PRESIDENT SECURITIES CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002374

To the Board of Directors and Shareholders of President Securities Corporation

Opinion

We have audited the accompanying parent company only balance sheets of President Securities Corporation (the "Company) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of President Securities Corporation as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", and "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in

forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the parent company only financial statements of the current period are as follows:

Fair value measurement of unlisted stocks without active market

Description

Please refer to Note 4(7) for the accounting policies on unlisted stocks without active market (shown as "financial assets at fair value through other comprehensive income") and Note 5 for details of critical accounting judgements, estimates and assumption uncertainty. As at December 31, 2018, the unlisted stocks without active market held by the Company totalled $146,545 thousand and were shown as "financial assets at fair value through other comprehensive income" (Level 3 fair value).

Due to the lack of an active market, the fair value of the unlisted stocks held by the Company was determined using valuation method. Management measured its fair value by using comparable listed companies in the market approach. The main assumption of the market approach is calculation based on the latest published price-to-book ratio of comparable listed companies in similar industries, and considering discounts on market liquidity or risk particularity.

Above-mentioned estimation of fair value involves various assumptions and material unobservable inputs, which has high uncertainty and relies on the subjective judgement of management. Any changes in judgements and estimates may affect the ultimate result of accounting estimates and have an impact on the financial statements of the Company. Thus, we have included the fair value measurement of unlisted stocks without active market as a key audit matter in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed policy documents, internal control system, fair value measurement models and approval processes that are related to fair value measurement of unlisted stocks;
2. Ascertained whether the measurement methods used by the management is commonly used by the industry;
3. Assessed the reasonableness of parameter of similar companies used by management;
4. Examined inputs and calculation formulas used in valuation models and agreed such data to supporting documents.

Impairment assessment of investments accounted for under equity method

Description

Please refer to Note 4(13) for accounting policies on investments accounted for under equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(11) for details of investments accounted for under equity method.

The Company held 42.46% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2018, the amount was $569,230 thousand. Impairment assessment is based on the expected future cash flow of the security brokerage segment, discounted at an appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the security brokerage segment is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. These are subjective judgements, have a high degree of uncertainties, and are material to the recoverable amount. Thus, we consider the impairment assessment of goodwill as a key audit matter in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the impairment assessment report prepared by an external valuation expert who was commissioned by the management;
2. Assessed the reasonableness of expected future cash flows, discount rate and other significant assumptions applied in the cash flow model; and
3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 for such internal control as management determines is necessary to enable the preparation of parent company only financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Se-Kai

Independent Accountants

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
110000	**Current assets**					
111100	Cash and cash equivalents	6(1)	$ 3,493,138	6	$ 4,036,336	6
112000	Financial assets at fair value through profit or loss - current	6(2)	26,802,010	47	37,805,199	50
113200	Financial assets at fair value through other comprehensive income - current	6(3)	296,304	1	-	-
113400	Available-for-sale financial assets - current		-	-	1,044,031	2
114010	Bonds purchased under resale agreements	6(4)	93,193	-	-	-
114030	Margin loans receivable	6(5)	8,020,488	14	11,415,870	15
114040	Refinancing security deposits		4,402	-	79,350	-
114050	Receivables from refinance guaranty		8,387	-	67,160	-
114090	Receivables from security lending		78,316	-	88,318	-
114100	Security lending deposits		785,431	1	745,882	1
114110	Notes receivable		735	-	1,365	-
114130	Accounts receivable	6(6)	8,236,367	14	10,748,383	14
114140	Accounts receivable - related parties	6(6)	3,895	-	5,546	-
114150	Prepayments		16,287	-	25,114	-
114170	Other receivables	6(7)	7,264	-	8,005	-
119000	Other current assets	6(8)	447,498	1	783,916	1
110000	**Total current assets**		48,293,715	84	66,854,475	89
120000	**Noncurrent assets**					
122000	Financial assets at fair value through profit or loss - noncurrent	6(2)	66,354	-	50,342	-
123100	Financial assets at cost - noncurrent		-	-	9,058	-
123200	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	146,545	-	-	-
124100	Investments in associates	6(11)	5,347,315	9	4,652,492	6
125000	Property and equipment, net	6(12)	2,269,210	4	2,260,981	3
126000	Investment property, net	6(13)	274,703	1	276,803	1
127000	Intangible assets	6(14)	67,004	-	62,317	-
128000	Deferred tax assets	6(45)	120,661	-	136,166	-
129000	Other assets - noncurrent	6(15)	1,009,981	2	957,894	1
120000	**Total noncurrent assets**		9,301,773	16	8,406,053	11
906001	**Total Assets**		$ 57,595,488	100	$ 75,260,528	100

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PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
210000	**Current liabilities**					
211100	Short-term loans	6(16)	$ 939,879	2	$ 6,281,968	8
211200	Commercial papers payable	6(17)	-	-	3,649,631	5
212000	Financial liabilities at fair value through profit or loss - current	6(18)	865,530	1	1,205,864	2
214010	Bonds sold under repurchase agreements	6(19)	15,066,599	26	20,911,658	28
214040	Deposits on short sales		1,767,269	3	1,861,947	3
214050	Short sale proceeds payable		2,007,202	3	2,197,656	3
214070	Guarantee deposit received on borrowed securities		621	-	225,395	-
214130	Accounts payable	6(20)	7,292,947	13	8,459,592	11
214150	Advance receipts		55	-	117	-
214160	Collections on behalf of third parties		361,033	1	436,180	1
214170	Other payables	6(21)	790,369	1	1,075,914	1
214200	Other financial liabilities - current	6(22)	2,687,009	5	3,199,298	4
214600	Current tax liability	6(45)	126,192	-	279,092	-
219000	Other current liabilities		8,596	-	4,260	-
210000	**Total current liabilities**		31,913,301	55	49,788,572	66
220000	**Noncurrent liabilities**					
228000	Deferred tax liability	6(45)	14,274	-	15,173	-
229000	Other liabilities - noncurrent	6(23)	21,928	-	71,129	-
220000	**Total noncurrent liabilities**		36,202	-	86,302	-
906003	**Total Liabilities**		31,949,503	55	49,874,874	66
301000	**Capital**					
301010	Common stock	6(25)	13,904,281	24	13,904,281	19
302000	**Capital reserve**		142,702	1	142,702	-
304000	**Retained earnings**	6(26)				
304010	Legal reserve		2,755,737	5	2,503,765	3
304020	Special reserve		6,945,453	12	6,373,559	9
304040	Unappropriated earnings		1,278,472	2	2,519,721	3
305000	**Other equity interest**		619,340	1	(58,374)	-
906004	**Total equity**		25,645,985	45	25,385,654	34
906002	**Total liabilities and equity**		$ 57,595,488	100	$ 75,260,528	100

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
400000	**Revenues**					
401000	Brokerage handling fee revenue	6(27)	$ 1,709,656	36	$ 1,566,042	24
404000	Revenues from underwriting business	6(28)	53,228	1	56,114	1
406000	Gain on wealth management		18,665	-	16,233	-
410000	Gain on sale of trading securities	6(29)	277,015	6	2,911,156	46
421100	Revenue from providing agency service for stock affairs		74,882	2	77,346	1
421200	Interest revenue	6(30)	1,256,294	27	1,416,803	22
421300	Dividend revenue		207,302	4	231,203	4
421500	Valuation (loss) gain on operating securities at fair value through profit or loss	6(31)	(366,829)	(8)	372,744	6
421600	Gain (loss) on covering of borrowed securities and bonds with resale agreements-short sales	6(32)	27,788	1	(102,116)	(2)
421610	Valuation gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(33)	22,067	-	2,975	-
421750	Realised loss on financial assets measured at fair value through other comprehensive income-bonds	6(34)	(24,289)	-	-	-
422200	Gain from issuance of call (put) warrants	6(35)	1,060,385	23	305,912	5
424100	Future commission revenue		59,189	1	51,466	1
424400	Gain (loss) from derivatives	6(36)	200,152	4	(205,752)	(3)
425300	Impairment loss	6(37)	(52,082)	(1)	-	-
428000	Other operating income (loss)	6(38)	164,467	4	(340,141)	(5)
	Total revenue		4,687,890	100	6,359,985	100
500000	**Total expenditure and expense**					
501000/ 502000/ 503000	Handling charges	6(39)	(344,064)	(7)	(246,831)	(4)
521200	Finance costs	6(40)	(397,110)	(9)	(380,537)	(6)
524200	Securities commission expense		(148)	-	(277)	-
524300	Expense of clearing and settlement		(14,806)	-	(16,342)	-
528000	Other operating expenditure		(46)	-	(35)	-
531000	Employee benefits expense	6(41)	(1,787,401)	(38)	(1,989,321)	(31)
532000	Depreciation and amortization	6(42)	(75,875)	(2)	(93,012)	(2)
533000	Other operating expense	6(43)	(1,188,099)	(25)	(1,299,732)	(20)
	Total expenditure and expense		(3,807,549)	(81)	(4,026,087)	(63)
	Net operating income		880,341	19	2,333,898	37
601100	Share of profit of subsidiaries, associates and joint ventures accounted for under the using equity method	6(11)	379,275	8	324,762	5
602000	Other gains and losses	6(44)	126,030	3	149,541	2
902001	**Profit before tax**		1,385,646	30	2,808,201	44
701000	Income tax expense	6(45)	(175,323)	(4)	(189,432)	(3)
902005	**Net income**		$ 1,210,323	26	$ 2,618,769	41

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PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
805510	Remeasurements of defined benefit plan		$ 14,773	-	($ 129,591)	(2)
805540	Unrealised gain from investments in equity instruments at fair value through other comprehensive income		12,307	-	-	-
805560	Other comprehensive gain of subsidiaries, associates, and joint ventures accounted for under equity method		26,141	1	1,173	-
805599	Income tax benefit relating to components of other comprehensive income		8,931	-	22,031	-
	Items may be reclassified to profit of loss subsequently					
805610	Translation gain (loss) on the financial statements of foreign operating entities		85,342	2	(213,712)	(3)
805615	Unrealised loss from investments in debt instruments at fair value through other comprehensive income		(2,223)	-	-	-
805620	Unrealised gain on available-for-sale financial assets		-	-	34,080	-
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	(28,026)	-
805000	**Current other comprehensive income(post-tax)**		$ 145,271	3	($ 314,045)	(5)
902006	**Total current comprehensive income**		$ 1,355,594	29	$ 2,304,724	36
	Earnings per share	6(46)				
975000	**Basic earnings per share**		$ 0.87		$ 1.88	
985000	**Diluted earnings per share**		$ 0.87		$ 1.88	

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity interest			
	Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealised gain or loss on financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total equity
For the year ended December 31,2017										
Balance at January 1, 2017		$ 13,356,658	$ 142,702	$ 2,423,914	$ 6,209,865	$ 798,507	$ 147,621	$ -	$ 1,663	$ 23,080,930
Appropriations of 2016 earnings										
Legal reserve appropriated	6(25)	-	-	79,851	-	(79,851)	-	-	-	-
Special reserve appropriated	6(25)	-	-	-	163,694	(163,694)	-	-	-	-
Stock dividends of ordinary shares	6(26)	547,623	-	-	-	(547,623)	-	-	-	-
Net income for the year ended December 31, 2017		-	-	-	-	2,618,769	-	-	-	2,618,769
Other comprehensive income (loss) for the year ended December 31, 2017		-	-	-	-	(106,387)	(213,712)	-	6,054	(314,045)
Total comprehensive income		-	-	-	-	2,512,382	(213,712)	-	6,054	2,304,724
Balance at December 31, 2017		$ 13,904,281	$ 142,702	$ 2,503,765	$ 6,373,559	$ 2,519,721	($ 66,091)	$ -	$ 7,717	$ 25,385,654
For the year ended December 31, 2018										
Balance at January 1, 2018		$ 13,904,281	$ 142,702	$ 2,503,765	$ 6,373,559	$ 2,519,721	($ 66,091)	$ -	$ 7,717	$ 25,385,654
Effects of retrospective application and retrospective restatement		-	-	-	-	17,538	-	563,430	(7,717)	573,251
Balance at January 1, 2018 after adjustments		13,904,281	142,702	2,503,765	6,373,559	2,537,259	(66,091)	563,430	-	25,958,905
Appropriations of 2017 earnings										
Legal reserve appropriated	6(25)	-	-	251,972	-	(251,972)	-	-	-	-
Special reserve appropriated	6(25)	-	-	-	571,894	(571,894)	-	-	-	-
Cash dividends of ordinary shares	6(26)	-	-	-	-	(1,668,514)	-	-	-	(1,668,514)
Net income for the year ended December 31, 2018		-	-	-	-	1,210,323	-	-	-	1,210,323
Other comprehensive income for the year ended December 31, 2018		-	-	-	-	23,270	85,342	36,659	-	145,271
Total comprehensive income		-	-	-	-	1,233,593	85,342	36,659	-	1,355,594
Balance at December 31, 2018		$ 13,904,281	$ 142,702	$ 2,755,737	$ 6,945,453	$ 1,278,472	$ 19,251	$ 600,089	$ -	$ 25,645,985

