851
Other refundable deposits	1,310,701	-	-	-	-	-	-	-	-	-	38,799	1,349,500
Other current assets	312,878	-	-	-	-	-	-	-	-	-	611,338	924,216
Financial assets measured at fair value through other comprehensive income	3,980,889	314,466	-	-	-	149,476	754,227	1,023,763	-	-	2,268,514	8,491,335
Debt securities	3,980,889	314,466	-	-	-	149,476	754,227	1,023,763	-	-	2,268,514	8,491,335
Total	$ 51,102,265	8,797,253	-	8,707,692	263,826	875,884	2,138,923	5,147,769	135,483	21,900	4,353,858	81,589,583
Proportion of the total	62.63 %	10.78 %	- %	10.67 %	0.32 %	1.08 %	2.62 %	6.31 %	0.17 %	0.03 %	5.34 %	100.00 %

June 30, 2018 (Restated)

	Credit risk exposure amount－by industry												
Financial assets	Financial service	Central and local government agencies	Retail and wholesale	Construction and building materials	Biotechnology industry	Food and travel industry	Shipping industry	Electronic industry	Chemical industry	Motor Vehicle Industry	Culture	Other services	Total
Cash and cash equivalents	$ 20,443,383	-	-	-	-	-	-	-	-	-	-	-	20,443,383
Customer margin account	15,339,426	-	-	-	-	-	-	-	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss－current	17,148,397	7,622,820	10,857	1,935,150	480,364	4,244,470	1,533,378	6,051,910	22,141	44,793	157,869	3,393,821	42,645,970
Debt securities	16,099,940	7,622,820	10,857	1,935,150	480,364	4,244,470	1,533,378	6,051,910	22,141	44,793	157,869	3,393,821	41,597,513
Derivatives－OTC	164,328	-	-	-	-	-	-	-	-	-	-	-	164,328
Derivatives－futures trading margin	387,372	-	-	-	-	-	-	-	-	-	-	-	387,372
Other debt securities	496,000	-	-	-	-	-	-	-	-	-	-	-	496,000
Call option－futures	757	-	-	-	-	-	-	-	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	-	-	-	-	-	-	-	42,675
Other refundable deposits	1,573,811	-	-	-	-	-	-	-	-	-	-	17	1,573,828
Other current assets	862,777	-	-	-	-	-	-	-	-	-	-	616,789	1,479,566
Financial assets measured at fair value through other comprehensive income	4,645,670	1,371,629	-	-	-	148,469	752,146	697,313	-	-	-	1,795,614	9,410,841
Debt securities	4,645,670	1,371,629	-	-	-	148,469	752,146	697,313	-	-	-	1,795,614	9,410,841
Total	$ 60,056,139	8,994,449	10,857	1,935,150	480,364	4,392,939	2,285,524	6,749,223	22,141	44,793	157,869	5,806,241	90,935,689
Proportion of the total	66.04 %	9.89 %	0.01 %	2.13 %	0.53 %	4.83 %	2.52 %	7.42 %	0.03 %	0.05 %	0.17 %	6.38 %	100.00 %

The Group's exposure to credit risk in Taiwan and financial industry was due to the following reasons: (1) the Group deposited cash in financial institutions and held debt securities issued or guaranteed by banks, and (2) all the Group's counterparties of derivative transactions, investments in debt securities, and security lending were financial institutions in Taiwan.

(Continued)

b) Introduction to credit risk of financial assets

i) Cash and cash equivalents

Cash and cash equivalents include time deposits, demand deposits, checking accounts, and short-term bills, with trading counterparties being mainly domestic financial institutions.

ii) Financial assets measured at fair value－current

1. Debt securities

The Group holds positions in debt securities, including bonds, convertible bonds, and bond funds, which were issued by domestic companies. The details of debt securities are as follows:

a. Convertible bonds

The convertible bonds held by the Group are primarily issued by domestic companies. To control exposure to credit risk from convertible bonds, the Group transfers credit risk to external investors by asset swaps.

b. Bond funds

The underlying assets of bond funds held by the Group are mainly fixed income securities.

2. Bonds with repurchase/resale agreement (RP/RS) undertaking

The main counterparties of RP/RS are financial institutions. When engaging in RS transactions, the Group provided the underlying bonds as collateral which could reduce the exposure to credit risk of its counterparties.

3. Derivatives－over-the-counter (OTC)

When the Group engages in OTC derivatives, it will sign an ISDA agreement with each counterparty. This provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. The parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions.

(Continued)

OTC derivatives held by the Group include interest rate swaps, convertible bond asset swaps, and equity options. The counterparties are all from the financial industry and are mainly based in Taiwan.

4. Derivatives－futures trading margin

For trading on the centralized exchange market, the Group deposits futures trading margin into an account designated by the Group as a guarantee of future funding to fulfill a contractual obligation. Fubon Futures and Polaris MF Global Futures Co., Ltd are the Group's futures commission merchants. Since Fubon Futures is a 100%-owned subsidiary, the credit risk is very low.

5. Other debt securities

Other debt securities are mainly the asset securitization products such as Fubon R1, Fubon R2, and Skbank No. 1 REIT. Because of the good quality of entrusted assets and the above-average quality of renters in the asset pool, the Group has low credit risk.

iii) Margin deposits for borrowed securities

This includes relevant disclosures of collateral for borrowed securities and margin deposits for borrowed securities. When borrowing the underlying securities from the holder, the Group should deposit the margin in the designated bank account. Because it holds the underlying securities as collateral, the Group will be able to effectively decrease credit exposure to the holder.

iv) Other refundable deposits

Other refundable deposits mainly include operating deposits, settlement and clearing funds, and refundable deposits. Operating deposits are mainly deposited in credit-worthy banks. Clearing and settlement funds are deposited in the TWSE and are used as compensation when a market securities trading party does not fulfill delivery obligations. The institutional credit risk of the abovementioned deposits is low. Refundable deposits arise when the Group deposits cash or other assets as guarantees. Since the deposit are placed in various financial institutions and each amount is not large, the credit risk is dispersed and the credit exposure of the overall refundable deposits is minimal.

v) Other current assets

Other current assets of the Group are cash provided for pledge or restricted use to domestic financial institutions with good credit.

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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vi) Customer margin account

Customer margin account is the bank account that Fubon Futures deposits its customer margins from futures trading. The bank account is at low-credit-risk financial institutions.

c) Credit risk quality classification definitions

i) Credit Risk quality classification definitions

Low Risk: exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.

Moderate Risk: exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

High Risk: exposures require varying degrees of special attention, and default risk is of greater concern.

Impaired: the company or the target did not perform its obligation according to the contracts, and the potential estimated loss of the Group has reached the standard of impairment. The information of credit risk quality were as follow:

	June 30, 2019										
	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets		
	Low risk	Moderate risk	High risk	Subtotal	Low risk	Moderate risk	High risk	Subtotal		Loss allowance	Total
Financial assets measured at fair value through other comprehensive income －debt instruments	$ 7,726,265	2,390,709	-	10,116,974	-	-	-	-	-	7,384	10,109,590

	December 31, 2018										
	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets		
	Low risk	Moderate risk	High risk	Subtotal	Low risk	Moderate risk	High risk	Subtotal		Loss allowance	Total
Financial assets measured at fair value through other comprehensive income －debt instruments	$ 7,544,673	952,204	-	8,496,877	-	-	-	-	-	5,542	8,491,335

	June 30, 2018										
	Financial assets measured by 12-month ECLs				Lifetime ECLs – not credit-impaired financial assets				Lifetime ECLs – credit-impaired financial assets		
	Low risk	Moderate risk	High risk	Subtotal	Low risk	Moderate risk	High risk	Subtotal		Loss allowance	Total
Financial assets measured at fair value through other comprehensive income －debt instruments	$ 5,491,759	3,924,525	-	9,416,284	-	-	-	-	-	5,443	9,410,841

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Internal credit risk classification and external credit rating of Group were as follows. There was no direct relations between the internal and the external credit rating in the chart, and they were used to present the similarity of credit quality.

	June 30, 2019						
	Financial assets credit quality and classification						
Financial assets	**Low risk**	**Moderate risk**	**High risk**	**Overdue but not impaired**	**Impaired**	**Loss allowance**	**Total**
Cash and cash equivalents	$ 12,264,839	800,930	-	-	-	-	13,065,769
Customer margin account	20,481,109	-	-	-	-	-	20,481,109
Financial assets mandatorily measured at fair value through profit or loss－current	30,674,524	8,243,901	-	-	-	-	38,918,425
Debt securities	30,368,221	7,487,608	-	-	-	-	37,855,829
Derivatives－OTC	105,354	201,622	-	-	-	-	306,976
Derivatives－futures trading margin	197,667	-	-	-	-	-	197,667
Other debt securities	-	554,671	-	-	-	-	554,671
Call option－futures	3,282	-	-	-	-	-	3,282
Margin deposits for borrowed securities	5,503,549	-	-	-	-	-	5,503,549
Other refundable deposits	1,377,972	2,870	-	-	-	-	1,380,842
Other current assets	1,504,409	-	-	-	-	-	1,504,409
Financial assets measured at fair value through other comprehensive income	7,726,265	2,390,709	-	-	-	7,384	10,109,590
Debt securities	7,726,265	2,390,709	-	-	-	7,384	10,109,590
Subtotal	**79,532,667**	**11,438,410**	**-**	**-**	**-**	**7,384**	**90,963,693**
Proportion of the total	**87.44 %**	**12.57 %**	**- %**	**- %**	**- %**	**0.01 %**	**100.00 %**
Receivables	**16,472,473**	**4,781,875**	**716,553**	**-**	**159,414**	**159,414**	**21,970,901**
Accounts receivable	**11,833,784**	**11,722**	**-**	**-**	**159,414**	**159,414**	**11,845,506**
Receivables from pecuniary finance	**4,638,689**	**4,770,153**	**716,553**	**-**	**-**	**-**	**10,125,395**
Total	**$ 96,005,140**	**16,220,285**	**716,553**	**-**	**159,414**	**166,798**	**112,934,594**
Proportion of the total	**85.01 %**	**14.37 %**	**0.63 %**	**- %**	**0.14 %**	**0.15 %**	**100.00 %**

Note: There is no purchased or originated credit-impaired financial assets.

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December 31, 2018 (Restated)

Financial assets	Financial assets credit quality and classification						
	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Loss allowance	Total
Cash and cash equivalents	$ 14,466,079	1,564,588	-	-	-	-	16,030,667
Customer margin account	16,250,349	-	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss－current	23,431,684	10,216,421	469,560	-	-	-	34,117,665
Debt securities	22,726,973	10,083,729	469,560	-	-	-	33,280,262
Derivatives－OTC	90,042	132,692	-	-	-	-	222,734
Derivatives－futures trading margin	89,219	-	-	-	-	-	89,219
Other debt securities	525,259	-	-	-	-	-	525,259
Call option－futures	191	-	-	-	-	-	191
Margin deposits for borrowed securities	4,425,851	-	-	-	-	-	4,425,851
Other refundable deposits	1,349,500	-	-	-	-	-	1,349,500
Other current assets	924,216	-	-	-	-	-	924,216
Financial assets measured at fair value through other comprehensive income	7,544,673	952,204	-	-	-	5,542	8,491,335
Debt securities	7,544,673	952,204	-	-	-	5,542	8,491,335
Subtotal	**68,392,352**	**12,733,213**	**469,560**	**-**	**-**	**5,542**	**81,589,583**
Proportion of the total	**83.82 %**	**15.61 %**	**0.58 %**	**- %**	**- %**	**0.01 %**	**100.00 %**
Receivables	**13,855,763**	**5,229,180**	**536,790**	**-**	**159,725**	**159,725**	**19,621,733**
Accounts receivable	**9,660,563**	**12,313**	**-**	**-**	**159,725**	**159,725**	**9,672,876**
Receivables from pecuniary finance	**4,195,200**	**5,216,867**	**536,790**	**-**	**-**	**-**	**9,948,857**
Total	**$ 82,248,115**	**17,962,393**	**1,006,350**	**-**	**159,725**	**165,267**	**101,211,316**
Proportion of the total	**81.26 %**	**17.75 %**	**0.99 %**	**- %**	**0.16 %**	**0.16 %**	**100.00 %**

Note: There is no purchased or originated credit-impaired financial assets.

June 30, 2018 (Restated)

Financial assets	Financial assets credit quality and classification						
	Low risk	Moderate risk	High risk	Overdue but not impaired	Impaired	Loss allowance	Total
Cash and cash equivalents	$ 19,195,233	1,248,150	-	-	-	-	20,443,383
Customer margin account	15,339,426	-	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss－current	27,071,412	15,081,280	493,278	-	-	-	42,645,970
Debt securities	26,539,739	14,564,496	493,278	-	-	-	41,597,513
Derivatives－OTC	54,148	110,180	-	-	-	-	164,328
Derivatives－futures trading margin	387,372	-	-	-	-	-	387,372
Other debt securities	89,396	406,604	-	-	-	-	496,000
Call option－futures	757	-	-	-	-	-	757
Margin deposits for borrowed securities	42,675	-	-	-	-	-	42,675
Other refundable deposits	1,572,447	1,381	-	-	-	-	1,573,828
Other current assets	1,479,566	-	-	-	-	-	1,479,566
Financial assets measured at fair value through other comprehensive income	5,491,759	3,924,525	-	-	-	5,443	9,410,841
Debt securities	5,491,759	3,924,525	-	-	-	5,443	9,410,841
Subtotal	**70,192,518**	**20,255,336**	**493,278**	**-**	**-**	**5,443**	**90,935,689**
Proportion of the total	**77.19 %**	**22.27 %**	**0.55 %**	**- %**	**- %**	**0.01 %**	**100.00 %**
Receivables	**21,963,735**	**7,727,482**	**697,360**	**-**	**159,717**	**159,717**	**30,388,577**
Accounts receivable	**14,934,385**	**13,075**	**-**	**-**	**159,717**	**159,717**	**14,947,460**
Receivables from pecuniary finance	**7,029,350**	**7,714,407**	**697,360**	**-**	**-**	**-**	**15,441,117**
Total	**$ 92,156,253**	**27,982,818**	**1,190,638**	**-**	**159,717**	**165,160**	**121,324,266**
Proportion of the total	**75.96 %**	**23.07 %**	**0.98 %**	**- %**	**0.13 %**	**0.14 %**	**100.00 %**

Note: There is no purchased or originated credit-impaired financial assets.