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	Years ended December 31 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,385,646	$ 2,808,201
Adjustments			
Income and expense having no effect on cash flows			
Depreciation	6(42)	61,944	66,114
Amortization	6(42)	13,931	26,898
Write-off of bad debts classified as income	6(15)	-	(6,068)
Provision for bad debts		-	63,471
Impairment gain and reversal of impairment loss	6(37)	52,798	-
Valuation gains (loss) on operating securities at fair value through profit or loss	6(2)(31)	366,829	(372,744)
Valuation gain (loss) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(33)	(22,067)	(2,975)
Interest costs		397,110	380,537
Interest income (include financial income)	6(30)(44)	(1,274,766)	(1,426,810)
Dividend income		(214,549)	(239,054)
Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(11)	(379,275)	(324,762)
Loss on disposal of property and equipment	6(12)	11	658
Loss on disposal of investments(financial assets measured at cost)		-	280
Loss (gain) on valuation of non-operating financial instrument	6(44)	4,013	(332)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		10,624,601	2,895,268
Financial assets at fair value through other comprehensive income - current		741,883	-
Available-for-sale financial assets - current		-	322,825
Bonds purchased under resale agreements		(93,193)	2,093,498
Margin loans receivable		3,417,807	(2,781,548)
Refinancing security deposits		74,948	(60,656)
Receivables from refinance guaranty		58,773	(33,779)
Receivables from security lending		10,002	69,457
Security lending deposits		(39,549)	(484,746)
Notes receivable		630	(433)
Accounts receivable		2,404,487	(5,352,489)
Accounts receivable - related parties		1,651	(753)
Prepayments		8,827	14,910
Other receivables		1,239	(1,484)
Other current assets		336,418	261,319
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(318,267)	(1,210,185)
Bonds sold under repurchase agreements		(5,845,059)	(2,173,604)
Deposits on short sales		(94,678)	575,358
Short sale proceeds payable		(190,454)	680,861
Guarantee deposit received on borrowed securities		(224,774)	166,199
Accounts payable		(1,167,642)	3,000,203
Advance receipts		(62)	(267)
Collections on behalf of third parties		(75,147)	24,365
Other payables		(285,908)	436,677
Other financial liabilities - current		(512,289)	1,807,001
Other current liabilities		4,336	1,308

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PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	Years ended December 31 2017
Cash inflow generated from operations		$ 9,230,205	$ 1,222,719
Dividends received		423,184	485,188
Interest received		1,322,076	1,466,416
Income tax paid		(304,686)	(50,728)
Net cash flows from operating activities		10,670,779	3,123,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at cost		-	1,128
Acquisition of property and equipment	6(12)	(38,643)	(16,996)
Acquisition of intangible assets	6(14)	(10,187)	(2,128)
Acquisition of investments accounted for under equity method		-	(92,682)
Increase in other non-current liabilities		(42,016)	(41,044)
Increase in prepayment for equipment		(33,171)	(20,036)
Net cash flows used in investing activities		(124,017)	(171,758)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans		(5,342,089)	226,043
Decrease in commercial papers payable		(3,650,000)	(2,650,000)
Decrease in other non-current liabilities		(49,201)	(326)
Interest paid		(395,381)	(372,528)
Payments of cash dividends	6(26)	(1,668,514)	-
Net cash flows used in financing activities		(11,105,185)	(2,796,811)
Effect of exchange rate changes on cash and cash equivalents		15,225	(21,198)
Net (decrease) increase in cash and cash equivalents		(543,198)	133,828
Cash and cash equivalents at beginning of year		4,036,336	3,902,508
Cash and cash equivalents at end of year		$ 3,493,138	$ 4,036,336

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

1. HISTORY AND ORGANIZATION

   1) President Securities Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 17, 1988, and was renamed as President Securities Corporation on March 4, 1989. The Company started commercial operations on April 3, 1989. As of December 31, 2018, the Company had 36 operating branches (including the Head Office), and established Offshore Securities Unit in July 2014.
   2) The Company is primarily engaged in underwriting of securities, dealing or brokerage business of securities at the securities exchange markets and business premises, registration and transfer agency service for securities, margin loans and short sales business of securities, securities lending and borrowing business, futures introducing brokerage services, futures dealing, issuance of call (put) warrants, new financial instrument transactions, wealth management business, and trust business.
   3) The Company's shares are listed on the Taiwan Stock Exchange.
   4) The number of employees of the Company were both 1,483, as of December 31, 2018 and 2017.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

   These parent company only financial statements were authorized for issuance by the Board of Directors on March 22, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

   1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

      New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1,'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12,'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28,'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of

credit allowance).

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(8).

2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	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
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects

will be adjusted on January 1, 2019. The Company will increase right-of-use asset by $203,511 and lease liability by $200,880, and decrease prepayments by $2,631 and this has no effect on retained earnings.

3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described below:

1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants".

2) Basis of preparation

A. Except for the following items, these financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to

exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

C. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and 2016 were not restated. The financial statements for the year ended December 31, 2017 and 2016 were prepared in compliance with International Accounting Standard 39 ('IAS 39') and related financial reporting interpretations. Please refer to Note 12(8) for details of significant accounting policies.

3) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realised within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

4) Translation of foreign currency transactions

A. Foreign currency translation and presentation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). Functional currency and bookkeeping currency of the Company is New Taiwan Dollars.

B. Foreign currency transactions and balances

Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities denominated in foreign currency are translated by the closing exchange rate at balance sheet date. The closing exchange rate is determined by the market exchange rate. Non-monetary assets and liabilities denominated in foreign currencies which are carried at historical cost are re-translated at the exchange rates prevailing at the original transaction date. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income.

C. Translation of foreign operations

The operating results and financial position of all the company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(C) All resulting exchange differences are recognised in other comprehensive income.

5) <u>Cash and cash equivalents</u>

A. In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

6) <u>Financial assets and financial liabilities at fair value through profit or loss</u>

<u>Effective 2018</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

7) Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a)The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b)The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a)The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b)Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

8) Notes and accounts receivable, other receivables and margin loans receivable

A. Accounts and notes receivable and margin loans receivables entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

9) Bonds sold under repurchase agreements and bonds purchased under resale agreements

Bond transactions under repurchase or resale agreements are stated at the amount of actual payment or receipt. When transactions of bonds with a condition of resale agreements occur, the actual payment or receipt shall be recognized in 'bonds purchased under resale agreements' under current assets. When transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognized in 'bonds sold under repurchase agreements' under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized in interest income or interest expense.

10) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

11) Derecognition of financial instruments

A. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.

(B) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

(C) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

B. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

12) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

13) Investments accounted for under the equity method/Subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for using the equity method and are initially recognised at cost.

B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Company does not recognise further losses.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

F. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes its share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. According to "Regulations Governing the Preparation of Financial Reports by

Securities Firms", the profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

I. When there are objective evidences of impairment at balance sheet date, the Company considers the whole investment carrying amount as single asset, and compares its recoverable amount (value in use or fair value less costs of disposal) with the carrying amount, to test its impairment. Value in use is determined by the present value of the Company's share of the expected future cash flow from the associates. If the recoverable amount is less than its carrying amount, an impairment loss should be recognized. The loss will not be allocated to any of the components (including goodwill), which comprise the carrying amount of the investment. An impairment loss recognized in prior periods shall be reversed if circumstances of impairment no longer exist or have decreased.

14) Property and equipment

A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property and equipment are subsequently measured using the cost model and depreciated using the straight-line method to allocate their cost over their estimated useful lives.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property and equipment are as follows:

	Useful lives
Buildings	5~50 years
Furniture and fixtures	4~10 years
Computer equipment	3~5 years
Electrical equipment	3~10 years
Leasehold improvements	5 years

E. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.

15) Investment property

A. Investment property of the Company is the property held either to earn long-term rental income or for capital appreciation or for both.

B. Part of the property may be held by the Company for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Company can be sold individually, then the accounting treatment should be made respectively. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

C. When the future economic benefit related to the investment property is highly likely to flow into the Company and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized in profit or loss as incurred.

D. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

16) Intangible assets

A. The cost of computer software is amortized using the straight-line method over the useful lives based on acquisition cost, with an amortization period of 4 years.

B. Customer relationships is amortized evenly over its estimated useful life of 3.6 years.

C. In accordance with IFRS 3 'Business combinations' as endorsed by FSC, goodwill arises when the acquisition cost exceeds the fair value of identifiable assets and liabilities of the consolidated subsidiary on the consolidation date. The goodwill arising from the consolidated subsidiary is included in the intangible asset. Goodwill is tested annually for impairment and any impairment loss will be recognized when impairment occurs. Impairment losses on goodwill are not reversed.

17) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

18) Financial liabilities at fair value through profit or loss

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

19) Contingent liabilities

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Company did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employee. The Company recognized expense as it can no longer withdraw an offer of termination benefit or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

C. Pensions

(A) Defined contribution plans

Effective July 1, 2005, the Company established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. Net defined benefit asset can only be recognized when there is a cash refund or elimination in the future accrued pension liabilities.

(B) Defined benefit plans

a. In a defined benefit plan, the pension paid is determined based on the amount that an employee shall receive upon retirement, which could vary with age, work seniority and salary compensations. The Company recognizes the accrued pension obligations in the balance sheet based on the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net of past service cost recognized as liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The present value of the defined benefit obligation is determined using the market yield of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

D. Employees' remuneration and directors' remuneration

Employees' and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

21) Revenues and expenses

The Company's revenues and expenses mainly include:

A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.

B. Underwriting fees and related service charges: Application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.

C. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost. Costs and expenses are recognized as incurred.

D. Operating expenses: Operating expenses refer to required expenses incurred in the Company's operations, which primarily include employee benefit expense, depreciation and amortization, and other business and administrative expenses.

22) Income tax

A. Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where a company operates and generates taxable income. Except for the transactions or other matters directly recognized in other comprehensive income or equity, in which cases the related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense for the period.

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realisation or the liabilities settlement requires, which is based on the effective or existing tax rate at the balance sheet date. The carrying amounts and temporary differences of assets and liabilities included in the balance sheet are calculated using the liability method and recognised as deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss). Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. If the future taxable income is probable to provide unused loss carryforwards or deferred income tax credit which can be realised in the future, the proportion of realisation is deemed as deferred income tax asset.

C. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax

regulations. It establishes provisions for income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

23) Share capital

A. Incremental costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, from equity. Dividends from common stocks are recognized as equity in the financial period in which they are approved by the Company's shareholders. If the date of dividends declared is later than the balance sheet date, common stocks are disclosed in the subsequent events.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

24) Earnings per share

A. Earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.

B. When the Company calculates earnings per share, basic earnings per share and diluted earnings per share for all potential ordinary shares shall all be disclosed in accordance with IAS 33 "Earnings per share".

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

1) As the financial statements of the Company may be affected by the adoption of accounting policy, accounting estimate and assumption, the Company's management shall properly exercise its professional judgement, estimates, and assumptions on the information of the key risks that is obtained from other resources and could affect the carrying amounts of financial assets and liabilities in the next fiscal year while adopting critical accounting policies as stated in Note 4. Estimates and assumptions of the Company are the best estimates made in compliance with IFRSs as endorsed by the FSC. Estimates and assumptions are made based on past experience and other factors deemed relevant; however, the actual results may differ from the estimates. The Company evaluates the estimates and assumptions on an ongoing basis and recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.

2) Relevant information on key assumptions to be made in the future, key sources of assumption uncertainty made at balance sheet date, and assumptions and estimates that may cause key risks that could affect the carrying amounts of financial assets and liabilities are as follows:

A. Fair value of financial instruments

Financial instruments with no active market or quoted price use valuation technique to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible.

B. Expected credit losses

For financial assets, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(2) for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example:

(A)The criteria used to judge whether there is significant increase in credit risk.

(B)The selection of appropriate models and assumptions for measuring expected credit losses.

For judgements and estimations of the above expected credit losses, please refer to Note 12(2).

C. Impairment assessment on investment accounted for under equity method

When there are impairment indicators that show the investments accounted for under equity method are impaired and the carrying amount can no longer be recovered, the Company will assess the impairment of the investment. The Company assesses its share of the recoverable amount which is based on the discounted value of expected cash flow, and assesses the reasonableness of relevant assumptions, including revenue growth rate, operating profit margin, net profit margin, financial forecast, and discount rate.

D. Impairment assessment of goodwill

Impairment assessment of goodwill includes allocation of assets, liabilities, and goodwill to brokerage segment, and determines the recoverable amount based on brokerage segment's present value of expected future cash flow. The assessment also analyzes reasonableness of relevant assumptions, including expected future trading volumes, market share, segment's operating profit margin, and discount rates.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Checking deposits	$ 372,001	$ 301,595
Current deposits:		
Deposits denominated in NTD	225,347	223,199
Deposits denominated in foreign currencies	544,590	1,637,042
Time deposits	2,351,200	1,874,500
Total	$ 3,493,138	$ 4,036,336

As of December 31, 2018 and 2017, the annual interest rates of time deposits, including foreign time deposits were 0.040% ~ 1.065% and 0.040% ~ 0.600%, respectively.