As seen in the above tables, the Group had no financial assets which were overdue but not impaired. 0.63% of normal assets were classified in the high risk category. Those assets mainly were receivables from pecuniary finance. The details of assets classified as high risk were as follows:

1. Cash and cash equivalents: To fulfill daily settlement payments and remittance operations, a certain amount was required to be deposited to the main delivery banks for the brokerage business and other operations. The management of the Group would periodically review the financial condition, operation, and credit risk.

2. Debt securities: To control exposure to credit risk from convertible bonds, the Company and its subsidiaries transferred credit risk to external investors by asset swaps.

3. Receivables from pecuniary finance: A risk of financial loss arose from price fluctuation in the underlying securities. To lower credit risk, the Group has closely monitored market volatility of underlying assets and set strict controls over counterparty credit risk.

ii) Determination on the credit risk that has increased significantly since initial recognition

The Group determines whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, The Group considers the reasonable and supportable information that shows the credit risk increased significantly since initial recognition (including forward-looking information). The main considerations include: internal/external credit rating, overdue situation, credit spreads, quantitative and qualitative information.

iii) Definitions for default and credit impairment of financial assets

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Group determine that the financial assets have been defaulted and credit-impaired:

1. Quantitative indicators

When financial assets-receivables are overdue for more than 90 days.

2. Qualitative indicators

   If there is evidence that the borrower or the issuer will be unable to pay the contract, or show that the borrower or the issuer has significant financial difficulties, such as:

   – The borrower / issuer has filed for bankruptcy or is likely to file a bankruptcy.

   – The borrower / issuer has died or the company is dissolved.

   – The financial instrument's contract of the borrower's or issuer's has defaulted.

   – The financial market of the financial asset disappeared due to the financial difficulties of the borrower or the issuer.

   – Due to financial or contractual reasons related to the financial difficulties of the borrower / issuer, the creditor of the borrower / issuer gives the borrower a concession that would not have been considered.

   – Purchase or originate financial assets at a substantial discount that reflects the credit losses have occurred.

   The aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Group, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

   If a financial asset no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit-impaired.

iv) Expected credit loss measurement

1. Adopted methods and assumptions

   For the Group, if the financial assets are of low credit risk or no significant increase in credit risk, the 12-month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

   In order to measure expected credit losses, the Group adopts Probability of default ("PD"), and include Loss given default ("LGD") and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

(Continued)

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by the Group, related impairment assessments are based on domestic credit rating agencies (China Credit Rating) and international credit rating agencies (Moody's), regularly publish information on default rate and loss given default, or internal historical information (such as credit losses experience, etc.) and calculate based on current observable data and forward-looking general economic information (such as gross domestic production) after adjusting historical data.

The estimation techniques or material assumptions made by the Group to assess expected credit losses have no significant changes for the six months ended June 30, 2019 and 2018.

v) Forward-looking information considerations

The Group takes forward-looking information into account when judging whether the credit risk of a financial instrument has increased significantly since its initial recognition, and when the expected credit loss is measured. The Group uses historical data to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset portfolios. Regarding the economic factors and its impact on expected credit losses vary according to the types of financial instruments.

To judge of the debt instrument investment held by the Group that is measured at fair value through other comprehensive income whether its credit risk has increased significantly, based on the external rating ratings announced by international credit rating agencies (Moody's). It is one of its quantitative indicators, and the expected credit loss is measured by reference to the external rating scale and Moody's regularly published default rate and loss given default information. The forward-looking overall economic situation are considered, and appropriate adjustments will be made.

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vi) Changes in loss allowance

1. Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

As of June 30, 2019 and 2018, the reconciliations of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	For the six months ended June 30, 2019							
		12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	$	5,542	-	-	-	-	5,542	5,542
Originated or purchased new financial assets		3,552	-	-	-	-	3,552	3,552
Foreign exchange and other movements		(1,710)	-	-	-	-	(1,710)	(1,710)
Ending balance	$	7,384	-	-	-	-	7,384	7,384

	For the six months ended June 30, 2018							
		12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	$	1,799	-	-	-	-	1,799	1,799
Originated or purchased new financial assets		3,514	-	-	-	-	3,514	3,514
Foreign exchange and other movements		130	-	-	-	-	130	130
Ending balance	$	5,443	-	-	-	-	5,443	5,443

For the three months and six months ended June 30, 2019 and 2018, there was no significant change in the allowance loss resulting from significant changes in the total carrying amount.

(Continued)

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2. Changes in loss allowance of other receivables and overdue receivables

As of June 30, 2019 and 2018, the reconciliations of the beginning and ending balances for loss allowance of other receivables and overdue receivables were as follows:

	For the six months ended June 30, 2019						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	$ -	-	161,118	39,063	-	200,181	200,181
Originated or purchased new financial assets	-	-	-	620	-	620	620
Foreign exchange and other movements	-	-	(514)	(470)	-	(984)	(984)
Ending balance	**$ -**	**-**	**160,604**	**39,213**	**-**	**199,817**	**199,817**

	For the six months ended June 30, 2018						
	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	Lifetime ECLs (not purchased or originated credit-impaired financial assets)	Lifetime ECLs (purchased or originated credit-impaired financial assets)	The loss allowances provided in accordance with IFRS 9	Total
Beginning balance	$ -	-	1,080	12,906	-	13,986	13,986
Originated or purchased new financial assets	-	-	159,717	1,626	-	161,343	161,343
Foreign exchange and other movements	-	-	(649)	(4,835)	-	(5,484)	(5,484)
Ending balance	**$ -**	**-**	**160,148**	**9,697**	**-**	**169,845**	**169,845**

Affected by the sharp plummet in the US stock market in February, 2018, Fubon Futures Co., Ltd. had an unpaid amount of future exchange margins receivable amounting to $170,987, $172,038 and $172,792, respectively, which has yet to be recovered, and therefore, the loss allowance amounting to $159,264, $159,725 and $159,717, respectively, after considering the actual recovery, had been recognized, as of June 30, 2019, December 31 and June 30, 2018.

vii) Impairment loss

As of June 30, 2019, December 31 and June 30, 2018, the Group's receivables from pecuniary finance recovery periods were principally less than a year or an operating cycle (not more than half a year). Thus, it was assumed that book value approximated fair value without discounting at an appropriate interest rate.

As of June 30, 2019, December 31 and June 30, 2018, in accordance with the Regulations Governing Margin and Stock Loans by Securities Firms, the Group had charged the margin for margin purchases to its customers and held all securities purchased as collateral. The Group sets a margin ratio of around 120% to manage receivables from pecuniary finance. If the stock price fluctuates too much to maintain margin ratio of 120%, the Group will inform the customers to repay part of the financing, replenish the deposit margin, or increase the amount of collateral to make up the balance. As of June 30, 2019, December 31 and June 30, 2018, the Group had no impairment loss on receivables from pecuniary finance, taking historical experience and the recoverable amount of collateral into account.

Some investors failed to settle stock purchases made by pecuniary finance. Therefore, the Group disposed of the securities so purchased by the investors and deducted the proceeds of such sales from receivables from pecuniary finance. In addition, some collateral securities purchased by investors through unsettled pecuniary finance contracts were unable to be disposed of.

The Group has persistently tried to settle the aforementioned claims, and recorded the uncollected receivables from such unsettled pecuniary finance contracts and the past-maturity corporate bonds as overdue receivables.

2) Market risk analyses

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices, and commodity prices) which may cause a potential loss on or off the balance sheet. According to the Group's internal administrative policies, the positions in the trading book are for the purpose of market risk measurement and management.

Trading book positions fit the following definitions:

a) Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate.

b) Positions held for brokerage business or dealing trading.

c) Positions held for offsetting risk from other positions (either entirely or partly).

d) Positions held for trading within approved market risk limits.

Notice that the trading book positions should be either free from any contract terms and constraints on trading or completely hedged to remove the risks.

i) Guidelines and procedures

The Group has enacted comprehensive policies on market risk management and has established mechanisms for deal execution, clearing, and settlement. Based on the risk factors they are exposed to, trading book positions are categorized in the following four groups: interest rate instruments, exchange rate instruments, securities, and commodities. The Group has established management policies and market risk limits that implement the risk management systems to identify, measure, monitor, and control the market risk.

ii) Organization and framework

Under the supervision of the board of directors, the Risk Management Committee is composed of the senior managers from each department, while the chairman of the board oversees this committee. To improve market risk management, the committee supervises the suitability of market risk exposures and the effectiveness of market risk management.

The Risk Management Department is responsible for formulating policies and procedures on market risk management, for executing market risk limits control, for reporting market risk events immediately, and for verifying valuation models independently. In addition, the independent Audit Department, which is under the board of directors, plays the role of the third line of defense in the market risk management framework.

iii) Procedure for market risk control, reporting and verification

The Risk Management Department is responsible for monitoring the daily risk limit (including the analysis of risk sensitivity factors such as Delta, Vega, DV01, and VaR), notional quota, and profit and loss (P&L). Based on the authorized daily limit, this department controls the quota used and the monthly / yearly P&L. However, a position exceeding the approved limit is treated as an exceptional case to be monitored. The Group has established related mechanisms and procedures for VaR limit management while also applying back-testing to check the VaR model calculation and the effectiveness of the valuation methodology. The Group also keeps upgrading and improving its trading system with a market risk control function. Moreover, the valuation models and VaR models are verified independently by the Risk Management Department to ensure their effectiveness and stability.

iv) Market risk measurement of trading book

The Group's market risk measurement of the trading book includes individual risk measures (such as Greeks) and integrated risk measures (such as VaR and stress-testing). The integrated measures provide consistent and comparable measurement across different trading desks or risk types.

Value at Risk (VaR)

VaR is defined as 'the worst expected loss over a target horizon with given level of confidence and normal market environment'. The Group adopts Historical Simulation risk models to evaluate the one-day worst loss on current net positions, with a 99% confidence level. Historical Simulation is used to calculate Common VaR and Stressed VaR, which reflects the impact on positions held by the Group in the historical scenario. To conform to the Basel Committee on Banking Supervision's suggestion after the financial crisis in 2008, a new Stressed VaR used a 12-month period of market turmoil to assess potential losses above the 99% confidence level used in the VaR model. The outcome of the Historical Simulation was easier to explain and understand, and the method could also avoid mistaken risk factor hypotheses being used. To ensure the quality of VaR measures, the Group executes statistical hypothesis testing and back-testing periodically. In addition to Bernoulli trials, the Group has also adopted statistical tests suggested by the Basel Committee after the financial crisis. VaR and Stressed VaR information on the trading book is as follows:

	For the three months ended June 30, 2019		
VaR (in thousands)	**High**	**Low**	**Average**
Foreign exchange rate	$ 714	229	447
Interest rate	18,104	14,339	16,249
Equity	36,402	27,248	30,602
Fluctuation	3,561	2,103	2,935

	For the three months ended June 30, 2018		
VaR (in thousands)	**High**	**Low**	**Average**
Foreign exchange rate	$ 92,035	4,649	33,845
Interest rate	48,400	32,004	38,811
Equity	59,277	29,303	47,195
Fluctuation	7,039	3,232	5,292

	For the six months ended June 30, 2019		
VaR (in thousands)	**High**	**Low**	**Average**
Foreign exchange rate	$ 714	70	344
Interest rate	18,014	11,283	14,815
Equity	54,549	27,248	37,994
Fluctuation	3,561	1,745	2,484

(Continued)

	For the six months ended June 30, 2018		
VaR (in thousands)	**High**	**Low**	**Average**
Foreign exchange rate	$ 95,697	4,649	50,697
Interest rate	48,400	15,782	31,461
Equity	59,277	29,303	47,873
Fluctuation	9,641	2,617	5,843

(The highest and lowest VaR in the table may appear on different dates; therefore, its diversification effect is not significant. Hence, it is not disclosed in the table.)

Stress testing

As described earlier, VaR is the worst loss likely to occur over a holding period with a given confidence level during normal fluctuation. However, VaR cannot be used to predict the loss when an extreme event or systemic risk appears in the market. Therefore, stress testing is introduced to capture the above risk by measuring the potential impact on the trading book portfolio during an abnormal market period, compensating for the insufficiency of Common VaR.

Some techniques can be used when executing stress testing, such as sensitivity analysis, scenario analysis, and maximum loss analysis. The Group selected and implemented stress testing periodically within the scope of market risk set by the Fubon Financial risk control system. The result from the stress testing would be reported to the Risk Management Committee as a reference for management setting each managerial objective and quota.

Sensitivity analysis

Sensitivity analysis is used to measure the impact and effect of the products and portfolios when these are changes in the factors of a specific market. The Group uses the following sensitivities to measure and monitor the risk exposure based on each type of risk.

1. Delta: Measure the changing value of a specific asset whose price changes 1%.

2. Gamma: Measure the changing Delta value of a specific asset whose price changes 1%.

3. Vega: Measure the changing value of a specific asset whose price volatility changes 1%.

4. Price Value of Basis Point (PVBP): Measure the changing value of the yield rate curve when it moves 1 bp in parallel.

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3) Liquidity risk presentation and disclosure

Liquidity risk is the risk that the Group cannot provide sufficient funding for asset size growth or matured liabilities, does not have sufficient cash to meet obligations to counterparties, or cannot raise emergency funding to cover funding gaps.

a) Liquidity risk measurement analysis

June 30, 2019						
	Cash flow deficit					
Financial assets	**0-30 days**	**31-90 days**	**91-180 days**	**181 days-1 year**	**>1 year**	**Total**
Cash and cash equivalents	$ 6,987,011	4,406,353	935,925	736,480	-	13,065,769
Customer margin account	20,481,109	-	-	-	-	20,481,109
Financial assets mandatorily measured at fair value through profit or loss－current	12,156,393	1,811,459	412,033	651,391	28,714,528	43,745,804
Open-end funds, money market instruments and other securities	1,041,632	191,631	-	-	-	1,233,263
Operating securities	9,718,016	1,619,828	412,033	651,391	28,146,836	40,548,104
Derivatives－OTC	306,976	-	-	-	-	306,976
Derivatives－futures trading margin	197,667	-	-	-	-	197,667
Other debt securities	-	-	-	-	554,671	554,671
Call option-futures	3,282	-	-	-	-	3,282
Securities invested by broker	888,820	-	-	-	13,021	901,841
Financial assets measured at fair value through other comprehensive income－current and non-current	901,709	11,810,718	-	436,952	9,131,938	22,281,317
Receivables from pecuniary finance	8,201,570	1,215,047	405,016	202,508	101,254	10,125,395
Collateral for borrowed securities	257,805	-	-	-	-	257,805
Margin deposits for borrowed securities	5,503,549	-	-	-	-	5,503,549
Receivables	11,831,178	130,186	20,346	6,620	-	11,988,330
Total	**$ 66,320,324**	**19,373,763**	**1,773,320**	**2,033,951**	**37,947,720**	**127,449,078**
Proportion of the total	**52.04 %**	**15.20 %**	**1.39 %**	**1.60 %**	**29.77 %**	**100.00 %**

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	June 30, 2019					
	Cash flow deficit					
Financial liabilities	0-30 days	31-90 days	91-180 days	181 days-1 year	>1 year	Total
Short-term borrowings	$ 3,672,060	-	-	-	-	3,672,060
Commercial paper issued	6,398,854	-	-	-	-	6,398,854
Held-for-trading financial liabilities－current	1,819,737	-	-	-	-	1,819,737
Call (put) warrants	142,127	-	-	-	-	142,127
Derivatives－OTC	962,734	-	-	-	-	962,734
Liabilities on sale of borrowed securities	515,032	-	-	-	-	515,032
Short covering bonds	199,071	-	-	-	-	199,071
Put option-futures	773	-	-	-	-	773
Financial liabilities designated as at fair value through profit or loss	1,502,388	-	-	-	-	1,502,388
Securities sold under repurchase agreements	40,004,201	-	-	-	-	40,004,201
Securities financing refundable deposits	978,528	144,967	48,322	24,161	12,081	1,208,059
Deposits payable for securities financing	1,088,728	161,293	53,764	26,882	13,441	1,344,108
Securities lending refundable deposits	10,331,493	-	-	-	-	10,331,493
Lease liabilities－current and non-current	21,459	41,809	62,531	108,825	377,027	611,651
Futures traders' equity	20,481,109	-	-	-	-	20,481,109
Accounts payable	10,752,618	26	8	6	-	10,752,658
Temporary receipts	1,857,159	182	-	-	-	1,857,341
Total	$ 98,908,334	348,277	164,625	159,874	402,549	99,983,659
Proportion of the total	98.92 %	0.35 %	0.17 %	0.16 %	0.40 %	100.00 %
Cash inflow	66,320,324	19,373,763	1,773,320	2,033,951	37,947,720	127,449,078
Cash outflow	98,908,334	348,277	164,625	159,874	402,549	99,983,659
Net cash inflow	(32,588,010)	19,025,486	1,608,695	1,874,077	37,545,171	27,465,419

	December 31, 2018 (Restated)					
	Cash flow deficit					
Financial assets	0-30 days	31-90 days	91-180 days	181 days-1 year	>1 year	Total
Cash and cash equivalents	$ 7,346,232	4,387,710	3,628,091	533,380	135,254	16,030,667
Customer margin account	16,250,349	-	-	-	-	16,250,349
Financial assets mandatorily measured at fair value through profit or loss－current	12,462,270	3,135,919	100,428	854,849	22,818,783	39,372,249
Open-end funds, money market instruments and other securities	3,514,155	186,123	-	-	-	3,700,278
Operating securities	7,897,443	2,949,796	100,428	854,849	22,280,662	34,083,178
Derivatives－OTC	222,734	-	-	-	-	222,734
Derivatives－futures trading margin	89,219	-	-	-	-	89,219
Other debt securities	-	-	-	-	525,259	525,259
Call option-futures	191	-	-	-	-	191
Securities invested by broker	738,528	-	-	-	12,862	751,390
Financial assets measured at fair value through other comprehensive income－current and non-current	832,255	2,419,845	-	6,229,358	7,337,632	16,819,090
Receivables from pecuniary finance	8,257,552	1,094,374	397,954	198,977	-	9,948,857
Collateral for borrowed securities	207,172	-	-	-	-	207,172
Margin deposits for borrowed securities	4,425,851	-	-	-	-	4,425,851
Receivables	9,735,937	268,506	22,234	4,825	-	10,031,502
Total	$ 59,517,618	11,306,354	4,148,707	7,821,389	30,291,669	113,085,737
Proportion of the total	52.63 %	10.00 %	3.67 %	6.91 %	26.79 %	100.00 %

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December 31, 2018 (Restated)						
	Cash flow deficit					
Financial liabilities	0-30 days	31-90 days	91-180 days	181 days-1 year	>1 year	Total
	$ 937,921	-	-	-	-	937,921
Short-term borrowings	937,921	-	-	-	-	937,921
Held-for-trading financial liabilities－current	3,872,703	-	-	-	-	3,872,703
Call (put) warrants	169,643	-	-	-	-	169,643
Derivatives－OTC	889,025	-	-	-	-	889,025
Liabilities on sale of borrowed securities	358,057	-	-	-	-	358,057
Put option-futures	121	-	-	-	-	121
Financial liabilities designated as at fair value through profit or loss	2,455,857	-	-	-	-	2,455,857
Securities sold under repurchase agreements	33,609,095	-	-	-	-	33,609,095
Securities financing refundable deposits	1,996,529	264,600	96,218	48,109	-	2,405,456
Deposits payable for securities financing	2,222,185	294,507	107,093	53,547	-	2,677,332
Securities lending refundable deposits	13,473,433	-	-	-	-	13,473,433
Futures traders' equity	16,250,349	-	-	-	-	16,250,349
Accounts payable	10,131,096	68	25	12	-	10,131,201
Temporary receipts	815,527	212	-	-	-	815,739
Total	$ 85,764,695	559,387	203,336	101,668	-	86,629,086
Proportion of the total	99.00 %	0.65 %	0.23 %	0.12 %	- %	100.00 %
Cash inflow	59,517,618	11,306,354	4,148,707	7,821,389	30,291,669	113,085,737
Cash outflow	85,764,695	559,387	203,336	101,668	-	86,629,086
Net cash inflow	(26,247,077)	10,746,967	3,945,371	7,719,721	30,291,669	26,456,651

June 30, 2018 (Restated)						
	Cash flow deficit					
Financial assets	0-30 days	31-90 days	91-180 days	181 days-1 year	>1 year	Total
Cash and cash equivalents	$ 8,847,520	7,075,693	3,644,945	870,225	5,000	20,443,383
Customer margin account	15,339,426	-	-	-	-	15,339,426
Financial assets mandatorily measured at fair value through profit or loss－current	15,469,321	10,921,774	268,446	1,398,337	18,948,431	47,006,309
Open-end funds, money market instruments and other securities	1,126,253	190,718	-	-	-	1,316,971
Operating securities	13,790,611	10,731,056	268,446	1,398,337	18,452,431	44,640,881
Derivatives－OTC	164,328	-	-	-	-	164,328
Derivatives－futures trading margin	387,372	-	-	-	-	387,372
Other debt securities	-	-	-	-	496,000	496,000
Call option-futures	757	-	-	-	-	757
Financial assets measured at fair value through other comprehensive income－current and non-current	53,495	-	-	10,521,994	11,194,824	21,770,313
Securities purchased under resell agreements	192,134	-	-	-	-	192,134
Receivables from pecuniary finance	12,816,127	1,698,523	617,645	308,822	-	15,441,117
Collateral for borrowed securities	47,146	-	-	-	-	47,146
Margin deposits for borrowed securities	42,675	-	-	-	-	42,675
Receivables	14,910,231	122,722	23,947	5,520	-	15,062,420
Total	$ 67,718,075	19,818,712	4,554,983	13,104,898	30,148,255	135,344,923
Proportion of the total	50.03 %	14.64 %	3.37 %	9.68 %	22.28 %	100.00 %

(Continued)

June 30, 2018 (Restated)						
	Cash flow deficit					
Financial liabilities	**0-30 days**	**31-90 days**	**91-180 days**	**181 days-1 year**	**>1 year**	**Total**
	$ 2,082,687	-	-	-	-	2,082,687
Short-term borrowings	6,024,357	-	-	-	-	6,024,357
Commercial paper issued	10,138,884	597,727	-	-	-	10,736,611
Held-for-trading financial liabilities－current	4,120,941	-	-	-	-	4,120,941
Call (put) warrants	354,192	-	-	-	-	354,192
Derivatives－OTC	900,785	-	-	-	-	900,785
Liabilities on sale of borrowed securities	200,372	-	-	-	-	200,372
Securities purchased under resell agreements	191,515	-	-	-	-	191,515
Put option-futures	349	-	-	-	-	349
Financial liabilities designated as at fair value through profit or loss	2,473,728	-	-	-	-	2,473,728
Securities sold under repurchase agreements	42,606,850	-	-	-	-	42,606,850
Securities financing refundable deposits	1,061,537	140,685	51,158	25,579	-	1,278,959
Deposits payable for securities financing	1,150,987	152,541	55,469	27,735	-	1,386,732
Securities lending refundable deposits	12,555,683	-	-	-	-	12,555,683
Futures traders' equity	15,339,426	-	-	-	-	15,339,426
Accounts payable	13,175,687	26	10	5	-	13,175,728
Temporary receipts	1,239,377	167	-	-	-	1,239,544
Total	**$ 109,887,457**	**891,146**	**106,637**	**53,319**	**-**	**110,938,559**
Proportion of the total	**99.05 %**	**0.80 %**	**0.10 %**	**0.05 %**	**- %**	**100.00 %**
Cash inflow	**67,718,075**	**19,818,712**	**4,554,983**	**13,104,898**	**30,148,255**	**135,344,923**
Cash outflow	**109,887,457**	**891,146**	**106,637**	**53,319**	**-**	**110,938,559**
Net cash inflow	**(42,169,382)**	**18,927,566**	**4,448,346**	**13,051,579**	**30,148,255**	**24,406,364**

As of the reporting date, the cash flows of the Group has shown a significant increase in its net cash in-flow in most of the periods. The Group maintains great net cash in-flow to accumulated capital deficit for a long-term period which shows the Group could sustain adequate quality of capital volatility.

b) Capital deficit analysis report

In order to allocate capital effectively, the Group utilizes liquidity risk management mechanisms to evaluate and monitor short-term cash flow requirements for various types of business, and considers local short-term, cross-border, or cross-market demand for capital.

The Financial Settlement Department provides capital requirement evaluation information to the Risk Management Department, and the Risk Management Department provides a capital deficit analysis stress test evaluation report to the Financial Settlement Department every six months to evaluate the Group's related action taken while facing periods of high market volatility. If a stressful situation occurs, the department reports the results to the management and performs the following procedures to prevent the occurrence of a stressful event when necessary.

In order to increase liquidity reserve, the Group sells the low-risk assets from the Trading Department dealing positions. The Group disposes of high-liquidity stocks, government bonds, and other securities in order to respond to adverse shocks affecting the market. The Group also uses secured loan credit lines and long-term financing credit lines from banks and bills corporations to implement the Group's capital allocation emergency response plan.

(iii) Transfer of financial assets

Transferred financial assets that are not completely derecognized

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchased agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, transferred financial assets are not completely derecognized.

The Group splits the convertible bonds into corporate bonds and option, and sells them to separate investors with varying needs. Because the transactions involved ownership transfer, the entry for disposal of corporate bonds is the same as the normal bond transactions. The agreed exchanged interest payments are recorded as net value and evaluate at the market price as of balance sheet date.

When engaging in convertible bond option transactions, buyers pay premium to obtain the right to purchase or sell a security at a predetermined price on or before a specified day; sellers have the corresponding obligation to sell his options at a predetermined price on or before a specified day. The premium of the options will be shown on the balance sheet.