2) Financial assets at fair value through profit or loss

Effective 2018

	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss:	
Open-ended funds, money market instruments and securities investment by brokers	
Open-ended mutual funds beneficiary certificates	$ 225,000
Listed (TSE and OTC) stocks	1,384,265
Subtotal	1,609,265
Adjustment of open-ended funds and money market instruments and securities investment by brokers	781
Total	1,610,046

	December 31, 2018
Trading securities - dealer	
Listed (TSE and OTC) stocks	203,034
Government bonds	4,700,905
Corporate bonds	3,265,038
Convertible corporate bonds	148,279
Emerging stocks	67,424
Overseas stocks	9,551,592
Exchange-traded funds	2,765,819
Unlisted stocks	1,514
Subtotal	20,703,605
Adjustment of trading securities - dealer	(40,892)
Total	20,662,713
Trading securities - underwriter	
Listed (TSE and OTC) stocks	837,441
Convertible corporate bonds	479,500
Unlisted stocks	14,400
Subtotal	1,331,341
Adjustment of trading securities - underwriter	123,837
Total	1,455,178
Trading securities - hedging	
Listed (TSE and OTC) stocks	584,558
Convertible corporate bonds	613
Warrants	39,229
Exchange traded funds	154,782
Subtotal	779,182
Adjustment of trading securities - hedging	6,164
Total	785,346

Options bought - futures		24,463
Futures guarantee deposits receivable		2,260,964
Derivative financial instrument assets - OTC		3,300
Total	$	26,802,010
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss:		
Trading securities - dealer - government bonds	$	49,895
Unlisted stocks		2,609
Subtotal		52,504
Adjustment of trading securities		13,850
Total	$	66,354

a. For the year ended December 31, 2018, net realised and unrealised gains on financial assets and liabilities at fair value through profit or loss amounted to $1,220,578.

b. Details of the Company's financial assets at fair value through profit or loss pledged to others as collateral are provided in Note 8.

c. Information relating to credit risk is provided in Note 12(2).

d. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(8).

3) Financial assets at fair value through other comprehensive income

Effective 2018

		December 31, 2018
Current items:		
Debt instruments		
Trading securities - dealer		
Overseas bonds	$	290,816
Adjustment of trading securities - dealer		5,488
Total	$	296,304
Non-current items:		
Equity instruments		
Unlisted stocks	$	6,449
Adjustment of trading securities		140,096
Total	$	146,545

a. The Company has elected to classify unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounts to $146,545 as at December 31, 2018.

b. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	Year ended December 31, 2018
Fair value change recognised in other comprehensive income	$ 12,307
Debt instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	$ 22,066
Cumulative other comprehensive income reclassified to profit or loss	
Due to derecognition	($ 24,289)
Interest income recognised in profit or loss	$ 8,415

c. Details of the Company's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

d. Information relating to credit risk is provided in Note 12(2).

e. Information on financial assets at fair value through other comprehensive income as of December 31, 2017 is provided in Note 12(8).

4) Bonds purchased under resale agreements

	December 31, 2018	December 31, 2017
Overseas bonds	$ 93,193	$ -

The above bonds purchased under resale agreements as of December 31, 2018 was due within one year and were contracted to be resold at the agreed-upon price plus interest charge on the specific date after transaction. The total resale amounts were $93,705. The annual interest rates of every currency were as follows:

	December 31, 2018
Foreign currencies (Note)	2.20%

(Note)：Foreign currencies include USD.

5) Margin loans receivable

Margin loans receivable were secured by the securities purchased by customers under margin loans. The annual interest rate was 6.4%.

6) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable - related parties	$ 3,895	$ 5,546
Accounts receivable - non related parties		
Settlement price receivable-brokers	$ 6,289,700	$ 6,923,656
Settlement price receivable-dealer	668,765	293,630
Accounts receivable-international bonds	-	591,328
Accounts receivable-foreign bonds	142,329	1,742,322
Interest receivable	338,710	371,304
Settlement price	722,004	775,878
Others	77,520	54,624
Subtotal	8,239,028	10,752,742
Less: Allowance for uncollectible accounts	(2,661)	(4,359)
Total	$ 8,236,367	$ 10,748,383

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018					
	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 12 months	More than 12 months	Total
Accounts receivable						
Accounts receivable -related parties	$ 3,895	$ -	$ -	$ -	$ -	$ 3,895
Accounts receivable - non-related parties	7,906,191	36,760	90,459	138,336	67,282	8,239,028
	$ 7,910,086	$ 36,760	$ 90,459	$ 138,336	$ 67,282	$ 8,242,923

	December 31, 2017					
	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 12 months	More than 12 months	Total
Accounts receivable						
Accounts receivable -related parties	$ 5,546	$ -	$ -	$ -	$ -	$ 5,546
Accounts receivable - non-related parties	10,398,608	64,005	99,597	146,605	43,927	10,752,742
	$ 10,404,154	$ 64,005	$ 99,597	$ 146,605	$ 43,927	$ 10,758,288

The above ageing analysis was based on invoice day.

B. Information related to credit risk is provided in Note 12(2).

7) Other receivables

	December 31, 2018	December 31, 2017
Interest receivable	$ 3,745	$ 2,959
Others	3,807	5,046
Less: Impairment loss	(288)	-
Total	$ 7,264	$ 8,005

Information relating to credit risk is provided in Note 12(2).

8) Other current assets

	December 31, 2018	December 31, 2017
Pending settlements	$ 27,379	$ 45,977
Pledged time deposits	400,000	400,000
Deposits-in for foreign currency securities	-	228,016
Underwriting share proceeds collected on behalf of customers	18,542	108,673
Temporary payments	746	357
Others	831	893
Total	$ 447,498	$ 783,916

9) Transfer of financial assets

A. During the Company's activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or debt instruments lent out in accordance with securities borrowing and lending agreement. The cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Company may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognized as the Company is still exposed to interest rate risk and credit risk.

B. Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed below:

December 31, 2018		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreement	$ 15,506,358	$ 14,775,766
Available-for-sale financial assets		
Repurchase agreement	296,304	290,833

December 31, 2017		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreement	$ 22,148,171	$ 19,879,319
Available-for-sale financial assets		
Repurchase agreement	1,044,031	1,032,339

10) Offsetting financial assets and financial liabilities

A. The Company has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria, i.e. derivative financial instruments, resale and repurchase agreements. If one party breaches the contract, the counterparty can choose to use net settlement for the above transactions.

B. The offsetting of financial assets and financial liabilities are set as follows:

(1) Financial assets

December 31, 2018						
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 3,300	$ -	$ 3,300	$ 3,300	$ -	$ -
Bonds purchased under resale agreements	93,193	-	93,193	92,663	-	530
Total	$ 96,493	$ -	$ 96,493	$ 95,963	$ -	$ 530

December 31, 2017						
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 19,982	$ -	$ 19,982	$ 19,982	$ -	$ -

(2) Financial liabilities

December 31, 2018						
Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 11,112	$ -	$ 11,112	$ 3,300	$ -	$ 7,812
Bonds sold and repurchase agreements	8,713,387	-	8,713,387	8,713,387	-	-
Total	$ 8,724,499	$ -	$ 8,724,499	$ 8,716,687	$ -	$ 7,812

December 31, 2017						
Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 205,841	$ -	$ 205,841	$ 19,982	$ -	$ 185,859
Bonds sold and repurchase agreements	17,974,440	-	17,974,440	17,974,440	-	-
Total	$ 18,180,281	$ -	$ 18,180,281	$ 17,994,422	$ -	$ 185,859

11) Investments accounted for under the equity method

	December 31, 2018	December 31, 2017
Subsidiaries		
President Futures Corp.	$ 1,935,207	$ 1,433,680
President Securities (HK) Ltd.	72,792	68,782
President Capital Management Corp.	194,831	196,897
President Securities (BVI) Ltd	2,298,272	2,177,269
President Insurance Agency Corp.	31,911	31,995
PSC Venture Capital Investment Limited Company	245,072	247,776
	4,778,085	4,156,399
Joint ventures		
Uni-President Asset Management Corp.	569,230	496,093
	$ 5,347,315	$ 4,652,492

A. The Company's share of its associates' profits or losses recognised in long-term equity investment accounted for under the equity method for the years ended December 31, 2018 and 2017 were $379,275 and $ 324,762, respectively.
B. Details of information of subsidiaries are provided in Note 4(3) of consolidated financial statements of 2018.
C. On March 31, 2017 and October 13, 2017, the Company acquired 1,333,800 shares of Uni-President Asset Management Corp. and 5,000,000 shares of President Capital Management Corp. for a cash consideration of $42,682 and $50,000, respectively.
D. The financial information of the Company's principal associates is summarized as follows:
(a)The basic information of the joint ventures that are material to the Company is as follows:

Company name	Princial place of businesss	Shareholding ratio	Nature of relationship	Methods of measurement
		December 31, 2018		
Uni-President Asset Management Corp.	Taipei city	42.46%	Associate	Equity method
		December 31, 2017		
Uni-President Asset Management Corp.	Taipei city	42.46%	Associate	Equity method

(b)The summarized financial information of the joint ventures that are material to the Company is as follows:

Balance sheet

	Uni-President Asset Management Corp.	
	December 31, 2018	December 31, 2017
Current assets	$ 502,419	$ 466,401
Non-current assets	599,619	441,397
Current liabilities	(156,138)	(128,739)
Non-current liabilities	(27,364)	(33,530)
Total net assets	$ 918,536	$ 745,529
Share in joint venture's net assets	$ 390,041	$ 316,576
Goodwill and others	179,189	179,517
Carrying amount of the joint venture	$ 569,230	$ 496,093

Statement of comprehensive income

	Uni-President Asset Management Corp.	
	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 791,291	$ 679,240
Profit for the period from continuing operations	$ 239,809	$ 190,717
Other comprehensive income-net of tax	11,569	69
Total comprehensive income	$ 251,378	$ 190,786
Dividends received from associates	$ 72,511	$ 66,624

12) Property and equipment

January 1, 2018	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,573,570	$ 978,310	$ 123,708	$ 42,008	$ 2,717,596
Accumulated depreciation and impairment	-	(360,022)	(72,032)	(24,561)	(456,615)
Total	$ 1,573,570	$ 618,288	$ 51,676	$ 17,447	$ 2,260,981
For the year ended December 31, 2018					
January 1, 2018	$ 1,573,570	$ 618,288	$ 51,676	$ 17,447	$ 2,260,981
Additions	-	-	37,888	755	38,643
Disposals	-	-	(11)	-	(11)
Reclassifications	-	1,390	20,704	7,347	29,441
Depreciation	-	(22,928)	(27,969)	(8,947)	(59,844)
December 31, 2018	$ 1,573,570	$ 596,750	$ 82,288	$ 16,602	$ 2,269,210

December 31, 2018	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,573,570	$ 978,012	$ 138,552	$ 41,252	$ 2,731,386
Accumulated depreciation and impairment	-	(381,262)	(56,264)	(24,650)	(462,176)
Total	$ 1,573,570	$ 596,750	$ 82,288	$ 16,602	$ 2,269,210

January 1, 2017	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,573,570	$ 980,873	$ 137,413	$ 83,474	$ 2,775,330
Accumulated depreciation and impairment	-	(347,423)	(79,554)	(53,256)	(480,233)
Total	$ 1,573,570	$ 633,450	$ 57,859	$ 30,218	$ 2,295,097
For the year ended December 31, 2017					
January 1, 2017	$ 1,573,570	$ 633,450	$ 57,859	$ 30,218	$ 2,295,097
Additions	-	250	16,746	-	16,996
Disposals	-	-	(658)		(658)
Reclassification	-	7,080	6,480	-	13,560
Depreciation	-	(22,492)	(28,751)	(12,771)	(64,014)
December 31, 2017	$ 1,573,570	$ 618,288	$ 51,676	$ 17,447	$ 2,260,981

December 31, 2017	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,573,570	$ 978,310	$ 123,708	$ 42,008	$ 2,717,596
Accumulated depreciation and impairment	-	(360,022)	(72,032)	(24,561)	(456,615)
Total	$ 1,573,570	$ 618,288	$ 51,676	$ 17,447	$ 2,260,981

A. No interest was capitalized for property and equipment for the years ended December 31, 2018 and 2017.

B. The information on property and equipment pledged or restricted as of December 31, 2018 and 2017 is described in Note 8.