Notional amounts of the option should be recorded by memorandum entries. When options' owner fulfills the obligation, the Group will sell repurchase bonds to options' owner. Thus, the entry for disposal of corporate bonds is the same as the normal bond transactions. However, the Group still has the right to control the underlying interest; therefore, the financial assets are not derecognized in their entirety. Analysis of financial assets that are not completely derecognized and the associated liabilities are as follows:

	June 30, 2019	
Types of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of relevant financial liabilities**
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	$ 40,629,677	40,004,201
Convertible bonds transferred to counter parties of asset exchange option	423,534	390,204

	December 31, 2018	
Types of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of relevant financial liabilities**
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	$ 34,352,193	33,609,095
Convertible bonds transferred to counter parties of asset exchange option	466,839	441,807

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Types of financial assets	June 30, 2018 Carrying amount of the transferred financial assets	June 30, 2018 Carrying amount of relevant financial liabilities
Financial assets measured at fair value through profit or loss		
Under repurchase agreements	$ 43,515,874	42,606,850
Convertible bonds transferred to counter parties of asset exchange option	427,994	405,934

(iv) Offsetting of financial assets and financial liabilities

The group did not hold any financial instruments contract which meet Section 42 of the FSC endorsed by IAS 32 therefore, the financial assets and financial liabilities will be offset on the balance sheet.

Although the Group does not engage in transactions that meet the offsetting condition in IFRSs, it has signed net settlement contracts of similar agreements with counterparties, such as repurchase agreements and resell agreements. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could choose to net settle.

The offsetting information of financial assets and liabilities is shown below:

June 30, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	**$ 310,258**	-	**310,258**	-	-	**310,258**

June 30, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Relevant amount not offset on the balance sheet (d) Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 957,469	-	957,469	-	-	957,469
Repurchase agreements	40,004,201	-	40,004,201	40,004,201	-	-
Total	**$ 40,961,670**	-	**40,961,670**	**40,004,201**	-	**957,469**

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December 31, 2018

Financial assets under offsetting or general agreement of net amount settlement or similar norms

Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 222,925	-	222,925	-	-	222,925

December 31, 2018

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms

Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 877,642	-	877,642	-	-	877,642
Repurchase agreements	33,609,095	-	33,609,095	33,609,095	-	-
Total	$ 34,486,737	-	34,486,737	33,609,095	-	877,642

June 30, 2018

Financial assets under offsetting or general agreement of net amount settlement or similar norms

Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 165,085	-	165,085	-	-	165,085
Resell agreements	192,134	-	192,134	192,134	-	-
Total	$ 357,219	-	357,219	192,134	-	165,085

(Continued)

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June 30, 2018						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
				Relevant amount not offset on the balance sheet (d)		
Financial liabilities	**Total recognized financial liabilities (a)**	**Total recognized financial assets offsetting on the balance sheet (b)**	**Net amount of financial liabilities on the balance sheets (c)=(a)-(b)**	**Financial instrument (note)**	**Pledged cash Collaterals**	**Net amount (e)=(c)-(d)**
Derivative financial liabilities	$ 894,207	-	894,207	-	-	894,207
Repurchase agreements	42,606,850	-	42,606,850	42,606,850	-	-
Total	$ 43,501,057	-	43,501,057	42,606,850	-	894,207

Note: Including netting settlement agreement and non-cash financial collaterals.

(aj) Structured entities

Unconsolidated structured entities

(i) The Group holds the following types of equity of unconsolidated structured entities. The fund was derived from the Group and an outside third-party.

Types of structured entity	Characteristic and purpose	Equity owned by the Group
Assets securitization products	Invest in assets securitization products to gain profit	Invest in asset-backed securities issued by the entity

(ii) As of June 30, 2019, December 31 and June 30, 2018, the carrying amounts of the unconsolidated structured entities recognized by the Group were as below:

June 30, 2019	Asset securitization products
Assets possessed	
－Financial assets measured at fair value through profit or loss	**$ 554,671**

December 31, 2018	Asset securitization products
Assets possessed	
－Financial assets measured at fair value through profit or loss	**$ 525,259**

June 30, 2018	Asset securitization products
Assets possessed	
－Financial assets measured at fair value through profit or loss	$ 496,000
－Financial assets measured at fair value through other comprehensive income	1,990
	$ 497,990

(Continued)

The maximum exposure of the possible loss from the entity is the carrying amount of the assets possessed.

(iii) For the six months ended June 30, 2019 and 2018, the Group did not offer any financial support to those unconsolidated private investment funds and asset securitization products.

(ak) Capital management

(i) Capital adequacy ratio

The Group sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, and to protect the interests of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities. The Group calculates and declares the capital adequacy ratio in accordance with the Regulations Governing Securities Firms.

The capital adequacy ratios that the Company declared to the authorities were as follows (expressed in millions of New Taiwan Dollars):

	June 30, 2019	December 31, 2018	June 30, 2018
Net amount of eligible regulatory capital	$ 22,923	24,184	22,593
Overall risk equivalent	$ 7,588	6,237	8,050
Regulatory capital adequacy ratio	302 %	388 %	281 %

1) Capital adequacy ratio = Net amount of eligible regulatory capital/Overall risk equivalent

2) Net amount of eligible regulatory capital = Tier 1 capital + Tier 2 capital + Tier 3 capital － Deductions.

3) Overall risk equivalent = Equivalent amount of market risk + Equivalent amount of credit risk + Equivalent amount of operational risk.

(ii) Capital adequacy ratio management

When executing the stress tests for the capital adequacy ratio, the Risk Management Department sets situations and events based on market fluctuations and changes in interest rates, and predictions regarding the financial environment and the overall economy. When the results of the stress tests reach the limit, the Risk Management Department will implement the procedures below:

1) Evaluate the impact on capital adequacy from the occurrence of the situations and events.

2) Identify the factor in the situation or event which has the greatest impact on the capital adequacy ratio.

3) Evaluate strategies to cope with the situation or event.

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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4) Report to top management, adjust the allocation of the risk-weighted assets, or execute a capital replenishment plan.

(al) Others

The significant foreign currency financial assets and financial liabilities were as follows:

	June 30, 2019			December 31, 2018			June 30, 2018		
	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD	Foreign currency (in thousands)	Exchange rate (in dollars)	TWD
Financial assets:									
Monetary items:									
USD	211,003	31.0793	6,557,826	311,398	30.7515	9,575,956	631,935	30.5028	19,275,787
HKD	91,184	3.9809	362,994	66,384	3.9279	260,750	155,204	3.8877	603,387
AUD	449	21.7884	9,783	387	21.6757	8,388	452	22.5559	10,195
EUR	371	35.3763	13,125	411	35.1830	14,460	5,999	35.5598	213,323
JPY	799,717	0.2883	230,558	1,883,362	0.2783	524,140	15,504,337	0.2754	4,269,894
SGD	196	22.9747	4,503	202	22.4813	4,541	1,005	22.3885	22,500
GBP	108	39.4039	4,256	108	38.8847	4,200	284	40.1735	11,409
CNY	207,633	4.5211	938,730	209,868	4.4661	937,291	22,450	4.6039	103,358
ZAR	12,935	2.1971	28,419	9,960	2.1321	21,236	9,072	2.2252	20,187
CHF	-	-	-	-	-	-	61	30.7296	1,875
CAD	77	23.7317	1,827	77	22.5843	1,739	94	23.0752	2,169
DKK	-	-	-	-	-	-	101	4.7814	483
NZD	3	20.8438	63	3	20.6169	62	206	3.4159	704
SEK	-	3.3536	-	-	-	-	1	20.6536	21
NDK	-	-	-	-	-	-	71	3.7438	266
Non-monetary items:									
USD	306,249	31.0793	9,518,005	295,403	30.7515	9,084,085	451,775	30.5028	13,780,402
CNY	82,019	4.5211	370,816	96,665	4.4661	431,716	44,344	4.6039	204,155
HKD	316	3.9809	1,258	-	-	-	2,018	3.8877	7,845
JPY	28,517,264	0.2883	8,221,527	15,230,989	0.2783	4,238,784	-	-	-
Investment accounted for using equity method:									
CNY	144,800	4.5211	654,657	353,750	4.4661	1,579,885	351,849	4.6039	1,619,878
USD	-	-	-	12,785	30.7515	393,152	-	-	-
Financial liabilities:									
Monetary items:									
USD	34,500	31.0793	1,072,236	30,500	30.7515	937,921	554,721	30.5028	16,920,544
HKD	-	-	-	-	-	-	50,296	3.8877	195,536
EUR	-	-	-	-	-	-	5,424	35.5598	192,876
JPY	-	-	-	-	0.2783	-	15,409,305	0.2754	4,243,723
SGD	-	-	-	-	-	-	57	22.3885	1,276
GBP	-	-	-	-	-	-	85	40.1735	3,415
CNY	-	-	-	-	-	-	331	4.6039	1,524
Non-monetary items:									
USD	441,730	31.0793	13,728,659	284,338	30.7515	8,743,820	-	-	-
JPY	29,258,111	0.2883	8,435,113	17,054,688	0.2783	4,746,320	-	-	-
CNY	65,008	4.5211	293,908	6,298	4.4661	28,127	-	-	-

Because the Group has various kinds of functional currency, it uses the way of summarization to disclose the information on monetary currency's exchange gains or losses. For the three months and six month ended June 30, 2019 and 2018, the exchange gains (losses) amounted to $19,991, $42,811, $4,122 and $(17,273), respectively.

(Continued)

(7) Related-party transactions

(a) Names and relationships of related parties

Name of related party	Relationship
Fubon Financial Holding Co., Ltd. (Fubon Financial Holding)	Parent company of the Company
Fubon Insurance Co., Ltd. (Fubon Insurance)	Subsidiary of Fubon Financial Holding
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	Subsidiary of Fubon Financial Holding
Taipei Fubon Commercial Bank Co., Ltd. (Taipei Fubon Bank)	Subsidiary of Fubon Financial Holding
Fubon Bank (Hong Kong) (Fubon Bank (HK))	Subsidiary of Fubon Financial Holding
Fubon Sports & Entertainment Co., Ltd. (Fubon Sports & Entertainment)	Subsidiary of Fubon Financial Holding
Chung Hsing Construction Co., Ltd. (Chung Hsing Construction)	A major stockholder of Fubon Financial Holding
Taiwan Mobile Co., Ltd. (Taiwan Mobile)	Related parties in substance
Xiamen Bank Co., Ltd (Xiamen Bank)	Related parties in substance
Far Eastern International Bank Co., Ltd. (Far Eastern International Bank)	Related parties in substance (related parties in substance from third quarter of 2018)
Taiwan Depository & Clearing Corporation (TDCC)	Related parties in substance
Taiwan Stock Exchange (TWSE)	Related parties in substance
Taiwan Futures Exchange Co., Ltd. (Taifex)	Related parties in substance
First Life Insurance Co., Ltd. (First Life Insurance)	Related party
Ming-Dong Industrial Co., Ltd. (Ming-Dong Industrial)	Related parties in substance
Formosa Petrochemical Corporation	Related parties in substance
MediaTek Inc. (MTK)	Related parties in substance
Taiwan Fixed Network Co., Ltd. (Taiwan Fixed Network)	Related parties in substance
Fubon Charity Foundation	Related parties in substance
Taiwan Acceptance Corporation (TAC)	Related parties in substance
CLEVO Co. (CLEVO)	Related parties in substance (not related parties in substance from third quarter of 2018)
Funds managed by Fubon Asset Management	Funds issued by the Group
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and the related parties in substance

(Continued)

(b) Compensation to executive officers

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Salaries and other short-term employee benefits	$ 71,220	63,308	127,183	122,925
Post-employment benefits	1,446	2,900	2,856	3,124
Other long-term employee benefits	509	878	1,005	998
	$ 73,175	67,086	131,044	127,047

(c) Significant transactions with related parties

1) Bank deposits, short-term borrowings, and other current assets.

As of June 30, 2019, December 31 and June 30, 2018, cash deposited in Taipei Fubon Bank and Fubon Bank (HK) was as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Demand deposits (excluding settlement accounts)	$ 2,026,501	62.52	1,419,636	54.49	1,805,011	61.21
Demand deposits (booked as customer margin accounts)	$ 343,124	4.64	274,101	4.66	170,938	5.80
Checking account	$ 25,407	21.14	22,061	64.60	22,505	22.76
Time deposits	$ 574,000	24.52	596,500	28.29	292,500	13.63
Restricted time deposits	$ 120,021	100.00	177,521	100.00	267,521	100.00
Foreign currency deposits (excluding settlement accounts)	$ 217,005	9.69	611,419	16.23	421,448	18.59
Foreign time deposits	$ 4,372,911	100.00	7,018,221	100.00	9,547,420	75.49

As of June 30, 2019, December 31 and June 30, 2018, the Group had bank deposits in Xiamen Bank and Far Eastern International Bank of $1,194,728, $1,184,822 and $882,477, respectively.

For the three months and six months ended June 30, 2019 and 2018, the Group recognized interest revenue in the amount of $20,333, $30,941, $52,409 and $58,583, respectively, from deposits in Taipei Fubon Bank, Fubon Bank (HK), and Far Eastern International Bank. The interest rates for the six months ended June 30, 2019 and 2018, were 0.001% ~4.300% and 0.001%~4.300%.

For the three months and six months ended June 30, 2019 and 2018, the Group recognized interest revenue in the amount of $5,379, $4,628, $10,569 and $21,528, respectively, from deposits in Xiamen Bank. The interest rates for the six months ended June 30, 2019 and 2018, were 1.89% ~3.10% and 1.89%~2.50%.

As of June 30, 2019, December 31 and June 30, 2018, the Group had provided time deposits in Taipei Fubon Bank as operating deposits and warrant deposits amounted to $825,000, $845,000 and $850,000, respectively.

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These were no balances of short-term borrowings from Taipei Fubon Bank as of June 30, 2019, December 31 and June 30, 2018 unused credit facilities from Taipei Fubon Bank amounted to $6,000,000. As of June 30, 2019, December 31 and June 30, 2018, the book value of land and buildings pledged to Taipei Fubon Bank for short-term borrowings and overdrafts amounted to $1,577,051, $1,579,946 and $1,558,296, respectively. The Group also provided time deposits amounting to $105,000 and trading securities (recognized as financial assets measured at fair value through other comprehensive income) amounted to $4,608,300, $4,288,300 and $3,624,795 to Taipei Fubon Bank as collateral for short-term borrowings and overdrafts as of June 30, 2019, December 31 and June 30, 2018, respectively.

2) Funds issued and bought by the Group were as follows:

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Chi-Hsiang Money Market	$ 256,746	256,095	255,544
Fubon 1-3 Years US Treasury Bond ETF	27,167	-	6,640
Fubon China Growth Fund	12,369	10,181	6,835
Fubon China High Yield Bond CNY	-	67,249	117,157
Fubon China Investment Grade Bond Fund -CNY	15,277	14,757	37,973
Fubon Strategic High Income	-	15,700	38,848
Fubon India and Indonesia Sovereign Bond Fund	21,740	20,204	39,589
Fubon China Money Market Fund	41,831	40,761	31,127
Fubon FTSE Asian Broad Bond Index-China Investment-Grade ETF	32,595	-	-
Fubon 9-35 Years US Corporate Bond A ETF	45,250	-	-
Fubon Euro Asia Silk Road Multi Asset Fund	37,572	33,871	52,524
Fubon S&P US Preferred Stock ETF	12,106	66,201	108,759
Fubon FTSE Developed Europe ETF	302	229	19,599
Fubon China Multi-Asset Fund	-	31,381	60,480
Fubon China Policy Bank Bond	87,130	179,657	123,707
Fubon SSE180 ETF	14,327	11,546	9,504
Others (no individual related party accounts for more than $10,000)	30,835	35,180	40,559
Total	$ 635,247	783,012	948,845

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3) Funds issued and bought by the Group were as follows (excluding index funds):

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Fund	$ 51	45,318	84,300
Fubon Chi-Hsiang Money Market Fund	2,078,290	1,159,095	1,713,045
Fubon China Investment Grade Bond Fund - CNY	26,432	25,344	48,692
Fubon China Growth Fund	12,369	10,181	6,835
Fubon Strategic High Income	-	15,699	38,848
Fubon China High Yield Bond CNY	-	67,249	117,158
Fubon China Money Market Fund	41,831	40,761	31,127
Fubon China Multi-Asset Fund	-	31,381	60,480
Fubon Euro-Asia Silk Road Multi-Asset Fund	37,572	33,871	52,524
Fubon India and Indonesia Sovereign Bond Fund	21,740	20,204	39,589
Others (no individual related party accounts for more than $10,000)	9,573	14,374	14,670
Total	$ 2,227,858	1,463,477	2,207,268

4) Derivative financial instrument transaction

June 30, 2019					
				Financial statement balance	
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Account	Balance
Far Eastern International Bank	Cross Currency Swap (CCS)	2017.02.21~ 2023.07.13	$ 600,000	CCS contract value (assets)	5,780
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~ 2023.02.27	1,500,000	CCS contract value (liabilities)	18,917

December 31, 2018					
				Financial statement balance	
Name of related party	Derivative instrument contract	Contract duration	Nominal amounts	Account	Balance
Far Eastern International Bank	Cross Currency Swap (CCS)	2017.02.21~ 2023.07.13	$ 600,000	CCS contract value (assets)	4,775
Far Eastern International Bank	Cross Currency Swap (CCS)	2018.01.09~ 2023.02.27	1,500,000	CCS contract value (liabilities)	16,664

5) Financial assets measured at fair value through other comprehensive income－current

The details of related parties' shares held by the Group were as follows:

	June 30, 2019		
Name of securities	**Cost**	**Shares**	**Gain (loss) on valuation**
Taiwan Mobile	$ 1,682,697	20,242	796,949

	December 31, 2018		
Name of securities	**Cost**	**Shares**	**Gain (loss) on valuation**
Taiwan Mobile	$ 1,682,697	20,242	473,077

	June 30, 2018		
Name of securities	**Cost**	**Shares**	**Gain (loss) on valuation**
Taiwan Mobile	$ 1,616,197	19,642	554,244

6) Operating securities－ dealing (recognized as financial assets measured at fair value through profit or loss－current)

The details of related parties' funds and bonds held by the Group were as follows:

	June 30, 2019	
Name of securities	**Cost**	**Gains (losses) on valuation**
Fubon Taiwan Technology Tracker Fund (managed by Fubon Asset Management)	$ 10,405	65
Fubon FTSE TWSE Taiwan 50 ETF (managed by Fubon Asset Management)	21,598	585
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	28,624	(2,972)
Fubon MSCI Taiwan ETF (managed by Fubon Asset Management)	29,294	889
Fubon TWSE Corporate Governance 100 ETF (managed by Fubon Asset Management)	41,418	476
Fubon NIFTY 2X Leveraged Index ETF (managed by Fubon Asset Management)	11,195	(66)
Fubon Hang Seng H-Share Inverse Index ETF (managed by Fubon Asset Management)	37,789	(2,585)
Fubon NASDAQ-100 Index ETF (managed by Fubon Asset Management)	17,405	(119)
Fubon NASDAQ-100 2X Leveraged ETF (managed by Fubon Asset Management)	11,483	(7)
Fubon NASDAQ-100 -1X Inverse Index ETF (managed by Fubon Asset Management)	27,931	(407)
Fubon FTSE Developed Europe ETF (managed by Fubon Asset Management)	10,468	69
Fubon US Corporate Bond ETF Umbrella Fund - Fubon 1-5 Years US High Yield Bond Ex China (managed by Fubon Asset Management)	87,653	914
Fubon FTSE Asian Broad Bond Index- China Investment-Grade ETF (managed by Fubon Asset Management)	253,260	7,558
Fubon China Policy Bank Bond ETF (managed by Fubon Asset Management)	97,750	(2,318)
Fubon REIT I Fund	243,076	115,969
Fubon REIT II Fund	77,072	12,347
First 106 unsecured domestic corporate bonds of TAC	300,000	443
Others (no individual related party accounts for more than $10,000)	94,312	1,989
Total	$ 1,400,733	132,830

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	December 31, 2018	
Name of securities	Cost	Gain (loss) on valuation
Fubon FTSE TWSE Taiwan 50 ETF (managed by Fubon Asset Management)	$ 10,678	(19)
Fubon S&P US Preferred Stock ETF (managed by Fubon Asset Management)	20,062	655
Fubon MSCI Taiwan ETF (managed by Fubon Asset Management)	25,007	(405)
Fubon NASDAQ-100 2X Leveraged Index ETF (managed by Fubon Asset Management)	26,718	207
Fubon NASDAQ-100-1X Inverse Index ETF (managed by Fubon Asset Management)	19,790	(468)
Fubon Hang Seng H-Share Leveraged -1X Inverse Index ETF (managed by Fubon Asset	29,731	939
Fubon TAIEX Daily 2X Leveraged Index ETF (managed by Fubon Asset Management)	19,768	(359)
Fubon REIT I Fund	242,172	107,409
Fubon REIT II Fund	75,951	8,268
First 106 unsecured domestic corporate bonds of TAC	300,000	997
Others (no individual related party accounts for more than $10,000)	123,199	(1,103)
Total	**$ 893,076**	**116,121**

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Name of securities	June 30, 2018 Cost	June 30, 2018 Gains (losses) on valuation
Fubon SSE180 ETF (managed by Fubon Asset Management)	$ 15,024	(40)
Fubon S&P US Preferred Stock ETF (managed by Fubon Asset Management)	27,674	359
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	44,830	6,705
Fubon Hang Seng H-Share Leveraged -1X Inverse Index ETF (managed by Fubon Asset Management)	37,107	(59)
Fubon TWSE Corporate Governance 100 ETF (managed by Fubon Asset Management)	16,920	27
Fubon REIT I Fund	239,906	84,202
Fubon REIT II Fund	73,680	8,817
Fubon Taiwan Small-Mid Cap Alpha Momentum 50 ETF (managed by Fubon Asset Management)	31,054	(367)
First 104 secured domestic corporate bonds of CLEVo	204,989	(1,688)
First 106 unsecured domestic corporate bonds of TAC	300,000	1,152
Others (no individual related party accounts for more than $10,000)	103,573	755
Total	**$ 1,094,757**	**99,863**

Name of securities	For the three months ended June 30, 2019 Dividend revenue	For the three months ended June 30, 2019 Gain (loss) on disposal
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	$ -	(17,965)
Others (no individual related party accounts for more than $10,000)	1,039	14,937
Total	**$ 1,039**	**(3,028)**

Name of securities	For the three months ended June 30, 2018 Dividend revenue	For the three months ended June 30, 2018 Gain (loss) on disposal
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	$ -	(434)
Others (no individual related party accounts for more than $10,000)	21	1,562
Total	**$ 21**	**1,128**

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Name of securities	For the six months ended June 30, 2019 Dividend revenue	Gains (losses) on disposal
Fubon NASDAQ-100 2X Leveraged Index ETF(managed by Fubon Asset Management)	$ -	10,437
Others (no individual related party accounts for more than $10,000)	3,526	26,362
Total	$ 3,526	36,799

Name of securities	For the six months ended June 30, 2018 Dividend revenue	Gains (losses) on disposal
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	$ -	(13,305)
Others (no individual related party accounts for more than $10,000)	41	16,830
Total	$ 41	3,525

As of June 30, 2019, December 31 and June 30, 2018, the balance of the operating securities－ bonds of the related parties were $300,000, $300,000 and $504,989, respectively. For the three months and six months ended June 30, 2019 and 2018, the interest revenue arise from operating securities－bonds were $799, $1,548, $1,591 and $3,079, respectively; and the interest revenue arise from operating securities－ others were $9,469, $10,775, $10,657 and $10,775, respectively.

7) Operating securities－ hedging (recognized as financial assets measured at fair value through profit or loss－current)

The details of related parties' funds and shares held by the Group were as follows:

Name of securities	June 30, 2019 Cost	Gains (losses) on valuation
Taiwan Mobile issued the third unsecured convertible bond	$ 65,090	10,278
Fubon SSE180 ETF (managed by Fubon Asset Management)	21,908	(225)
Fubon SZSE 100 ETF (managed by Fubon Asset Management)	11,136	1,534
MTK	58,434	2,434
Others (no individual related party accounts for more than $10,000)	5,493	(101)
Total	$ 162,061	13,920

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Name of securities	December 31, 2018 Cost	December 31, 2018 Gains (losses) on valuation
Taiwan Mobile issued the third unsecured convertible bond	$ 100,090	2,960
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	36,795	(6,280)
MTK	2,271	45
Others (no individual related party accounts for more than $10,000)	9,012	(754)
Total	$ 148,168	(4,029)

Name of securities	June 30, 2018 Cost	June 30, 2018 Gains (losses) on valuation
Taiwan Mobile issued the third unsecured convertible bond	$ 100,090	4,060
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	12,985	(2,577)
Fubon SZSE 100 ETF (managed by Fubon Asset Management)	16,346	(1,653)
MTK	97,809	(6,582)
Others (no individual related party accounts for more than $10,000)	1,938	(172)
Total	$ 229,168	(6,924)

Name of securities	For the three months ended June 30, 2019 Dividend revenue	For the three months ended June 30, 2019 Gain (loss) on disposal
Others (no individual related party accounts for more than $10,000)	$ -	2,021

Name of securities	For the three months ended June 30, 2018 Dividend revenue	For the three months ended June 30, 2018 Gain (loss) on disposal
Fubon SSE 180 ETF (managed by Fubon Asset Management)	$ -	(1,262)
MTK	-	13,368
Others (no individual related party accounts for more than $10,000)	-	(216)
Total	$ -	11,890

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Name of securities	For the six months ended June 30, 2019	
	Dividend revenue	Gains (losses) on disposal
Others (no individual related party accounts for more than $10,000)	$ -	6,572

Name of securities	For the six months ended June 30, 2018	
	Dividend revenue	Gains (losses) on disposal
Fubon SSE180 Leveraged 2X Index ETF (managed by Fubon Asset Management)	$ -	(33,178)
MTK	-	26,179
Others (no individual related party accounts for more than $10,000)	-	789
Total	$ -	(6,210)

8) Customer margin account

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Taifex	$ 2,205,929	2,415,595	1,540,552

9) Accounts receivable

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Funds managed by Fubon Asset Management	$ 134,661	353,046	105,917
Others (no individual related party accounts for more than $10,000)	8,162	5,580	9,043
Total	$ 142,823	358,626	114,960

10) Settlement and clearing funds (recognized as other non-current assets)

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
TWSE	$ 110,559	143,704	143,703
Taifex	140,265	140,414	146,166
Total	$ 250,824	284,118	289,869

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

11) Futures traders' equity

As of June 30, 2019, December 31 and June 30, 2018, related parties' deposits for initial and maintenance margins for futures trading were as follows:

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Taipei Fubon Bank	$ 103,373	96,874	36,583
Fubon Fund	-	14,137	15,364
Fubon Supreme Fund	-	21,624	23,848
Fubon SSE180 ETF	347,066	221,232	86,377
Fubon SSE180 Leveraged 2X Index ETF	7,542,902	5,054,426	5,433,481
Fubon SSE180 1X Inverse Index ETF	47,917	54,445	45,912
Fubon SZSE 100 ETF	52,692	79,938	93,849
Fubon TOPIX Leveraged 2X Index ETF	37,502	39,482	71,206
Fubon NIFTY 2X Leveraged Index ETF	76,338	59,383	105,847
Fubon Hang Seng H-Share 2X Leveraged Index ETF	185,280	174,618	120,278
Fubon NASDAQ-100 Index ETF	176,472	95,270	150,768
Fubon TAIEX Umbrella Fund – Fubon TAIEX Daily ETF	-	72,469	167,997
Fubon S&P 500 VIX Short-Term Futures ETF	2,081,755	544,189	1,587,366
Fubon TWSE Corporate Governance 100 ETF	-	9,426	13,202
Fubon China Csi 500 Index ETF	34,358	-	-
Others (no individual related party accounts for more than $10,000)	12,678	24,838	31,382
Total	**$ 10,698,333**	**6,562,351**	**7,983,460**

12) Temporary payments (recognized as other current assets)

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Fubon Financial Holding	$ -	75,028	-
Others (no individual related party accounts for more than $10,000)	6,360	7,465	6,267
Total	**$ 6,360**	**82,493**	**6,267**

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FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

13) Deal on credit

As of June 30, 2019, December 31 and June 30, 2018, the Group had receivables from the other related parties' pecuniary finance amounted to $129,182, $119,353 and $265,416, respectively.