13) Investment property

January 1, 2018	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(28,372)	(28,372)
Total	$ 198,099	$ 78,704	$ 276,803
For the year ended December 31, 2018			
January 1, 2018	$ 198,099	$ 78,704	$ 276,803
Depreciation	-	(2,100)	(2,100)
December 31, 2018	$ 198,099	$ 76,604	$ 274,703
December 31, 2018	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(30,472)	(30,472)
Total	$ 198,099	$ 76,604	$ 274,703
January 1, 2017	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(26,272)	(26,272)
Total	$ 198,099	$ 80,804	$ 278,903
For the year ended December 31, 2017			
January 1, 2017	$ 198,099	$ 80,804	$ 278,903
Depreciation	-	(2,100)	(2,100)
December 31, 2017	$ 198,099	$ 78,704	$ 276,803
December 31, 2017	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(28,372)	(28,372)
Total	$ 198,099	$ 78,704	$ 276,803

A. For the years ended December 31, 2018 and 2017, rental income from the lease of the investment property were both $17,652, and direct operating expenses arising from the investment property were $3,611 and $3,267, respectively.

B. Details of fair value of investment property are provided in Note 12(5).

14) Intangible assets

January 1, 2018	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 41,212	$ 42,004	$ 54,160	$ 137,376
Accumulated depreciation and impairment	(25,937)	-	(49,122)	(75,059)
Total	$ 15,275	$ 42,004	$ 5,038	$ 62,317
For the year ended December 31, 2018				
January 1, 2018	$ 15,275	$ 42,004	$ 5,038	$ 62,317
Additions	10,187	-	-	10,187
Reclassifications	8,431	-	-	8,431
Depreciation	(8,893)	-	(5,038)	(13,931)
December 31, 2018	$ 25,000	$ 42,004	$ -	$ 67,004

December 31, 2018	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 43,167	$ 42,004	$ 54,160	$ 139,331
Accumulated depreciation and impairment	(18,167)	-	(54,160)	(72,327)
Total	$ 25,000	$ 42,004	$ -	$ 67,004

January 1, 2017	Computer sofware	Goodwill	Customer relationships and others	Total
Cost	$ 53,135	$ 42,004	$ 54,160	$ 149,299
Accumulated depreciation and impairment	(29,530)	-	(34,008)	(63,538)
Total	$ 23,605	$ 42,004	$ 20,152	$ 85,761
For the year ended December 31, 2017				
January 1, 2017	$ 23,605	$ 42,004	$ 20,152	$ 85,761
Additions	2,128	-	-	2,128
Reclassifications	1,326	-	-	1,326
Depreciation	(11,784)	-	(15,114)	(26,898)
December 31, 2017	$ 15,275	$ 42,004	$ 5,038	$ 62,317

December 31, 2017	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 41,212	$ 42,004	$ 54,160	$ 137,376
Accumulated depreciation and impairment	(25,937)	-	(49,122)	(75,059)
Total	$ 15,275	$ 42,004	$ 5,038	$ 62,317

A. No interest was capitalized for intangible assets for the years ended December 31, 2018 and 2017.

B. Goodwill and customer relationships were acquired through acceptance of transfer of the securities brokerage business of Standard Chartered (Taiwan) Bank's retail banking business, and

were all allocated to the Company's brokerage segment.

C. The recoverable amount of goodwill was determined based on its value in use. Calculations of value in use after-tax cash flow projections are based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The recoverable amount calculated based on the value in use exceeded the carrying amount, thus the goodwill was not impaired. The key assumptions used for calculation of value in use are as follows:

	Brokerage Segment	
	2018	2017
Growth rate	0.00%	0.00%
Discount rate	11.96%	17.49%

Management determined the growth rate based on past performance and its expectations of market development. The discount rates were based on the weighted average financing cost rates determined by the Company's capital asset pricing model. The discount rates also reflect specific risks related to relevant operating segments.

(Blank below)

15) Other noncurrent assets

	December 31, 2018	December 31, 2017
Operation guaranteed deposits	$ 540,000	$ 542,000
Clearing and settlement fund	224,205	219,713
Refundable deposits	239,359	185,647
Defined benefit obiligations	44	-
Prepayment for equipment	5,653	10,354
Overdue receivables	213,075	136,443
Others	720	180
Subtotal	1,223,056	1,094,337
Less: Allowance for uncollectible accounts-overdue receivables	(213,075)	(136,443)
Total	$ 1,009,981	$ 957,894

16) Short-term loans

	December 31, 2018	December 31, 2017
Secured loans	$ -	$ 945,000
Unsecured loans	939,879	5,336,968
Total	$ 939,879	$ 6,281,968
Interest rates	3.411%~3.500%	0.700%~3.250%

17) Commercial papers payable

	December 31, 2018	December 31, 2017
Face value	$ -	$ 3,650,000
Less: discount on commercial papers payable	-	(369)
Total	$ -	$ 3,649,631
Interest rates	-	0.370%~0.485%

18) Financial liabilities at fair value through profit or loss - current

	December 31, 2018	December 31, 2017
Investments in bonds under resale agreements - short sales	$ 90,545	$ -
Valuation adjustment of financial assets held for trading	3,069	-
Subtotal	93,614	-
Liabilities on sale of borrowed securities - hedged	148,009	151,745
Valuation adjustment on liabilities on sale of borrowed securities - hedged	(15,145)	(10,481)
Liabilities on sale of borrowed securities - non-hedged	391,436	207,280
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	(19,457)	1,982
Subtotal	504,843	350,526
Issuance of call (put) warrants	15,115,760	12,851,599
Gain on price fluctuation	(7,549,321)	(5,599,183)
Market value (A)	7,566,439	7,252,416
Warrants redeemed	(11,955,149)	(9,460,551)
Loss on price fluctuation	4,622,139	2,813,270
Market value (B)	(7,333,010)	(6,647,281)
Warrants - net (A+B)	233,429	605,135
Options sold - TAIFEX	8,954	3,575
Derivative financial liabilities - OTC	24,690	246,628
Total	$ 865,530	$ 1,205,864

Among the warrants issued by the Company, except for contract-based warrants which are European-style warrants, all other warrants are American-style warrants. Warrants are stated as liabilities for issuance of warrants at issuance price prior to expiration. Upon repurchase of warrants after issuance, the repurchased amounts are recognised as warrants repurchase and charged as a deduction to liabilities for issuance of warrants. The warrants have six to sixteen months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

19) Bonds sold under repurchase agreements

	December 31, 2018	December 31, 2017
Government bonds	$ 4,100,351	$ 1,684,569
Corporate bonds	1,298,032	400,139
International bonds	954,829	852,510
Foreign bonds	8,713,387	17,974,440
Total	$ 15,066,599	$ 20,911,658

The above bonds sold under repurchase agreements as of December 31, 2018 and 2017 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after the transaction. The total repurchase amounts were $15,134,144 and $20,984,849, respectively, and the annual interest rates in every currency were shown as follows:

Currency	December 31, 2018	December 31, 2017
NTD	0.33%~0.62%	0.24%~0.43%
Foreign currencies (Note)	-0.30%~4.20%	-0.30%~4.30%

(Note)：Foreign currencies include AUD, EUR, USD and RMB.

20) Accounts payable

	December 31, 2018	December 31, 2017
Settlement accounts payable - brokered trading	$ 4,974,010	$ 6,933,143
Settlement proceeds	1,811,674	660,024
Settlement accounts payable - operating	256,985	407,612
Settlement Accounts payable-foreign bonds	172,208	395,809
Settlement Accounts payable-International bonds	78	-
Others	77,992	63,004
Total	$ 7,292,947	$ 8,459,592

21) Other payables

	December 31, 2018	December 31, 2017
Salary and bonus payable	$ 415,980	$ 598,279
Employees' and directors' remuneration payable	57,735	112,882
Others	316,654	364,753
Total	$ 790,369	$ 1,075,914

22) Other financial liabilities - current

	December 31, 2018	December 31, 2017
Equity-linked notes (ELN) - Options	$ -	$ 3,000
Principal guaranteed notes (PGN) - fixed income	2,687,009	3,196,298
Total	$ 2,687,009	$ 3,199,298

The Company deals in equity-linked products and combines fixed income instruments with call or put options. These products are categorized into ELN (Equity-Linked Notes) and PGN (Principal Guaranteed Notes). On trade date, the contracted amounts are collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts and be calculated as trading price less option strike price on maturity. All the linked products are financial instruments under the supervision of the SFB (Securities and Futures Bureau).

23) Other liabilities-non-current

	December 31, 2018	December 31, 2017
Net defined benefit obligation	$ 21,928	$ 21,629
Guarantee deposits received	-	49,500
Total	$ 21,928	$ 71,129

24) Pension plan

A. Defined benefit plans

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount 7.2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the supervisory committee of workers' retirement reserve fund, and with Cathay United Bank, under the name of the management committee of employees' retirement fund. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 785,853	$ 799,549
Fair value of plan assets	(785,897)	(750,049)
Net defined benefit (assets) liabilities	($ 44)	$ 49,500

(C) Movements in net defined benefit (assets) liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit (assets) liabilities
Year ended December 31, 2018			
Balance at January 1	$ 799,549	($ 750,049)	$ 49,500
Current service cost	5,583	-	5,583
Interest expense (income)	9,595	(9,001)	594
	814,727	(759,050)	55,677
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(13,865)	(13,865)
Change in financial assumptions	7,429	-	7,429
Experience adjustments	(8,337)	-	(8,337)
	(908)	(13,865)	(14,773)
Pension fund contribution	-	(40,948)	(40,948)
Paid pension	(27,966)	27,966	-
	(27,966)	(12,982)	(40,948)
Balance at December 31	$ 785,853	($ 785,897)	($ 44)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit (assets) liabilities
Year ended December 31, 2017			
Balance at January 1	$ 682,712	($ 727,323)	($ 44,611)
Current service cost	5,185	-	5,185
Interest expense (income)	10,241	(10,910)	(669)
	698,138	(738,233)	(40,095)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,067	6,067
Change in financial assumptions	23,465	-	23,465
Experience adjustments	100,059	-	100,059
	123,524	6,067	129,591
Pension fund contribution	-	(39,996)	(39,996)
Paid pension	(22,113)	22,113	-
	(22,113)	(17,883)	(39,996)
Balance at December 31	$ 799,549	($ 750,049)	$ 49,500

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement

Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. In addition, for retirement fund deposits with Cathay United Bank, under the name of the management committee of employees' retirement fund, the fund invests in time deposit accounts under Cathay United Bank.

(E) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Discount rate	1.10%	1.20%
Future salary increases	2.50%	2.50%

Assumptions regarding future mortality rate are set based on the Taiwan Standard Ordinary Experience Mortality Table (2011).

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 18,392)	$ 19,010	$ 16,758	($ 16,327)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 19,620)	$ 20,303	$ 18,000	($ 17,517)

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to $38,690.

B. Defined contribution plans:

Effective from July 1, 2005, the Company established a defined contribution plan pursuant to the "Labor Pension Act", which covers employees with R.O.C. nationality and those who chose or

are required to apply the "Labor Pension Act". The contributions are made monthly based on not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts. The employees can choose to receive such pension benefits monthly or in lump sum. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $58,509 and $53,263, respectively.

25) Equity

A. Common stock

(A) As of December 31, 2018, the Company's authorized capital was $15,000,000 with a par value of $10 (in dollars) per share. As of December 31, 2018 and 2017, the common stocks issued and the outstanding common stocks were both 1,390,428 thousand shares.

Movements in the number of the Company's ordinary shares outstanding are as follows:

(Expressed in thousands)

	Year ended December 31, 2018	Year ended December 31, 2017
January 1	1,390,428	1,335,666
Stock dividends	-	54,762
December 31, 2018 (As January 1, 2018)	1,390,428	1,390,428

The Company increased capital through capitalization of unappropriated retained earnings of $547,623 by issuing 54,762 thousand shares at par value of $10 per share approved by the Board of Director on March 23, 2017 and resolved by stockholders' meeting on June 22, 2017. The effective date was set on August 9, 2017. After the capital increase, the issued share capital was expected to be $13,904,281, consisting of 1,390,428 thousand shares of ordinary stock at par value of $10 per share.

B. Capital reserve

	Share premium	Treasury share transactions	Expired stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
December 31, 2018	$ 24,986	$ 116,793	$ 483	$ 440	$ 142,702
December 31, 2017	$ 24,986	$ 116,793	$ 483	$ 440	$ 142,702

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided it should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

C. Legal reserve

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used

for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. Special reserve

According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company had already accumulated a special reserve of at least 25% of its paid-in capital stock and only quarter of such special reserve may be capitalized.

In accordance with the regulations, the Company shall set aside an equivalent amount of special reserve from accumulated unappropriated retained earnings of the current year based on the decreased amount of equity. If there is any subsequent reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.

According to Jing-Guan-Zheng-Chuan Letter No. 10500278285, from fiscal year 2016 to 2018, securities firm shall provide 0.5% to 1% of profit after tax as special reserve before distributing earnings. According to Zheng-Chi (Chuan) Letter No. 1060005703, special provision shall be provide after accumulated deficit is covered. From fiscal year 2017, the amount of employees' training for transition, transfer or arrangement expenditure arising from financial technology development can be reversed up to the amount of the abovementioned special reserve.