14) Refundable deposits (recognized as other non-current assets)

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
TWSE	$ -	-	250,000
Fubon REIT I Fund	12,174	12,078	12,078
Others (no individual related party accounts for more than $10,000)	26,216	26,506	26,373
Total	**$ 38,390**	**38,584**	**288,451**

15) Margin deposits for borrowed securities (recognized as margin deposits for borrowed securities)

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
TWSE	**$ 3,936,662**	**4,237,952**	**-**

16) Other receivables

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Taipei Fubon Bank	$ 41,833	51,923	47,195
Fubon Life Insurance	19,002	12,397	18,616
Taifex	27,003	-	2,460
Others (no individual related party accounts for more than $10,000)	3,717	8,649	15,382
Total	**$ 91,555**	**72,969**	**83,653**

17) Notes and accounts payable

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Taifex	$ 13,979	16,794	15,845
Others (no individual related party accounts for more than $10,000)	422	83	11
Total	**$ 14,401**	**16,877**	**15,856**

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FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

18) Other payables

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
Convoy Financial Services	$ -	-	-
TWSE	11,867	13,565	21,926
Others (no individual related party accounts for more than $10,000)	38,983	32,695	25,565
Total	$ 50,850	46,260	47,491

19) Current tax assets and current tax liabilities

The Group has designated Fubon Financial Holding as the taxpayer to file a combined corporate income tax return starting from the year 2002. As of June 30, 2019, December 31 and June 30, 2018, current income tax liabilities of the Group were $153,946, $277,626 and $209,542, respectively.

20) Securities sold under repurchase agreements

Name of related party	June 30, 2019	December 31, 2018	June 30, 2018
First Life Insurance	$ -	-	200,008
Taipei Fubon Bank	100,005	-	-
Formosa Petrochemical Corporation	-	100,000	-
Total	$ 100,005	100,000	200,008

21) Revenue from providing agency service for stock affairs

	For the three months ended June 30		For the six months ended June 30	
Name of related party	2019	2018	2019	2018
Fubon Financial Holding	$ 7,076	6,596	13,343	12,748
Others (no individual related party accounts for more than $10,000)	2,207	2,025	4,256	3,821
Total	$ 9,283	8,621	17,599	16,569

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22) Management fee revenues (recognized as other operating income)

Name of related party	For the three months ended June 30 2019	For the three months ended June 30 2018	For the six months ended June 30 2019	For the six months ended June 30 2018
Fubon S&P 500 VIX Short Term Futures ETF	$ 50,684	10,343	73,016	18,176
Fubon S&P US Preferred Stock ETF	5,872	6,187	13,143	12,102
Fubon China Policy Bank Bond ETF	16,718	9,634	26,248	13,741
Fubon SSE 180 ETF	29,296	37,842	63,731	77,221
Fubon SZSE 100 ETF	6,721	8,353	13,890	17,801
Fubon Chi-Hsiang Money Market Fund	7,123	7,786	13,456	15,773
Fubon Emerging Asia Growth Equity Fund	4,095	6,097	7,945	12,281
Fubon SSE180 Leveraged 2X Index ETF	55,922	77,986	126,060	145,798
Fubon China High Yield Bond Fund	6,558	8,416	13,053	17,787
Fubon 6-Year Maturity Emerging Market Bond Fund	20,477	-	40,102	-
Fubon 9-35 Years US Corporate Bond A ETF	11,353	-	24,764	-
Fund- Fubon 10+ Years US Corporate Bond BBB Ex China	10,117	79	14,936	79
Fubon Euro-Asia Silk Road Multi-Asset Fund	3,535	5,916	7,008	12,094
Fubon AI New Trends Multi - Asset Fund	8,938	-	18,874	-
Others (no individual related party accounts for more than $10,000)	61,502	55,813	119,150	102,368
Total	$ 298,911	234,452	575,376	445,221

23) Rental revenue (recognized as other gains and losses)

Name of related party	For the three months ended June 30 2019	For the three months ended June 30 2018	For the six months ended June 30 2019	For the six months ended June 30 2018
Taipei Fubon Bank	$ 59,433	64,817	115,890	126,464

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FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

24) Brokerage commission (recognized as brokerage handling fee revenue)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Fubon Life Insurance	$ 29,101	35,452	71,220	58,402
Taipei Fubon Bank	10,495	2,556	18,506	6,551
Others (no individual related party accounts for more than $10,000)	23,600	39,224	51,347	68,432
Total	$ 63,196	77,232	141,073	133,385

25) Collective marketing income (recognized as other gains and losses)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Fubon Life Insurance	$ 15,933	13,787	49,757	28,862
Others (no individual related party accounts for more than $10,000)	595	1,038	2,075	2,501
Total	$ 16,528	14,825	51,832	31,363

26) Revenue from fund sales fees (recognized as other operating income)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Fubon S&P 500 VIX Short-Term Futures ETF (managed by Fubon Asset Management)	$ 12,116	4,720	30,765	9,057
Others (no individual related party accounts for more than $10,000)	15,899	8,035	35,625	14,903
Total	$ 28,015	12,755	66,390	23,960

27) Dividend income (recognized as other profit and losses)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Taifex	$ 19,084	-	19,084	-
Others (no individual related party accounts for more than $10,000)	581	65	584	65
Total	$ 19,665	65	19,668	65

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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28) Insurance expense (recognized as employee benefit expense and other operating expense)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Fubon Life Insurance	$ 5,892	6,273	11,919	12,249
Others (no individual related party accounts for more than $10,000)	4,990	1,213	9,593	2,720
Total	**$ 10,882**	**7,486**	**21,512**	**14,969**

29) Commission expense (recognized as other operating expense)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Taipei Fubon Bank	$ 4,702	4,635	10,731	13,239
Fubon Life Insurance	18,556	1,719	35,088	3,267
Others (no individual related party accounts for more than $10,000)	7	6	13	14
Total	**$ 23,265**	**6,360**	**45,832**	**16,520**

Brokerage commission was paid to related parties for selling funds managed by the Group. At the end of periods, commission payable was recognized as accrued expense.

30) Rental expense (recognized as other operating expense)

	For the three months ended June 30		For the six months ended June 30	
Name of related party	**2019**	**2018**	**2019**	**2018**
Chung Hsing Construction	$ -	11,148	-	22,288
Taipei Fubon Bank	-	5,662	-	18,010
Fubon REIT I Fund	-	12,495	-	24,820
Others (no individual related party accounts for more than $10,000)	1	22,022	48	37,363
Total	**$ 1**	**51,327**	**48**	**102,481**

The calculation of rent between the Group and related parties was based on market price, and paid monthly.

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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31) Depository service expense (recognized as other operating expense)

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
TDCC	$ 21,505	29,546	40,694	54,758

32) Brokerage handling fee expense (recognized as brokerage handling fee expense and proprietary handling fee expense)

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
TWSE	$ 39,514	55,729	71,934	103,406
Taifex	24,562	25,862	44,979	51,980
Total	$ 64,076	81,591	116,913	155,386

33) Settlement service fee expense

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Taifex	$ 18,351	19,476	33,513	39,722

34) Expenses arising from issuance of call (put) warrants (recognized as gains (losses) from issuance of call (put) warrants)

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
TWSE	$ 9,744	16,396	18,485	31,453
Others (no individual related party accounts for more than$10,000)	540	966	1,122	1,780
Total	$ 10,284	17,362	19,607	33,233

35) Stock borrowing fees (recognized as other operating expense)

Name of related party	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Fubon Life Insurance	$ 43,260	10,772	59,612	24,683
Others (no individual related party accounts for more than $10,000)	14	1,100	19	1,199
Total	$ 43,274	11,872	59,631	25,882

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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36) Advertising expense (recognized as other operating expense)

Name of related party	For the three months ended June 30 2019	For the three months ended June 30 2018	For the six months ended June 30 2019	For the six months ended June 30 2018
Fubon Sports & Entertainment	$ 8,901	13,676	12,061	15,100
Others (no individual related party accounts for more than $10,000)	434	1,866	915	1,826
Total	$ 9,335	15,542	12,976	16,926

37) Other expenses (Fund)

Name of related party	For the three months ended June 30 2019	For the three months ended June 30 2018	For the six months ended June 30 2019	For the six months ended June 30 2018
TDCC	$ 16,652	8,076	43,226	15,174

38) Right-of-use assets and lease liabilities

Name of related party	June 30, 2019	January 1, 2019
Taipei Fubon Bank	122,327	86,290
Taiwan Fixed Network	548	909
Chung Hsing Construction	67,413	85,625
Ming-Dong Industrial	2,827	5,608
Fubon Charity Foundation	10,663	15,172
Fubon REIT I Fund	107,664	15,017
Fubon REIT II Fund	29,480	26,953
Fubon Life Insurance	31,447	36,094
Fubon Insurance	23,012	25,844
Total	$ 395,381	297,512

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	Lease liability		Interest expense		
Name of related party	June 30, 2019	January 1, 2019	For the three months ended June 30, 2019	For the six months ended June 30, 2019	Value of Contract
Taipei Fubon Bank	122,971	86,290	935	1,630	168,963
Taiwan Fixed Network	552	909	3	7	2,178
Chung Hsing Construction	67,843	85,625	610	1,289	127,491
Ming-Dong Industrial	2,828	5,608	28	68	17,091
Fubon Charity Foundation	10,711	15,172	98	215	28,063
Fubon REIT I Fund	106,274	13,169	984	1,013	123,984
Fubon REIT II Fund	29,556	26,951	218	455	54,058
Fubon Life Insurance	31,658	36,010	287	583	78,932
Fubon Insurance	23,081	25,776	200	402	48,028
Total	$ 395,474	295,510	3,363	5,662	648,788

39) Fubon Securities BVI has acquired 100% equity of FB Investment Management (Hong Kong) Limited from Fubon Bank (Hong Kong) amounting to $10,000 thousand. The acquisition has completed on February 2019.

40) Other transactions with related parties with amounts not exceeding $10 million were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Assets and liabilities:			
Other prepayments	$ 745	3,882	6,619
Others (no individual related party accounts for more than $2,000)	4,300	2,939	2,597
Total	$ 5,045	6,821	9,216

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Revenue:				
Rental revenue	$ 2,530	2,429	5,059	4,858
Financial revenue	1,190	561	5,739	561
Other non-operating revenue	2,513	150	4,043	691
Others (no individual item accounts for more than $2,000)	1,367	420	2,001	2,261
Total	$ 7,600	3,560	16,842	8,371

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	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Expense:				
Incidental expenses	$ 2,003	550	2,774	943
Association service charge	1,051	1,402	1,781	2,222
Computer information fee	4,416	4,423	8,687	9,230
Management fees	4,143	3,917	7,379	7,232
Phone expenses	4,221	3,583	8,072	7,503
Other operating expense	2,007	1,653	2,781	1,226
Professional services expense	971	1,278	2,059	2,818
Free donation	3,375	2,991	6,000	5,832
Cross-selling expense	986	2,345	2,112	5,342
Employees' traveling expenses	824	2,568	824	2,944
Variable lease payments not included in the measurement of lease liabilities	3,564	-	9,609	-
Others (no individual item accounts for more than $2,000)	2,071	1,335	3,854	3,651
Total	$ 29,632	26,045	55,932	48,943

The price and payment terms of related-party transactions mentioned above are not significantly different from those of non-related parties.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Pledged object	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits (accounted for other current assets)	Bank loan and overdraft	$ 105,000	105,000	105,000
Time deposits (accounted for other non-current assets)	Full fiduciary discretionary deposits	15,021	12,521	12,521
Time deposits (accounted for other current assets)	Performance bond	-	60,000	150,000
Stocks (accounted for financial assets measured at fair value through other comprehensive income－current)	Bank loans	4,608,300	4,288,300	3,624,795
Bonds (accounted for financial assets measured at fair value through profit or loss－current)	Reserves for trust business	50,241	50,128	50,191
Bonds (accounted for financial assets measured at fair value through profit or loss－current)	Guarantee for bond business	50,241	50,129	50,191
Property and equipment－land and buildings	Bank loans	1,560,757	1,564,555	1,437,983
Investment property－land and buildings	Bank loans	929,618	929,618	1,048,761
		$ 7,319,178	7,060,251	6,479,442

(9) Commitments and contingencies

(a) Details of the Group's leasing contract commitments to the maturity were as follows:

December 31, 2018	Less than one year	Between one and five years	More than five years	Total
Lease commitments				
Operating lease payments (Lessee)	207,694	312,257	8,899	528,850
Total finance lease payments (Lessee)	536	135	-	671
Present value of finance lease payments (Lessee)	540	135	-	675
Capital expenditure commitments	180,684	-	-	180,684
Total	389,454	312,527	8,899	710,880