26) Unappropriated earnings and dividends policy

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses first, and then set aside as legal reserve, accounted for as 10% of the remaining amount, and special reserve, accounted for as 20% of the remaining amount. Upon provision or reversal of special reserve in accordance with the law, any remaining amount together with unappropriated earnings at beginning of the period shall be distributed according to the following resolution adopted at the stockholders' meeting: Distribution shall not be made if the balance of distributable earnings is less than 5% of paid-in capital.

B. In addition, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50% and cash dividends shall be lower than 50%.

C. The Company may determine a better proportion of cash and stock dividends distribution based on its actual operating conditions and capital utilization plan for the following year.

D. The appropriation of 2017 and 2016 earnings was resolved by the shareholders on June 21, 2018 and June 22, 2017, respectively. Detail is as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 251,972		$ 79,851	
Special reserve	503,944		159,701	
Special reserve(Note 1)	12,599		3,993	
Reversal special reserve(Note 1)	(3,023)		-	
Special reserve(Note 2)	58,374		-	
Cash dividends	1,668,514	$ 1.20	-	$ -
Stock dividends	-	-	547,623	0.41
Total	$ 2,492,380		$ 791,168	

Note 1：Special reserve was provided for employees' transition for financial technology development according to Jin-Guan-Zheng-Chuan Letter No. 10500278285, and can be reversed for employees' transition. The Board of Directors of the Company resolved to provide 0.5% as special reserve and made reversal of the special reserve on March 26, 2018 and March 23, 2017.

Note 2：Special reserve shall be set aside in the same amount of net debit amount of other equity interest recorded in current year from the profit or loss of current year and the accumulated unappropriated earnings pursuant to paragraph 1 of Article 41 of Securities and Exchange Act and Jin-Guan-Zheng-Chuan Letter No. 1010028514.

E. The earnings distribution for 2018 as resolved by the Board of Directors on March 22, 2019 is set forth below:

	For the year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 121,032	
Special reserve	242,064	
Special reserve(Note 3)	6,052	
Reversal special reserve(Note 3)	(4,365)	
Special reserve(Note 4)	(58,374)	
Cash dividends	959,395	$ 0.69
Total	$ 1,265,804	

Note 3：Special reserve was provided for employees' transition for financial technology development according to Jin-Guan-Zheng-Chuan Letter No. 10500278285, and can be reversed in line with relevant letters. The Board of Directors of the Company resolved to provide 0.5% as special reserve and made reversal of the special reserve

on March 22, 2019.

Note 4： Special reserve shall be set aside in the same amount of net debit amount of other equity interest recorded in current year from the profit or loss of current year and the accumulated unappropriated earnings pursuant to paragraph 1 of Article 41 of Securities and Exchange Act and Jin-Guan-Zheng-Chuan Letter No. 1010028514. If there is any subsequent reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.

F. For details on employees' remuneration and directors' remuneration, please refer to Note 6 (41).

27) Brokerage handling fee revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Revenues from brokered trading - TWSE	$ 1,217,135	$ 1,058,726
Revenues from brokered trading - OTC	439,747	454,994
Others	52,774	52,322
Total	$ 1,709,656	$ 1,566,042

28) Revenues from underwriting business

	Year ended December 31, 2018	Year ended December 31, 2017
Revenues from underwriting securities on a firm commitment basis	$ 22,306	$ 23,043
Others	30,922	33,071
Total	$ 53,228	$ 56,114

29) Gain on sale of trading securities

	Year ended December 31, 2018	Year ended December 31, 2017
Dealers:		
-TAIEX	$ 1,119,471	$ 1,121,790
-OTC	(57,940)	495,212
-Overseas trading	(79,821)	989,928
Subtotal	981,710	2,606,930
Underwriters:		
-TAIEX	46,174	12,784
-OTC	11,969	18,424
Subtotal	58,143	31,208
Hedging:		
-TAIEX	(630,593)	141,332
-OTC	(123,985)	131,021
-Overseas trading	(8,260)	665
Subtotal	(762,838)	273,018
Total	$ 277,015	$ 2,911,156

30) Interest revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Interest income from margin loans	$ 623,031	$ 577,570
Interest income from bonds	632,528	838,572
Others	735	661
Total	$ 1,256,294	$ 1,416,803

31) Valuation (loss) gain on trading securities at fair value through profit or loss

	Year ended December 31, 2018	Year ended December 31, 2017
(Loss) gain on sale of securities - dealer	($ 437,071)	$ 375,400
(Loss) gain on sale of securities - underwriting	(13,726)	71,553
Gain (loss) on sale of securities - hedging	83,968	(74,209)
Total	($ 366,829)	$ 372,744

32) Gain (loss) on covering of borrowed securities and bonds with resale agreements - short sales

	Year ended December 31, 2018	Year ended December 31, 2017
Gain (loss) from the bond investments under resale agreements	$ 7,117	($ 116,598)
Loss from securities borrowing transactions - warrants	-	(479)
Gain (loss) from covering - warrants	1,816	(15,683)
Gain from securities borrowing transactions - dealer	18,855	30,644
Total	$ 27,788	($ 102,116)

33) Valuation gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss

	Year ended December 31, 2018	Year ended December 31, 2017
Valuation (loss) gain from the bond investments under resale agreements	($ 3,015)	$ 7,866
Valuation gain (loss) from securities borrowing transactions - dealer	27,237	(6,339)
Valuation gain from securities borrowing transactions - warrants	-	423
Valuation (loss) gain from covering - warrants	(2,155)	1,025
Total	$ 22,067	$ 2,975

34) Realised loss on financial assets measured at fair value through other comprehensive income

	Year ended December 31, 2018	Year ended December 31, 2017
Foreign bonds	($ 24,289)	$ -

35) Gain from issuance of call (put) warrants

	Year ended December 31, 2018	Year ended December 31, 2017
Gain on changes in fair value of call (put) warrant liabilities and redemption	$ 1,180,875	$ 417,304
Loss on exercise of call (put) warrants before maturity	(35,750)	(43,480)
Expenses arising out of issuance of call (put) warrants	(84,740)	(67,912)
Total	$ 1,060,385	$ 305,912

36) Gain (loss) from derivatives

	Year ended December 31, 2018	Year ended December 31, 2017
Futures contract gain (loss)	$ 194,926	($ 187,711)
Option trading gain	120,606	87,212
Loss on foreign exchange derivatives	(47,348)	(52,462)
Others	(68,032)	(52,791)
Total	$ 200,152	($ 205,752)

37) Impairment loss and reversal of impairment loss

	Year ended December 31, 2018	Year ended December 31, 2017
Provision for impairment	($ 52,798)	$ -
Collection of bad debt	716	-
Total	($ 52,082)	$ -

38) Other operating income (loss)

	Year ended December 31, 2018	Year ended December 31, 2017
Income from securities lending	$ 87,487	$ 70,403
Net currency exchange gain (loss)	28,872	(476,136)
Handling fee revenues from funds	44,277	40,778
Others	3,831	24,814
Total	$ 164,467	($ 340,141)

39) Handling charges

	Year ended December 31, 2018	Year ended December 31, 2017
Brokerage handling fee expense	$ 138,569	$ 119,231
Dealer handling fee expense	203,842	125,980
Refinancing processing fee expense	1,653	1,620
Total	$ 344,064	$ 246,831

40) Financial costs

	Year ended December 31, 2018	Year ended December 31, 2017
Interest expense from repurchase agreements	$ 291,956	$ 272,675
Loans interest expense	99,398	102,271
Other interest expense	5,756	5,591
Total	$ 397,110	$ 380,537

41) Employee benefits expense

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries	$ 1,512,061	$ 1,719,703
Labor and health insurance	115,499	103,626
Pension	64,686	57,779
Other employee benefits	95,155	108,213
Total	$ 1,787,401	$ 1,989,321

A. In accordance to the Company's Article of Incorporation, the remainder of the year-end income before taxes less income before appropriating employees' compensation and directors' remuneration, if any, shall appropriate an employees' compensation no less than 1.6% and directors' remuneration no more than 2%. However, when the Company has an accumulated deficit, earnings to cover the deficit shall first be retained before appropriating employees' compensation and directors' remuneration.
B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $28,868 and $56,441, respectively; directors' remuneration was accrued at $28,868 and $56,441, respectively. The aforementioned amounts were recognised in salary expenses.
C. For years ended December 31, 2018, employees' compensation was estimated at 2% and directors' remuneration at 2%, based on the period-end income before taxes less income before appropriating employees' compensation and directors' remuneration.
D. The actual distributed amount of employees' and directors' remuneration for 2017 as resolved by the Board of Directors was in agreement with the estimates in the 2017 financial statements.
E. Information on the appropriation of the Company's earnings as resolved by the Board of Directors would be posted in the "Market Observation Post System" on the Taiwan Stock Exchange Official website.

42) Depreciation and amortization

	Year ended December 31, 2018	Year ended December 31, 2017
Depreciation	$ 61,944	$ 66,114
Amortization	13,931	26,898
Total	$ 75,875	$ 93,012

43) Other operating expenses

	Year ended December 31, 2018	Year ended December 31, 2017
Rentals	$ 55,419	$ 56,203
Taxes	592,509	644,434
Computer information expenses	89,040	96,351
Postage	102,273	104,945
Bad debt expenses	-	63,471
Others	348,858	334,328
Total	$ 1,188,099	$ 1,299,732

44) Other gains and losses

	Year ended December 31, 2018	Year ended December 31, 2017
Financial income	$ 18,521	$ 10,060
(Loss) gain on disposal of investments	(11,703)	9,766
Loss on valuation of open-ended funds and money-market instruments	(11)	(658)
Net currency exchange (loss) gain	(4,013)	332
Other non-operating revenues	123,236	130,041
Total	$ 126,030	$ 149,541

(Blank blow)

45) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the periods	$ 144,310	$ 271,183
Prior year income tax underestimation (overestimation)	5,476	(9,146)
Tax on undistributed surplus earnings	2,000	-
Total current tax	151,786	262,037
Deferred taxes:		
Origination and reversal of temporary differences	33,003	(72,605)
Impact of change in tax rate	(9,466)	-
Total deferred taxes	23,537	(72,605)
Income tax expense	$ 175,323	$ 189,432

(b)The income tax expense relating to components of other comprehensive income is as follows：

	Year ended December 31, 2018	Year ended December 31, 2017
Remeasurement of defined benefit obligations	$ 2,955	($ 22,031)
Impact of change in tax rate	($ 11,886)	$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 277,129	$ 477,394
Expenses disallowed by tax regulation	23,150	(17,690)
Prior year income tax underestimation (overestimation)	5,476	(9,146)
Tax exempt income by tax regulation	(256,066)	(419,466)
Effect from Alternative Minimum Tax	133,100	158,340
Effect from changes in tax regulation	(9,466)	-
Tax on undistributed earnings	2,000	-
Income tax expense	$ 175,323	$ 189,432

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows：

	For the year ended Decmeber 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets：				
-Temporary differences：				
Losses on doubtful debts	$ 16,997	$ 12,638	$ -	$ 29,635
Valuation loss from financial instruments	47,559	(38,000)	-	9,559
Others	71,610	926	8,931	81,467
Subtotal	136,166	(24,436)	8,931	120,661
Deferred tax liabilities：				
-Temporary differences：				
Unrealised exchange gain	(15,173)	899	-	(14,274)
Subtotal	(15,173)	899	-	(14,274)
Total	$ 120,993	($ 23,537)	$ 8,931	$ 106,387

	For the year ended Decmeber 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets：				
-Temporary differences：				
Losses on doubtful debts	$ 12,798	$ 4,199	$ -	$ 16,997
Valuation loss from financial instruments	-	47,559	-	47,559
Others	49,229	350	22,031	71,610
Subtotal	62,027	52,108	22,031	136,166
Deferred tax liabilities：				
-Temporary differences：				
Valuation loss from financial instruments	(10,148)	10,148	-	-
Unrealised exchange gain	(25,522)	10,349	-	(15,173)
Subtotal	(35,670)	20,497	-	(15,173)
Total	$ 26,357	$ 72,605	$ 22,031	$ 120,993

D. As of December 31, 2018, the Company's income tax returns through 2013, 2015 and 2016 have been assessed by the National Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

F. With respect to the income tax returns of the Company for 2016 and 2015, the Tax Authority assessed to increase income tax payable by $24,696. The Company disagreed with the assessment and had filed for administrative remedy and had recognised the income tax expense based on the assessment.

G. The Company did not provide deferred tax liabilities arising from unremitted retained earnings of the subsidiary, President Securities (BVI) Ltd., and may have to pay related taxes. The above unremitted retained earnings is expected to be reinvested in the future.

46) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 1,210,323	1,390,428	$ 0.87
Dilutive effect of common stock equivalents			
Employee bonus	-	2,510	
	$ 1,210,323	1,392,938	$ 0.87

	Year ended December 31, 2017		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 2,618,769	1,390,428	$ 1.88
Dilutive effect of common stock equivalents			
Employee bonus	-	3,933	
	$ 2,618,769	1,394,361	$ 1.88

7. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

Names of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Entity having significant influence on the Company
President Capital Management Corp.	Subsidiary of the Company
President Futures Corp.	Subsidiary of the Company
President Securities (BVI) Ltd	Subsidiary of the Company
President Securities (HK) Ltd.	Subsidiary of the Company
President Insurance Agency Corp.	Subsidiary of the Company
PSC Venture Capital Investment Limited	Subsidiary of the Company
President Securities (Nominee) Ltd.	Indirect subsidiary of the Company
President Wealth Management (HK) Ltd.	Indirect subsidiary of the Company
Uni-President Asset Management Corp.	Associate
President Chain Store Corp. (PCSC)	Other related party
Ton Yi Industrial Corp.	Other related party
President Tokyo Co., Ltd.	Other related party
Cayman President Holdings Ltd.	Other related party

2) Significant related party transactions and balances

A. Futures guarantee deposits receivable

	December 31, 2018	December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 1,670,689	$ 1,551,945

B. Accounts receivable

	December 31, 2018	December 31, 2017
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	$ 288	$ 304
Subsidiary of the Company:		
President Futures Corp.	3,900	5,551
Company President Securities (HK) Ltd.	6,372	251
Associate:		
Uni-President Assets Management Corp.	-	-
Other related party:		
Others	597	583
Total	$ 11,157	$ 6,689

C. Other receivables

	December 31, 2018	December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 363	$ 771
Others	21	23
Other related party:		
Others	9	9
Total	$ 393	$ 803

D. Refundable deposits

	December 31, 2018	December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 39, 000	$ 39, 000

E. Accounts payable

	December 31, 2018	December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 24	$ 621
Other related party:		
Others	460	217
Total	$ 484	$ 838

F. Guarantee deposit received

	December 31, 2018	December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 16,137	$ 16,137
Others	806	795
Associate:		
Uni-President Assets Management Corp.	530	530
Other related party:		
President Tokyo Co., Ltd.	1,393	1,393
Total	$ 18,866	$ 18,855

G. Bonds sold under repurchase agreements

	Year ended December 31, 2018	Year ended December 31, 2017
Other related party:		
Cayman President Holdings Ltd.	$ 184,290	$ -

H. Futures commission income

	Year ended December 31, 2018	Year ended December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 59,190	$ 51,466

I. Gains on wealth management - trust income from sales of funds

	Year ended December 31, 2018	Year ended December 31, 2017
Associates:		
Uni-President Assets Management Corp.	$ 9,453	$ 9,553

The revenues were collected on a monthly basis in accordance with contract terms.

J. Other operating income - handling charge revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Associates:		
Uni-President Assets Management Corp.	$ 43,461	$ 39,807

The revenues were collected on a monthly basis in accordance with contract terms.

K. Rent income

	Period	Deposit	Year ended December 31, 2018	Year ended December 31, 2017
Subsidiary of the Company				
Uni-President Enterprises Corp.	2017.06.01~2020.09.30	$ 597	$ 3,644	$ 3,556
Others		346	3,288	3,216
Associates:				
Uni-President Assets Management Corp.	2016.05.01~2019.06.30	530	7,085	7,103
Other related party:				
President Tokyo Co., Ltd.	2015.04.01~2021.03.31	1,393	9,422	9,422
Total			$ 23,439	$ 23,297

Rental income mentioned above is derived from leasing part of the Company's office space and business premises to various related parties and calculated as agreed by both parties. Lease payments are collected on schedule in accordance with the terms of the lease contracts.

L. Revenue from providing agency service for stock affairs

	Year ended December 31, 2018	Year ended December 31, 2017
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	$ 3,600	$ 3,659
Subsidiary of the Company		
Uni-President Enterprises Corp.	68	66
Associate:		
Uni-President Assets Management Corp.	133	129
Other related party:		
Ton Yi Industrial Corp.	1,708	1,603
President Chain Store Corp.	1,227	1,225
Others	3,078	3,018
Total	$ 9,814	$ 9,700

M. Gain (loss) from derivatives

	Year ended December 31, 2018	Year ended December 31, 2017
Other related party:		
Cayman President Holdings Ltd.	($ 1,584)	$ -

N. Other operating expenses - equipment rental and copy expense

	Year ended December 31, 2018	Year ended December 31, 2017
Other related party:		
President Tokyo Co., Ltd.	$ 7,115	$ 6,563
Others	1,143	1,302
Total	$ 8,258	$ 7,865

O. Clearing charges-futures

	Year ended December 31, 2018	Year ended December 31, 2017
Subsidiary of the Company:		
President Futures Corp.	$ 14,806	$ 16,342

P. Service expense

	Year ended December 31, 2018	Year ended December 31, 2017
Subsidiary of the Company:		
President Capital Management Corp.	$ 36,000	$ 36,000

Q. Financial costs

	Year ended December 31, 2018	Year ended December 31, 2017
Other related party:		
Cayman President Holdings Ltd.	$ 66	$ -

R. Purchases of trading securities – dealer

	December 31, 2018		
	Ending Shares	Ending Balance	Gain (loss)
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	-	$ -	$ 579
Other related parties:			
Ton Yi Industrial Corp.	-	-	16
President Chain Store Corp.	-	-	(944)
Total		$ -	($ 349)

	December 31, 2017		
	Ending Shares	Ending Balance	Gain (loss)
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	127	$ 8,382	$ 208
Other related parties:			
Ton Yi Industrial Corp.	171	2,385	(33)
President Chain Store Corp.	-	-	136
Total		$ 10,767	$ 311

S. Compensation of key management personnel

The compensation of key management such as directors, general managers, vice general managers were as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Salary and short-term employee benefits	$ 130,701	$ 187,868
Retirement benefits	908	1,028
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$ 131,609	$ 188,896

8. PLEDGED ASSETS

The Company's assets pledged or restricted for use were as follows:

Assets	December 31, 2018	December 31, 2017	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	$ 1,300,000	$ 400,000	Securities for bonds sold under repurchase agreements
- Government bonds	4,100,000	1,683,000	Securities for bonds sold under repurchase agreements
- Overseas bonds	9,157,965	18,999,562	Securities for bonds sold under repurchase agreements
- International bonds	977,874	920,297	Securities for bonds sold under repurchase agreements
Financial assets at fair value through other comprehensive income - current			
- Overseas bonds (par value)	307,150	-	
Available-for-sale financial assets - current			
- Overseas bonds (par value)	-	1,071,360	Securities for bonds sold under repurchase agreements
Restricted assets:			
- Demand deposits	19,373	109,566	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	400,000	400,000	Securities for short-term loans and guarantees for issuance of commercial papers
Financial assets at fair value through profit or loss - non-current:			
- Government bonds (par value)	50,000	50,000	Trust fund deposit-out
Property and equipment			
- Land and buildings (book value)	-	1,259,648	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	540,000	542,000	Security deposits

9. SIGNIFICANT COMMITMENTS

None.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHER

1) Management objective and policy of financial risks

A. Risk management objective

The Company continually strengthens risk culture to every employee and makes sure that the Company can actively develop various businesses under a healthy and effective risk management system. At the same time, by creating value of an entity and continually increasing profit, profit maximization may be achieved within appropriate risk tolerance.

B. Risk management system

In order to ensure the completeness of risk management system, run the balancing mechanism of risk management, and improve the division efficiency of risk management, the Company sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Company and enable every layer of the Company engaged in different tasks to identify, evaluate, monitor, and control various risks with establishment of consistent compliance rules for risks of each business so that the risks can be controlled within the limits set in advance.

The Company's risk management system covers risks incurred from businesses in and off the balance sheet, such as market risk, credit risk, liquidity risk, operating risk, legal risk, model risk which are all included in the risk management.

C. Risk management organization

Risk management organization: Board of Directors, Risk Management Committee, Risk Control Office, Business units and other related segments (such as Office of Auditing, Office of General Manager, Compliance segment, Legal segment and Finance segment) are in charge of planning, supervising and execution.

(A) The Board of Directors should ensure the effectiveness of risk management and be responsible for the ultimate result and the following duties:

a. To establish proper risk management system, operating process, and risk management culture in the Company with allocation of necessary resource for better execution and operation.

b. Policy of risk management review

c. Review and approval of business application, transaction authorization and risk limit.

(B) The Risk Management Committee reports to the Board of Directors and is responsible for the following:

a. Review risk management policy

b. Review the highest risk tolerance

c. Submit regular reports to the Board of Directors in relation to the risk management status of the whole Group

(C) The General Manager supervises daily risk management of the entire Group and is responsible for the following:

a. Supervise and monitor daily risk management of the entire Group

b. Approval of management exceptions

(D) Assets and Liabilities Committee reports to the General Manager and is responsible for the following:

a. Set up the ultimate guidelines for assets and liabilities management of the entire Group

b. Analyze and control the entire Group's assets and liabilities portfolio

c. Approval of various businesses' quotas

d. Gather and analyze information on domestic and offshore interest rate, exchange rate, prosperity fluctuation, political and economic environmental changes, and predict the financial trend in the future

(E) Risk Control Office implements risk management policy and related regulations and reports to the Risk Management Committee. Risk Control Office also reports daily risk management to the General Manager and is responsible for the following:
   a. Establish Risk Management Policy of the entire Group
   b. Develop effective method for measurement and risk management in an entity
   c. Review risk management system of business units
   d. Generate risk report through information gathering and consolidation
   e. Analyze various business risks and report to the General Manager
   f. Report the risk management situation to the Risk Management Committee according to a meeting's nature and needs
   g. Carry out duties as designated by the Risk Management Committee and control risks of business units

(F) Auditing Office is responsible for the following:
   a. Execute operating risk control
   b. Include the risk management system into internal audit program and carry out the daily audit schedule.
   c. Assess the effectiveness of internal control and verify the executed result.

(G) Compliance segment and legal segment under the Office of General Manager are responsible for the following:
   a. Compliance segment should make sure that the business operation and risk management system are in compliance with relevant regulations.
   b. Legal segment is responsible for legal risk control
   c. Compliance segment also provides services of Anti-Money Laundering and Counter Terrorism Financing, including designs specification and internal control, establishes transaction monitoring, oversees the effective implementation of business units, conducts the employee training and reports any suspicion of money laundering.

(H) Finance segment is responsible for the following:
   a. Verify the correctness of position information and reasonability of profit and loss calculation.
   b. Control and analyze self-owned capital adequacy ratio.
   c. Analyze the appropriateness of structures of the assets and liabilities.

(I) Business units are responsible for the following:
   a. Set up risk management details of various businesses according to the risk management policy and other related regulations.
   b. Provide sufficient position information and risk control information to the Risk Control Office.

(J) Settlement division is responsible for:
   a. Clearing and settlement; risk control and management of margin purchase and short sale of securities.
   b. Risk control and management of trading middle office and enforcement of rules governing risk management of business segments.

D. Risk management policy

In order to ensure the completeness of risk management system, run the balancing mechanism of risk management, and improve the division efficiency of risk management, the Company sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Company and enable every layer of the Company engaged in different tasks to identify, evaluate, monitor, and control various risks with establishment of consistent compliance rules for risks of each business so that the risks can be

controlled within the limits set in advance.

Risk management processes include risk identification, risk evaluation, risk supervision and various risk control. Each kind of risk evaluations and responding strategies are described as follows:

(A) Market risk management

The Company has implemented risk management information system (Risk Manager) in relation to market risk control. All trading positions of the Company have been included in the daily risk control system for the calculation of Value at Risk (VaR). Limit exceeding indicators are mainly the nominal principal, stop-loss, sensitivity (Greeks) and VaR. The risk management report is presented on a daily basis for implementation of regular control and limit exceeding handling procedures.

(B) Credit risk management

In relation to risk control, the quantitative model of default rate adopts KMV model to calculate the default rate of issuers with credit exposure of the issuing company and the trading counterparties, and credit risk of securities disclosed in the report. The credit exposure is mitigated through regular review of credit status.

(C) Fund liquidity risk

Unit in charge of fund procurement regularly predicts future fund demand and supply, and consolidates company guarantee or endorsement and capital lending businesses to monitor the condition of fund procurement on a daily basis.

E. Hedging and risk-offsetting strategy

(A) Policies of hedging and risk mitigating are parts of the Company's risk management policies, and the hedging position and hedged trading position are supposed to be one portfolio, of which the gain and loss and risk information are measured on a consolidated basis.

(B) The overall position (hedging position and trading position) is included in the daily risk management system to calculate Value at Risk and other relevant information. Limit exceeding indicators mainly include nominal principal, stop-loss point, price sensitivity and VaR. With the presentation of daily risk management report, routine control and limit exceeding treatment can be executed.