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June 30, 2018	Less than one year	Between one and five years	More than five years	Total
Lease commitments				
Operating lease payments (Lessee)	238,603	297,329	25,115	561,047
Total finance lease payments (Lessee)	1,315	1,130	-	2,445
Present value of finance lease payments (Lessee)	1,338	1,136	-	2,474
Capital expenditure commitments	176,981	-	-	176,981
Total	418,237	299,595	25,115	742,947

(b) There were several disputes that former brokers have had with clients due to securities brokerage transactions. Taiwan High Court has remanded the case and rejected the appeal of Mr. Chou. Mr. Chou disagreed with the court decision and appealed to the Taiwan Supreme Court. As of June 30, 2018, the case is still in progress. Based on the adjudication, the balances of indemnificatory loss payable, resulting from the litigation with customers for stock business were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Indemnification loss payable	$ 11,526	11,526	11,526

For the six months ended June 30, 2019 and 2018, the Company recognized indemnification loss of $0 to the customers.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Others

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By account	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits expense:						
Salary	-	725,531	725,531	-	774,631	774,631
Insurance expenses	-	50,049	50,049	-	54,430	54,430
Pension	-	41,678	41,678	-	50,509	50,509
Directors' remuneration	-	5,782	5,782	-	5,632	5,632
Other employee benefits	-	22,760	22,760	-	23,856	23,856
Depreciation expenses	-	91,309	91,309	-	27,815	27,815
Amortization expenses	-	19,664	19,664	-	18,586	18,586

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By account / By function	For the six months ended June 30 2019 Operating cost	Operating expenses	Total	For the six months ended June 30 2018 Operating cost	Operating expenses	Total
Employee benefits expense:						
Salary	-	1,475,006	1,475,006	-	1,474,373	1,474,373
Insurance expenses	-	114,118	114,118	-	117,177	117,177
Pension	-	81,883	81,883	-	91,645	91,645
Directors' remuneration	-	11,160	11,160	-	11,755	11,755
Other employee benefits	-	48,709	48,709	-	47,576	47,576
Depreciation expenses	-	181,447	181,447	-	64,528	64,528
Amortization expenses	-	39,784	39,784	-	36,255	36,255

(b) Legal compliance

(i) In accordance with an SFB ruling, there are certain standards for financial ratios as prescribed by the RGFCM. The Company's financial ratios were as follows:

Rule	Formula	June 30 2019 Calculation	Ratio	June 30 2018 Calculation	Ratio	Standard	Within the standard
No. 17	Stockholders' equity / Total liabilities - futures traders' equity	382,798 / 965	396.54	391,733 / 1,610	243.31	≧1	Satisfactory
No. 17	Current assets / Current liabilities	818,761 / 230	3,557.09	779,273 / 875	890.60	≧1	Satisfactory
No. 22	Stockholders' equity / Minimum paid-in capital	382,798 / 400,000	96.00 %	391,733 / 400,000	97.93 %	≧60% ≧40%	Satisfactory
No. 22	Adjusted net working capital / Customer margin required	753,635 / 145,044	520.00 %	709,892 / 154,471	459.56 %	≧20% ≧15%	Satisfactory

(ii) In accordance with an SFB ruling, there are certain standards for financial ratios as prescribed by the RGFCM. Financial ratios of Fubon Futures Co., Ltd. were as follows:

Rule	Formula	June 30 2019 Calculation	Ratio	June 30 2018 Calculation	Ratio	Standard	Within the standard
No. 17	Stockholders' equity / Total liabilities - futures traders' equity - reserve for default	2,009,932 / 160,331	12.54	1,862,624 / 244,730	7.61	≧1	Satisfactory
No. 17	Current assets / Current liabilities	23,863,222 / 22,286,654	1.07	18,329,732 / 16,900,331	1.08	≧1	Satisfactory
No. 22	Stockholders' equity / Minimum paid-in capital	2,009,932 / 600,000	334.99 %	1,862,624 / 600,000	310.44 %	≧60% ≧40%	Satisfactory
No. 22	Adjusted net working capital / Customer margin required	1,752,327 / 4,222,496	41.50 %	1,530,997 / 4,394,023	34.84 %	≧20% ≧15%	Satisfactory

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(c) Special risk of futures brokering business

Future trading with low margins provides greater financial leverage. Although there is potential to produce large profits, it is equally possible to generate huge losses. When the market trend is unfavorable, futures commission merchants (FCMs) can ask customers for extra funds in order to maintain the margin balance. If customers cannot provide extra margins in a given period, FCMs have the right to settle the futures contracts on behalf of the customers. If there are losses after settlement, customers must reimburse the Company for the losses after netting the margin. If the futures market trend deviates from customers' expectations, original margins can be completely lost. On the other hand, the Group has a major risk, market price risk, when engaging in dealing business. That means the market price of futures contracts and options is affected by changes in the index of the investment object. The Group will suffer a loss if the price of the market index changes in reverse of the investment object. However, the Group sets stop-loss points based on risk management to control the risk.

(d) As of June 30, 2019, the deficit yet to be compensated to Fubon Securities (HK) Ltd. amounting to HKD91,388 thousand. The board of directors of Fubon Securities (BVI) held on December 29, 2014 approved that Fubon Securities (BVI) will unconditionally support the operating capital of Fubon Securities (HK) Ltd..

(e) According to Rule Letter No.1030026386 issued by the Regulations for Securities Brokers Undertaking Pecuniary and Securities Financing, the Group provided the following information:

As of June 30, 2019, December 31 and June 30, 2018, the offshore securities unit, governed by the Company, operated custody accounts on behalf of its customers business. The details of the custody accounts were bank deposits of USD10,022 thousand, USD8,322 thousand and USD7,731, securities of USD15,632, USD10,513 and USD13,965, bonds of USD21,505 thousand, USD22,815 thousand and USD23,033, funds of USD418 thousand, USD491,934 thousand and USD523, and structured notes of USD6,983 thousand, USD9,421 thousand and USD8,692, respectively.

(f) Because the US stocks had plummeted sharply on February 6, 2018, resulting in the equity of customer margin deposit to be negative. The clients of Fubon Futures Co., Ltd. breached the contract due to their failure to fully pay the additional guarantee deposits within three working days after having been noticed. Therefore, Fubon Futures Co., Ltd. had to recognize the future exchanges margins receivable with the approximate amount of $185 million. This matter had been reported to the Taiwan Futures Exchange. As of June 30, 2019, the unpaid amount was $170,987 thousand. After considering the actual recovery situation, Fubon Futures Co., Ltd. had recognized the allowance for doubtful accounts amounting to $159,264 thousand.

(Continued)

(g) On March 29, 2018, Fubon Convoy received a writ of summons filed by a company called Convoy (Trademarks) Limited as the plaintiff (the "Plaintiff") against Fubon Convoy and certain related parties of Fubon Convoy as the defendants (the "Defendants Parties") under High Court Action Number 702 of 2018 in the High Court of Hong Kong (the "Writ"). The directors understand that the Plaintiff is the registered owner of the five registered trademarks relating to the names and logos of "Convoy" / "康宏" and is a contracting party of a trademark agreement entered into with Convoy Global Holding Limited, the ultimate holding company of Fubon Convoy's shareholder Fubon Convoy Asset Management (Hong Kong) Limited, for the use of the above names and logos, which is the subject dispute in the Writ.

Since there was no letter of claim attached with the Writ, the reason and details of the claim remain unknown. On the other hand, Fubon Convoy has engaged an external legal consultant to defend itself.

(h) Fubon Securities BVI has acquired 100% equity of FB Investment Management (Hong Kong) Limited from Fubon Bank (Hong Kong) in February 2019. According to the (100) Letter NO.390 explanation issued by the Accounting Research and Development Foundation, the transaction is the business combination under common control, and book value method shall be applied. Therefore, Fubon Securities has restated the comparative information of the prior period as the subsidiary was acquired from the beginning.

(i) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the details of trust balance sheet, trust income statement, and trust catalog of property were as follows:

(i) Trust balances sheet

Trust Balances Sheet

June 30, 2019, December 31 and June 30, 2018

(expressed in thousands of TWD)

Trust assets	June 30, 2019	December 31, 2018	June 30, 2018	Trust liabilities	June 30, 2019	December 31, 2018	June 30, 2018
Cash in banks	$ 112,522	108,700	85,669	Account payable	$ 206	542	817
Short-term investments				Capital	14,013,734	12,384,867	13,091,181
Funds	2,459,928	2,465,551	4,371,377	Net losses	(692,293)	(1,680,886)	(840,601)
Stocks	2,208,892	2,119,289	2,756,857	Accumulated losses	(5,954,001)	(4,273,115)	(4,273,115)
Borrowed securities	2,512,042	1,673,425	701,343				
Account receivable settlement	74,262	64,443	63,036				
Total trust assets	**$ 7,367,646**	**6,431,408**	**7,978,282**	**Total trust liabilities**	**$ 7,367,646**	**6,431,408**	**7,978,282**

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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(ii) Trust income statement

Trust Income Statement

For the six months ended June 30, 2019 and 2018

(expressed in thousands of TWD)

	For the six months ended June 30	
	2019	2018
Trust Revenues		
Interest revenue	$ 75	16
Dividend revenue	12,550	16,751
Rental revenue	3,965	6,527
Borrowed securities compension	282	8,820
Realized gains on investments	7,115	12,960
Unrealized gains on investments	496,631	517,654
Subtotal	520,618	562,728
Trust Expenses		
Management fee	836	1,378
Commission expense	58	73
Other expense	11	-
Realized losses on investments	11,859	3,677
Unrealized losses on investments	1,200,147	1,398,201
Subtotal	1,212,911	1,403,329
Losses before tax	(692,293)	(840,601)
Income tax expense	-	-
Net losses	$ **(692,293)**	**(840,601)**

(iii) Trust catalog of property

Trust catalog of property

June 30, 2019, December 31 and June 30, 2018

(expressed in thousands of TWD)

Item	June 30, 2019	December 31, 2018	June 30, 2018
Cash in banks	$ 112,522	108,700	85,669
Short-term investments			
Funds	2,459,928	2,465,551	4,371,377
Stocks	2,208,892	2,119,289	2,756,857
Borrowed securities	2,512,042	1,673,425	701,343
Account receivable	74,262	64,443	63,036
Total	$ **7,367,646**	**6,431,408**	**7,978,282**

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosure items

(a) Related information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Financing provided to others: None.

(ii) Endorsements/guarantees provided to others: None.

(iii) Acquisition of individual real estate at price of at least NT$300,000 or 20% of the paid-in capital: None.

(iv) Disposal of individual real estate at price of at least NT$300,000 or 20% of the paid-in capital: None.

(v) Discount on brokerage trading fee to related parties amounting to at least NT$5,000: None.

(vi) Receivables from related parties amounting to at least NT$100,000 or 20% of the paid-in capital: None.

(vii) Details of material transactions between parent company and subsidiaries:

Number (Note I)	Name of company	Name of counter-party	Existing relationship with counter-party (Note II)	Transaction details			
				Account name	Amount	Terms of trading	Percentage of total consolidated revenue or total assets
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Customer margin account-bank deposit	1,686,931	Not materially different from the general trading terms.	1.21 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity- customer	1,195,071	Not materially different from the general trading terms.	0.86 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures trader's equity- commission merchant	491,860	Not materially different from the general trading terms.	0.35 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Other payables- related parties	19,934	Not materially different from the general trading terms.	0.01 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Other receivables- related parties- other	19,934	Not materially different from the general trading terms.	0.01 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Accounts receivable- related parties	16,284	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Accounts payable- related parties	16,284	Not materially different from the general trading terms.	0.01 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Futures commission expense- the operation of futures introducing broker business	41,328	Not materially different from the general trading terms.	0.91 %
1	Fubon Futures Co., Ltd.	Fubon Securities Co., Ltd.	2	Services charge- other	19,755	Not materially different from the general trading terms.	0.44 %

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Number (Note I)	Name of company	Name of counter-party	Existing relationship with counter-party (Note II)	Transaction details			
				Account name	Amount	Terms of trading	Percentage of total consolidated revenue or total assets
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Futures commission revenue- the operation of futures introducing broker business	41,328	Not materially different from the general trading terms.	0.91 %
0	Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	1	Other non-operating revenue-others	19,756	Not materially different from the general trading terms.	0.44 %
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Services charge-advisory fee	66,449	Not materially different from the general trading terms.	1.46 %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Revenue from advisory-securities	66,449	Not materially different from the general trading terms.	1.46 %
2	Fubon Securities Investment Service Co., Ltd.	Fubon Securities Co., Ltd.	2	Accounts receivable- related parties	23,354	Not materially different from the general trading terms.	0.02 %
0	Fubon Securities Co., Ltd.	Fubon Securities Investment Service Co., Ltd.	1	Other payables-related parties	23,358	Not materially different from the general trading terms.	0.02 %
3	Fubon Asset Management Co., Ltd.	Fubon Securities Co., Ltd.	2	Commission expense	38,578	Not materially different from the general trading terms.	0.85 %
0	Fubon Securities Co., Ltd.	Fubon Asset Management Co., Ltd.	1	Commissions income from securities proxy sale	35,450	Not materially different from the general trading terms.	0.78 %

Note I: The numbers indicate the following:
1. 0 means the parent.
2. The subsidiaries are sequentially numbered from 1.

Note II: Types of existing relationship with the counter-party are indicated as follows:
1. Parent to subsidiaries.
2. Subsidiaries to parent.