(C) The continued effectiveness of hedging and risk-offsetting strategy is measured by the gain and loss of overall position (hedging position and trading position), in order to track reasonableness of the profit or loss of hedging position and the offsetting relationship with the profit or loss of trading position, and to control them within a reasonable range.

2) Credit risk

Effective 2018

A. Source and definition of credit risk

The credit risk exposure of the Company as a result of engagement in financial transactions include issuer's credit risk, credit risk of counterparty and credit risk of underlying assets:

(A) Credit risk of the issuer refers to the issuers of financial debt instruments held by the Company failing to repay its obligation due to the fact that the issuer breaches the contract resulting in the risk of financial loss to the Company.

(B) Credit risk of counterparty refers to risk of financial loss to the Company arising from default by the counterparty of financial instruments on the settlement or payment obligation.

(C) Credit risk of the underlying assets happens when the credit rating of the underlying assets linked to the financial instrument is downgraded by the rating agency or when the losses occur as a result of contract default.

The financial assets held by the Company which could result in credit risk include bank

deposit, debt securities, derivatives transactions in OTC, bonds purchased/sold under resale/repurchase agreements, refundable deposit of securities lending, futures trade margins, other refundable deposits and receivables.

B. Maximum credit risk exposure and credit risk concentration

The maximum exposure to credit risk of financial assets in the parent company only balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. In Taiwan, the sources of credit risk of the Company are primarily resulting from cash deposited with banks or other financial institutions, debt securities issued or guaranteed by a bank, derivative instruments transaction underwritten by the Company, and all counterparties of customer margin deposits accounts being financial institutions. Credit risks of various financial assets are as follows:

(A) Cash and cash equivalents

Cash and cash equivalents include time deposit, demand deposits and checking deposits. Correspondent institutions are mainly domestic financial institutions.

(B) Financial assets at fair value through profit and loss -current

a. Fund

The funds held by the Company are bond funds. As the positions held are not significant, credit risk is deemed low.

b. Commercial papers

The commercial papers held by the Company are under resale agreements. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.

c. Debt securities

Debt securities are mainly positions like government bonds, convertible corporate bonds and foreign bonds and the issuers are primarily R.O.C. government, domestic and foreign legal entities. 27% of convertible corporate bond is guaranteed by banks. Details are as follows:

(a)Bonds

The bonds held by the Company are mostly government bonds (inclusive of central and local government). As a whole, the credit risk of the bonds held by the Company is low.

(b) Corporate bonds

The corporate bonds held by the Company are mainly underlying investment with good credit rating and those with rating above (S&P BB).

(c)Convertible corporate bond

The convertible corporate bonds held by the Company are mostly issued by the domestic legal entities. The Company mitigates highly risky credit exposure of the issuers by control through Taiwan Corporate Credit Risk Index (TCRI).

(d)Foreign bonds

The foreign bonds held by the Company are mainly underlying investment with good credit rating and those with rating above (S&P BB).

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

The foreign government bonds held by the Company are classified as debt instruments at fair value through other comprehensive income. In general, the bonds held by the Company are with lower credit risk.

(D) Derivatives- futures trade margin

When engaging in futures trades in stock exchange market, the Company needs to deposit margin into a margin deposit account of a financial institution designated by the futures merchants as a guarantee to fulfil contractual obligation in the future. As a result, the credit

risk is low.

(E) Derivatives-OTC

The Company signs International Swaps and Derivatives Association (ISDA) agreements with each counterparty when engaging in OTC derivatives as an agreement regarding such transactions for both parties. In the agreement, it provides a fundamental contractual model for OTC derivative transactions. If any party breaches the contract or terminates the transactions early, then all the open interest covered in the agreement should be settled by net amount as bound in the contract. When the ISDA agreement is signed, the Credit Support Annex (CSA) is also signed. According to the CSA, collateral will be transferred from a party to the other during transaction process to mitigate the risk of counterparty in open interest. Please refer to Note 6(10).

Types of OTC derivative transactions in which the Company is engaged include swap transaction. The counterparties are all from financial service industry and mainly located in Taiwan and United Kingdom.

(F) Bonds investment under a resale agreement

Bonds sold under a resale agreement are the bonds that the client sold to the Company at a price, interest rate, length of period as agreed by two parties and the client shall repurchase the bonds at the specified price upon maturity. The Company needs to assume credit risk from counterparties when underwriting such business, as the payment being delivered to the other party. With consideration of good collateral obtained, the net of credit risk exposure from counterparties can be effectively reduced. As all the counterparties are financial institutions with good credit rating, the credit risks from counterparties are extremely low. Please refer to Note 6(10).

(G) Margin loans receivable

Margin loans receivable are the loans provided to the client in order to process businesses of margin trading and short sale using the securities purchased through financing as collateral. The Company monitors the clients' margin ratio through information system on a daily basis. As the margin ratio of margin trading is set at 130% according to Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, the credit risk is extremely low.

(H) Guaranteed price for securities lending

Guaranteed price for securities lending is the sale price of the Company's securities sold by other securities firms through margin trading after deduction of securities transactions tax and service fee, which is deposited in other securities firms as collateral. As all the counterparties are financial institutions with good credit rating, the credit risk from counterparties is extremely low.

(I) Refundable deposits for securities lending

Refundable deposits for securities lending are the margins deposited in other securities firm as collateral when the Company's securities are sold. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.

(J) Receivables

Receivables are the credit rights arising from the securities business including settlement receivables of consignment trading, settlement receivables of operating securities sold, financing interest receivables of self-operating credit transaction, receivables of consignment trading for securities, and receivables from banks' underwriting on foreign exchange transactions and foreign fund demand. As the majority of the Company's receivables from the consignment businesses and self-operating businesses are settlement of securities from OCT or TWSE, the credit risk is extremely low. As the foreign exchange transactions are simply the receipt or payment of different currencies and the correspondent

banks are of good credit rating, the credit risk is extremely low.

(K) Other current assets

Other current assets are mainly the collateral deposited in the bank for application for short-term debt limit and guarantee for application for issuance of commercial papers. As the correspondent banks are all financial institutions with good credit rating, the credit risk is extremely low.

(L) Financial assets at fair value through profit and loss – non-current

In order to underwrite trust business, the Company deposits central government bonds in the Central Bank as collateral. Regardless of the bonds themselves or the financial institutions where the bonds deposited, the credit risk is extremely low.

(M) Other non-current assets

Other non-current assets mainly comprise operating guarantee deposits, settlement funds, and refundable deposits. Operating guarantee deposits are mainly deposited in domestic banks with good credit rating. Settlement funds are deposited in securities exchange. Settlement funds are used as compensation when a party to a marketable securities transaction fails to fulfil the settlement obligation. The credit risks from the institutions where these two assets are deposited are extremely low. The refundable deposits refer to cash or other assets which are deposited externally by the Company and can be used as refundable deposits. Because deposits are placed in various financial institutions and each deposit amount is small, the credit risk is dispersed and the credit exposure of overall refundable deposit is extremely low.

C. Expected credit loss assessment

In the assessment of impairment and calculation of expected credit losses, the Company considers reasonable and supporting information about past events, current conditions and future economic conditions. The Company determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit loses are recognised for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognised for each stage are as follows:

Item	Stage 1	Stage 2	Stage 3
Definition	No significant deterioration of credit quality of the financial asset since initial recognition, or the financial asset is considered low-risk at the balance sheet date.	Significant deterioration of credit quality of the financial asset since initial recognition, but the asset is not yet credit impaired.	The financial asset is credit impaired at the financial reporting date.
Expected credit losses recognition	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(A) Judgements of the significant increase in credit risk since initial recognition

Judgements and assumptions used to determine whether the credit risk has a significant increase since initial recognition when the Company calculates expected credit loss under IFRS 9 are as follows:

a. If contractual payments are over 30 days past due according to the payment terms, the financial asset is considered to have significant increase in credit risk since initial recognition.

b. There is significant increase in credit risk at the reporting date if the credit rating of the issuer has been downgraded by more than 2 grades and the final external credit rating at the reporting date is non-investment grade, if the interest payments are over 30 days past due, or if there has been a default in the past.

(B) Definition of default and credit-impaired financial assets

According to the definition of credit impairment set by IFRS 9, a financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset. The criteria used to judge whether a financial asset is credit-impaired since initial recognition includes but is not limited to the following:

a. Contractual payments or principal or interest payments on bonds are over 3 months (90 days) past due.

b. Bond investment is rated as “in default” by external credit rating agencies.

c. Bond issuer has filed for bankruptcy, restructure, or other debt clearance procedures.

d. Issuer or counterparty has financial difficulties.

(C) Writing-off policy

If any of the following condition applies, the Company will write off the non-recoverable portion of the overdue receivables as bad debt.

a. Debt cannot be fully or partially recovered due to dissolution of, disappearance of, settlement with, bankruptcy declaration by the debtor, or any other reason.

b. The collateral and the assets of the primary and secondary debtors could not be auctioned off after multiple attempts and multiple price discounts, and the Company has not received any real benefits in assuming the collateral.

c. Payments are over two years past due and could not be recovered after attempts to collect.

(D) Measurement of expected credit losses

The Company considers reasonable supporting information which shows significant increase in credit risk since initial recognition when calculating expected credit losses. Main indexes include: internal/external credit rating, information of past due, credit spread, other market information in relation to the borrower, issuer or counterparty, and significant increase in credit risk of other financial instrument of the same borrower.

a. Investments in bills and bonds

(a)Probability of default was based on external credit rating, which include forward-looking information.

(b)Loss given default was based on the average loss given default of external credit rating of investment position and counterparties.

(c)Exposure at default

Stage 1, Stage 2 and Stage 3: Total carrying amount (including interest receivable).

(E)Consideration of forward-looking information

Historical loss rate (based on the historical experience in the past 3 to 5 years) as obtained and compared with economic environment in the past, nowadays and future (forward-looking factor) to see whether there is any significant change, and then to properly adjust future loss rate standards. If any significant default event occurs, the loss rate in the current year will be included in the calculation of future loss rate standard.

D. Table of movements in loss provision of the Company

(A) For the year ended December 31, 2018, there were no changes in the loss allowance for investments in debt instruments measured at fair value through other comprehensive income.

(B) Except for bond interest receivable which was evaluated along with debt investments, the Company applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for marginal receivables, accounts receivable, other receivable-others and overdue receivables. The movements in loss provision of marginal receivables, accounts receivable, other receivable-others and other non-current assets-overdue receivables of the Company are as follows:

	December 31, 2018			
	Marginal receivable	Accounts receivable	Other receivable	Other non-current assets-overdue receivables
At January 1_IAS 39	$ 84,093	$ 4,359	$ -	$ 136,443
Adjustments under new standards	-	-	-	-
At January 1_IFRS 9	84,093	4,359	-	136,443
Provision (reversal of provision) for impairment	27,996	2,648	288	21,866
Transfers	(50,420)	(4,346)	-	54,766
At December 31	$ 61,669	$ 2,661	$ 288	$ 213,075

3) Liquidity risk

A. Definition and source of liquidity risk

Liquidity risk refers to possible financial losses arising from the inability to realise the asset or

to obtain sufficient fund to fulfil the financial liabilities soon to be matured. Above situations may weaken the sources of cash from the Company's trading and investment activities.

B. Liquidity risk management procedure and stimulation test

In order to prevent operational crisis as a result of liquidity risk, the Company has established responding crisis process with regular monitoring over liquidity gap of fund.

(A) Procedure

In addition to the operating capital for various business and long-term investment, the Company needs to maintain revolving funds at a certain level for daily operation. The use of remaining fund shall avoid high concentration and should be based on the principle of holding sound earning assets with high liquidity and treated in compliance with policies of the Company.

The responsive unit for fund procurement adjusts the liquidity gap to ensure proper liquidity according to the daily volume and movement in the market.

(B) Stimulation test

a. The Company reviews fund liquidity risk from a perspective of supply and demand of fund every month with simulation analysis of available fund for emergency including scenario analysis of cash, funding limit of financial institutions, margin loans and short sale, and value of disposal of position in order to compute maximum available fund and fund demand. Finally, safety stock of fund is reviewed to monitor liquidity risk.

b. Above liquidity risk is generally reviewed monthly. However, if the available limit of increment banking credit risk in financing limit of a financial institution is lower than a certain amount (that is, the amount may be timely adjusted according to the fund liquidity in the market and the actual fund demand and supply in an entity), the safety stock will be reviewed weekly. After the early warning report for fund is submitted, the head of finance segment will call for a fund control meeting.

c. Other than individual funding liquidity risk of an entity, stress test of minimization funding supply and maximization funding demand in the event of significant crisis is simulated, including:

(a) When there is a significant crisis in the market, the financing limit of the financial institutions and the value of disposal of position can be deemed the minimized ratio of fund supply which is then adjusted according to actual condition to compute the total fund supply under maximum stress.

(b) Except for the operating expense, the stock concept is adopted for the calculation of total fund demand under maximum stress.