(b) Related information on investee companies (excluding information on investees in Mainland China)

For the six months ended June 30, 2019, the related information on investee companies was as follows (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Major operations	Initial investment (Amount)		Ending balance			Revenue of investee	Net income of investee	Investment income (losses)	Cash dividend	Notes
						Ending balance	Beginning balance	Shares	Ratio of shares	Book value					
Fubon Securities Co., Ltd.	Fubon Futures Co., Ltd.	Taipei City	May 7, 1998		Futures	1,424,128	1,424,128	140,000	100.00 %	2,008,643	312,608	102,469	102,469	47,796	The transaction was eliminated when the Company compiled its consolidated financial report.
〃	Fubon Securities (BVI) Ltd.	British Virgin Islands	April 3, 2007	No.40335	Securities business	1,078,338	578,338	35,046	100.00 %	877,825	-	(24,219)	(24,219)	-	〃
〃	Fubon Securities Investment Services Co., Ltd.	Taipei City	April 14, 1987		Investment service	300,444	300,444	30,000	100.00 %	313,581	68,227	2,296	2,296	1,264	〃
〃	Fubon Asset Management Co., Ltd.	Taipei City	September 18, 1992		Investment trust	3,109,830	3,109,830	230,345	100.00 %	3,174,100	657,701	183,185	183,185	159,077	〃

(Continued)

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Date of establishment	FSC Rule No.	Major operations	Initial investment (Amount) Ending balance	Initial investment (Amount) Beginning balance	Ending balance Shares	Ending balance Ratio of shares	Ending balance Book value	Revenue of investee	Net income of investee	Investment income (losses)	Cash dividend	Notes
Fubon Securities Co., Ltd.	Fubon Securities Venture Capital	Taipei City	September 11, 2015		Venture Capital	300,000	300,000	30,000	100.00 %	342,985	45,531	41,991	41,998	9,687	The transaction was eliminated when the Company compiled its consolidated financial report.
〃	Fubon Mintou Venture Capital Co., Ltd.	Taipei City	May 28, 2017		Venture Capital	134,000	134,000	13,400	66.70 %	134,101	160	(102)	(68)	1,525	〃
〃	Fubon Financial Holding Venture Capital Co., Ltd.	Taipei City	October 17, 2003		Venture capital	649,970	649,970	55,321	11.20 %	916,701	775,787	465,992	52,191	14,530	Investments accounted for using the equity method
Fubon Securities (BVI) Ltd.	Fubon Securities (HK) Ltd.	Hong Kong	July 29, 2010	No.0990010266	Securities business	1,098,242	598,242	283,178	100.00 %	763,414	18,626	(5,692)	(5,692)	-	The transaction was eliminated when the Company compiled its consolidated financial report.
Fubon Securities (BVI) Ltd.	Fubon Fund Management (HK) Ltd.	Hong Kong	February 12, 2019 (Note)	No.1070323515	Asset management	118,409	-	28,000	100.00 %	97,257	1,987	(17,570)	(17,835)	-	〃
Fubon Asset Management Co., Ltd.	Fubon Convoy Asset Management (HK) Ltd.	Hong Kong	February 23, 2017	No.1050051582	Asset management	27,577	27,577	6,860	49.00 %	6,320	-	1,527	748	-	〃

Note: The date of acquisition.

(c) Related information on overseas branches and representative offices

(In Thousands of New Taiwan Dollars)

Name of overseas branch or representative offices	Nationality and region	Date of establishment	FSC Rule No.	Major operations	Revenue	Income after tax	Allocating operating capital: The end of the last period	Allocating operating capital: Increasing operating capital	Allocating operating capital: Decreasing operating capital	Allocating operating capital: The end of the period	Important transactions with the Corporation	Note
Fubon Securities Co., Ltd. Beijing representative office	Mainland China Beijing	April 21, 2011	No.0980049701	Overseas non profit organization	-	3,545	1,587	2,866	2,270	2,184	None	Note 1

Note 1: The increasing operating capital includes the interest revenue amounting to $0.30 thousand, which was recognized in other revenues.

(d) Related information on investee in Mainland China

(i) Information on investment in Mainland China

(In Thousands of New Taiwan Dollars)

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (note 1)	Beginning remittance balance－Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount): Remittance amount	Current remittance/recoverable investment (amount): Recoverable amount	Ending remittance balance Cumulative investment (amount) from Taiwan	Net income of investee	Direct/indirect shareholdings (%) in the company	Current investment gains and losses	Book value	Remittance of investment income as of current period
Founder Fubon Fund Management Ltd.	Fund raising sale and asset management	2,983,926 (CNY660,000)	(Note 1)	1,029,119	-	-	1,029,119	(108,407)	33.30 %	(36,221)	654,657	-
Fubon Securities Venture Capital	Venture Capital	904,220 (CNY200,000)	(Note 1)	944,532	-	-	944,532	(70)	100.00 %	(70)	899,837	-

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(ii) Limitation on investment in Mainland China

Name	Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 2)
Fubon Asset Management Co., Ltd.	1,029,119 (CNY219,780)	1,029,119 (CNY219,780)	1,904,460
Fubon Securities Co., Ltd.	944,532 (CNY200,000)	1,017,360 (CNY200,000)	21,745,695

Note 1: Direct cash investment to Mainland China.

Note 2: The net value calculated by the Company and the subsidiary Fubon Asset Management on June 30, 2019.

(iii) On November 18, 2014, the board of directors approved participating in the capital increase for cash in Huishang Futures Co., Ltd. in Mainland China. However, after considering the financial situation, the shareholders of Huishang Futures Co., Ltd. requested to change the cooperation plan. After negotiation, the Company decided not to participate in the capital increase, and announced the decision on March 26, 2018.

(iv) On March 19, 2015, the board of directors of the Company has approved to set up a new subsidiary in Mainland China. The project had been approved by the FSC, Rule No. 1040042628 on November 24, 2015 and by the Investment Commission, MOEA, Rule No. 10430066740 on January 20, 2016. The expected investment amount is CNY 200 millions in cash. The project had been approved by the authorities in Mainland China on June 6, 2016. As of June 30, 2017, the Company has remitted the capital amount of CNY 200 millions.

(v) The board of directors of Fubon Asset Management had approved to participate in the capital increased by cash of Founder Fubon Fund Management Co., Ltd. on February 1, 2016. The investment project was approved by the FSC and the Investment Commission, MOEA on April 7 and May 31, 2016, respectively, for the investment amount of CNY 66.6 millions. As of June 7, 2016, Fubon Asset Management has remitted the amount of $329,004. The board of directors of Fubon Asset Management had approved to participate in the capital increase by cash of Funder Founder Fund Management Co., Ltd on November 28, 2017. The investment project was approved by the FSC and the Investment Commission, MOEA on January 5 and February 7, 2018, respectively, for the investment amount of CNY 86,580 thouand. Fubon Asset Management remitted the amount of TWD 402,597 thousand on March 12, 2018. As of June 30, 2018, the paid-in capital of Founder Fubon Fund Management Co., Ltd. amounted to CNY660,000 thousand, with Fubon Asset Management contributing the amount of 1,029,119 thousand.

FUBON SECURITIES CO., LTD. AND SUBSIDIARIES
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(e) Related information on investee companies in other countries which do not have any securities authority:

In accordance with the Rule No. 10400414001 issued by the FSC on November 19, 2015, the Group should disclose the following information on investing in the foreign business in British Virgin Islands (BVI) as of June 30, 2019.

(i) Condensed balance sheet and income statement:

1) Balance sheet

(In Thousands of USD)

Items	Fubon Securities (BVI)
Bank deposits and other assets	552
Investments accounted for using equity method	27,693
Total asset	28,245
Capital stock	35,046
Retained earnings	(7,077)
Other equity	276
Total stockholders' equity	28,245

2) Statement of comprehensive income

(In Thousands of USD)

Items	Fubon Securities (BVI)
Operating expenses	(32)
Non-operating revenue and expenses	(759)
Net loss before tax	(781)
Net loss after tax	(781)

(ii) Securities held as of June 30, 2019, were as follows:

(In Thousands of USD)

Holding company	Security	Listed name	June 30, 2019	
			Shares	Amounts
Fubon Securities (BVI)	Equity investment: Fubon Securities (HK)	Investment accounted for using equity method (share holding ratio: 100.00%)	283,178	$ **24,563**
	Fubon Fund Management (HK)	〃	28,000	3,129
	Total			$ 27,692

(iii) Derivative financial instruments business and source of capital: None.

(Continued)

(iv) Asset management revenue from advisory, service, and litigation: None.

(14) Segment information

(a) Operating segment information

The Group offers different products and services based on the strategies of the Group, the main businesses, and geographical area. The various types of business are administered separately and have different finance and marketing strategies. The following are the segments the Group should report:

(i) Dealing business: With its own funds, the dealing business engaged in trading securities, futures, options, and related listed stock instruments approved by the authorities, and undertook profit and loss risks.

(ii) Financial market business: Engaged in warrant liabilities, structured instruments, equity derivative instruments, and related business.

(iii) Investment bank business: Engaged in helping business enterprises to have an initial public offering or to register on the emerging or listed market, in underwriting and selling securities, in helping business enterprises to raise funds, and related business.

(iv) Brokerage business: Engaged in brokerage trading, margin trading, and futures brokerage services.

(v) Futures business: Engaged in futures and options trading for hedging or non-hedging purposes in futures and options markets.

(vi) Fubon Futures Co., Ltd.: Engaged in the business of domestic and international futures brokerage services and futures investment consultancy, accepting appointments to handle futures trading, and assisting in or performing closing for other non-closing futures brokers.

(vii) Fubon Asset Management Co., Ltd.: Engaged in securities asset management services, etc.

(viii) Fubon Securities (BVI) Ltd.: Engaged in domestic and international brokerage trades and other related investment activities.

(ix) Others: Fubon Investment Service Co., Ltd.: Accepted appointments to provide research and analyses related to securities investment advice or recommendations, and other investment advisory services. Fubon Securities Venture Capital: Engaged in venture capital services. Fubon Securities Equity Investment: Engaged in equity investment services. Fubon Mintou Venture Capital Co., Ltd.: Engaged in venture capital services.

(b) Reportable segment profit or loss

The Group does not allocate tax expenses or extraordinary activity gains or losses to reporting segments. The reportable amount is similar to that in the report used by the chief operating decision maker.

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The operating segment accounting policies are similar to those described in note 4 "Significant Accounting Policies". The income of the operating segments is based on income before tax, which also serves as the basis for performance measurement. The sales and transfers between departments are regarded as third-party sales and transfers and are measured by current market value.

(c) The Group's business information and reconciliation

	For the three months ended June 30 2019									
	Dealing business	Equity derivative business	Underwriting business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Asset Management Co., Ltd.	Fubon Securities (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues										
Revenue from external customers	$ 74,267	341,892	55,212	1,297,333	172,177	336,405	9,678	20,913	(25,411)	2,282,466
Revenue between segments	-	(159)	150	9,349	-	-	-	(9,340)	-	-
Total revenues	$ 74,267	341,733	55,362	1,306,682	172,177	336,405	9,678	11,573	(25,411)	2,282,466
Segment income (Note)	$ 47,795	160,128	6,798	497,180	78,410	125,333	(14,439)	(14,325)	(145,451)	741,429

	For the three months ended June 30 2018									
	Dealing business	Equity derivative business	Underwriting business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Asset Management Co., Ltd.	Fubon Securities (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues										
Revenue from external customers	$ 103,871	197,946	258,996	1,558,040	183,686	256,925	15,466	78,235	(50,520)	2,602,645
Revenue between segments	-	11,447	(17,564)	15,284	-	-	-	-	(9,167)	-
Total revenues	$ 103,871	209,393	241,432	1,573,324	183,686	256,925	15,466	78,235	(59,687)	2,602,645
Segment income (Note)	$ 65,838	38,923	171,959	676,546	35,794	69,987	745	192,902	(287,504)	965,190

	For the six months ended June 30 2019									
	Dealing business	Equity derivative business	Underwriting business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Asset Management Co., Ltd.	Fubon Securities (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues										
Revenue from external customers	$ 120,795	704,479	241,826	2,487,724	313,036	660,322	19,065	33,400	(43,644)	4,537,003
Revenue between segments	-	247	300	20,228	-	-	-	(20,775)	-	-
Total revenues	$ 120,795	704,726	242,126	2,507,952	313,036	660,322	19,065	12,625	(43,644)	4,537,003
Segment income (Note)	$ 73,564	360,350	131,876	958,558	124,143	232,289	(24,219)	(46,400)	(260,978)	1,549,183

	For the six months ended June 30 2018									
	Dealing business	Equity derivative business	Underwriting business	Brokerage business	Fubon Futures Co., Ltd.	Fubon Asset Management Co., Ltd.	Fubon Securities (BVI) Ltd.	Others	Adjustment and reversal	Total
Revenues										
Revenue from external customers	$ 128,242	280,686	388,801	2,975,782	274,223	490,662	28,554	89,951	(188,766)	4,468,135
Revenue between segments	-	13,341	(17,414)	24,876	-	-	-	-	(20,803)	-
Total revenues	$ 128,242	294,027	371,387	3,000,658	274,223	490,662	28,554	89,951	(209,569)	4,468,135
Segment income (Note)	$ 45,056	5,238	214,711	1,278,784	(15,353)	132,669	(1,948)	14,277	(313,115)	1,360,319

Note: Income tax expense information is not included in segments information.

The aforementioned significant reconciliation of reporting segments does not include segment information and the offsetting of transactions between parent and subsidiaries. The decision maker of the Group does not make decisions based on the assets and liabilities of the operating segment, therefore, the Group's business information and reconciliation were not disclosed.