(c) The Company should conduct a review to see whether the total minimized fund supply is more than maximized total fund demand. The Company should further review how long (by month) the difference may cover the operating expenses so that the safety stock of fund (by month) under stress test can be computed.

(d) The minimum safety stock of fund under stress test (by month) may be adjusted according to the crisis itself and only operating expense for at least 6 months under a normal stimulation can be deemed safe.

C. Maturity analysis for the financial assets and financial liabilities held for liquidity risk management

(A) The Company holds cash and sound earning assets with high liquidity in order to fulfil the payment obligation and potential emergency fund demand in the market. Financial assets held for liquidity risk management are mainly cash and cash equivalents, among which, all time deposits mature within a year. Financial assets at fair value through profit and loss are mainly listed stocks, convertible bonds and debt securities. As all of them have positions in active market, the liquidity risk is deemed low.

(B) Maturity analysis for the financial liabilities is as follows:

	December 31, 2018				
	Immediately	Less than 3 months	3-12 months	1-5 years	Total
Short-term loans	$ 623,514	$ 316,365	$ -	$ -	$ 939,879
Financial liabilities at fair value through profit or loss-current					
Non-derivative financial liabilities	598,457	-	-	-	598,457
Derivative financial liabilities	267,073	-	-	-	267,073
Bonds sold under repurchase agreements	-	15,134,144	-	-	15,134,144
Deposits on short sales	1,767,269	-	-	-	1,767,269
Deposits payable for securities financing	2,007,202	-	-	-	2,007,202
Securities lending refundable deposits	-	621	-	-	621
Accounts payable (includes notes payable)	7,275,941	17,006	-	-	7,292,947
Collections on behalf of third parties	268,589	4,664	-	87,780	361,033
Other payables	648	129,223	660,498	-	790,369
Other financial liabilities -current	-	1,378,506	1,308,503	-	2,687,009
Total	$ 12,808,693	$ 16,980,529	$ 1,969,001	$ 87,780	$ 31,846,003

	December 31, 2017				
	Immediately	Less than 3 months	3-12 months	1-5 years	Total
Short-term loans	$ 3,814,864	$ 2,467,104	$ -	$ -	$ 6,281,968
Commercial papers payable	650,000	3,000,000	-	-	3,650,000
Financial liabilities at fair value through profit or loss-current					
Non-derivative financial liabilities	350,526	-	-	-	350,526
Derivative financial liabilities	855,338	-	-	-	855,338
Bonds sold under repurchase agreements	-	20,984,849	-	-	20,984,849
Deposits on short sales	1,861,947	-	-	-	1,861,947
Deposits payable for securities financing	2,197,656	-	-	-	2,197,656
Securities lending refundable deposits	-	224,317	1,078	-	225,395
Accounts payable (includes notes payable)	8,443,584	16,008	-	-	8,459,592
Collections on behalf of third parties	340,747	5,964	-	89,469	436,180
Other payables	-	132,664	943,250	-	1,075,914
Other financial liabilities -current	-	1,745,075	1,454,223	-	3,199,298
Total	$ 18,514,662	$ 28,575,981	$ 2,398,551	$ 89,469	$ 49,578,663

D. Maturity analysis for lease contracts and capital expenditures

Operating lease commitment is the total minimum lease payments that the Company should make as a lessee or minimum lease income as lessor under an operating lease term which is not cancelable. The capital expenditure commitment is the contract commitment signed for acquisition of capital expenditure of construction and equipment.

The following table illustrates maturity analysis for lease contract and capital expenditure commitment of the Company:

December 31, 2018	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	$ 76,982	$ 12,633
Later than one year but not later than five years	123,565	3,882
Over five years	2,808	-
Total	$ 203,355	$ 16,515

December 31, 2017	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	$ 76,162	$ 26,257
Later than one year but not later than five years	181,554	13,213
Over five years	3,402	-
Total	$ 261,118	$ 39,470

4) Market risk

A. Definition of market risk

Market risk refers to the risk of decrease in the Company's revenue or value of investment portfolio as a result of the changes in exchange rate, commodity price, interest rate, and stock price or other market risk factors.

The Company continually exercises risk management tools such as sensitivity analysis, Value at Risk, stress test and so on to completely and effectively measure, monitor and manage market risk.

B. Value at Risk (VaR)

Value at Risk is used to measure the possible maximum potential losses in investment portfolio as a result of movement in market risk factor in a specified period and confidence level. The Company currently uses confidence level of 95% to calculate Value at Risk of one day.

A VaR model must reasonably, completely and accurately measure the maximum potential risks of financial instruments or investment portfolio before being adopted as a risk management model by the Company. The VaR model used in risk management is continually certified and retrospectively tested to demonstrate that the model can reasonably and effectively measure the maximum potential risks of financial instruments or investment portfolios.

Statistical table for one-day VaR of transactions		Statistical table for one-day VaR of transactions	
Year ended December 31, 2018	Amount	Year ended December 31, 2017	Amount
December 31, 2018	$ 53,973	December 31, 2017	$ 75,324
VaR Maximum	258,223	VaR Maximum	142,356
VaR Average	111,350	VaR Average	81,328
VaR Minimum	32,743	VaR Minimum	39,969

Statistical table for VaR of various risk indicators of transactions

Year ended December 31, 2018	Foreign exchange	Interest	Share ownership
December 31, 2018	$ 3,521	$ 8,223	$ 52,543
VaR Maximum	40,485	33,482	264,509
VaR Average	11,270	16,585	111,320
VaR Minimum	2,854	7,429	27,951

Year ended December 31, 2017	Foreign exchange	Interest	Share ownership
December 31, 2017	$ 8,302	$ 20,443	$ 73,897
VaR Maximum	47,229	71,512	146,524
VaR Average	15,216	35,195	73,721
VaR Minimum	4,643	12,035	26,568

C. Information on gap of foreign exchange risk

The following table summarizes financial instruments of foreign assets or liabilities by currency and the foreign exchange exposure presented by book value as of December 31, 2018 and 2017：

	December 31, 2018						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 350,128	$ 1,378	$ 2,651	$ 3,237	$ 433	$ 186,763	$ 544,590
Financial assets at fair value through profit or loss	7,249,134	1,368,025	755,860	1,827,805	63,507	1,707	11,266,038
Financial assets at fair value through comprehensive income - current	296,304	-	-	-	-	-	296,304
Bonds purchased under resale agreements	93,193	-	-	-	-	-	93,193
Investments under equity method	2,298,272	-	-	-	72,792	-	2,371,064
Others	257,087	3,609	4,570	43,961	2,287	-	311,514
Financial liabilities in foreign currencies							
Short-term loans	939,879	-	-	-	-	-	939,879
Financial liabilities at fair value through profit or loss	159,839	1,479	1	6,433	-	5,137	172,889
Bonds sold under repurchase agreements	6,980,674	1,167,834	700,087	819,621	-	-	9,668,216
Others	1,461,060	-	2,691	206,660	1,493	-	1,671,904

Note: As of December 31, 2018, foreign exchange rates of the above currencies to TWD were 1 USD = 30.715 TWD; 1 EUR= 35.200 TWD; 1 AUD= 21.665 TWD; 1 RMB= 4.472 TWD; and 1 HKD= 3.921 TWD, respectively.

	December 31, 2017						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 980,198	$ 61,768	$ 2,320	$ 196,438	$ 288,493	$ 107,825	$ 1,637,042
Financial assets at fair value through profit or loss	12,550,717	5,627,013	2,007,103	3,991,806	256,286	49,968	24,482,893
Available-for-sale financial assets - current	1,044,031	-	-	-	-	-	1,044,031
Investments under equity method	2,177,269	-	-	-	68,782	-	2,246,051
Others	2,510,440	161,504	53,706	97,594	13,497	-	2,836,741
Financial liabilities in foreign currencies							
Short-term loans	5,335,968	-	-	-	-	-	5,335,968
Financial liabilities at fair value through profit or loss	67,793	6,105	2,206	230,014	115	1,155	307,388
Bonds sold under repurchase agreements	11,692,454	4,963,725	1,819,404	351,367	-	-	18,826,950
Others	1,625,530	145,662	50,254	665,203	19,129	2,542	2,508,320

Note: As of December 31, 2017, foreign exchange rates of the above currencies to TWD were 1 USD = 29.760 TWD; 1 EUR= 35.570 TWD; 1 AUD= 23.185 TWD; 1 RMB= 4.565 TWD; and 1 HKD= 3.807 TWD, respectively.

D. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to $28,872 and ($476,136), respectively.

5) Fair value and hierarchy information

A. Financial instruments and non-financial instruments not measured at fair value.

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, bonds purchased under resale agreements, margin loans receivable, refinancing guaranty deposits, guaranteed proceeds receivable from refinancing, guaranteed price deposits for security borrowing, security borrowing deposits, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, bonds sold under repurchase agreements, guarantee deposit received from short sales, guaranteed price deposits received from securities borrowers, security borrowing deposits, equity of futures traders, accounts payable, collection for others, and other payables) approximate their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(5)3.

	December 31, 2018			
Asset and liabilities items	Total	Quoted prices of the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
Non-financial assets				
Investment property	$ 663,672	$ -	$ 663,672	$ -

	December 31, 2017			
Asset and liabilities items	Total	Quoted prices of the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
Non-financial assets				
Investment property	$ 674,449	$ -	$ 674,449	$ -

The fair value of investment property held by the Company was assessed by external valuation experts using comparison approach and income approach.

B. Valuation techniques

(A) For financial instruments held for trading purposes which are classified as non-derivative instruments, their fair values are based on their quoted prices in an active market. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. Estimates and assumptions of valuation technique adopted by the Company are in agreement with the information of estimates and assumptions adopted by market users for financial instrument pricing and the said information shall be accessible to the Company. For those classified as derivative instruments, their fair values are based on their market prices if their quoted prices are available from an active market. If quoted market prices in an active market are not available, SWAP and IRS are valued at the discounted cash flow method, and options are valued at the Black-Scholes model.

(B) When available-for-sale financial assets have quoted market prices available in an active market, the fair value is determined using the market price.

C. Fair value hierarchy of the financial instruments

(A) Definitions for the hierarchy classifications of financial instruments measured at fair value

a. Level 1

Level 1, are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date. An active market has to satisfy all the following conditions: a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company's investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices, are deemed as level 1.

b. Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments of the Company such as emerging stock without active markets, off-the-run issue of government bonds, corporate bonds, bank debentures, convertible corporate bonds, currency swaps, interest rate swaps, options, asset swaps, and most derivatives are all classified within level 2. For the years ended December 31, 2018 and 2017, there was no significant transfer of financial instruments between Level 1 and Level 2.

c. Level 3

Unobservable inputs for the assets or liability. The fair value of the Company's investment in unlisted stocks is included in Level 3.

(B)Hierarchy of fair value estimation of financial instruments

Financial instrument items measured at fair value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 1,811,467	$ 1,794,143	$ 17,324	$ -
Bond investments	18,173,118	1,064,491	17,108,627	-
Others	4,528,698	4,528,698	-	-
Financial assets at fair value through comprehensive income-current				
Bond investments	296,304	296,304	-	-
Financial assets at fair value through profit or loss - noncurrent				
Stock investments	16,445	-	-	16,445
Bond investments	49,909	-	49,909	-
Financial assets at fair value through comprehensive income-noncurrent				
Stock investments	146,545	-	-	146,545
Liabilities				
Financial liabilities at fair value through profit or loss -current	598,457	598,457	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	2,288,727	2,285,427	3,300	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	267,073	242,383	24,690	-

Financial instrument items measured at fair value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 5,992,547	$ 5,987,352	$ 5,195	$ -
Bond investments	26,913,464	746,714	26,166,750	-
Others	3,007,585	3,007,585	-	-
Available-for-sale financial assets-current				
Bond investments	1,044,031	1,044,031	-	-
Financial assets at fair value through profit or loss - noncurrent				
Bond investments	50,342	-	50,342	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	350,526	350,526	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	1,891,603	1,871,560	20,043	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	855,338	608,710	246,628	-

(C) The following table is the movement of financial assets at Level 3 for the year ended December 31, 2018:

	Year ended December 31, 2018							
		Valuation amount		Increased		Decreased		
	January 1	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Acquired/ Issued	Transfers into level 3	Sold/ Settled	Transfers out from level 3	December 31
Financial assets at fair value through profit or loss - non-current								
Equity investments	$ 20,147	($ 3,702)	$ -	$ -	$ -	$ -	$ -	$ 16,445
Financial assets at fair value through other comprehensive income - non-current								
Equity investments	134,238	-	12,307	-	-	-	-	146,545

(D) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2018	Fair value	Valuation technique	Significant unobservable input	(weighted average)	Relationship of inputs to fair value
Financial assets at fair value through profit or loss - non-current					
Venture capital shares	16,445	Net asset value	Not applicable	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	146,545	Market approach	Price to earnings ratio multiple	1.91~2.05	The higher the multiple,the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

(E)Valuation process for fair value at Level 3

The parent company's risk management department is responsible for the verification of fair value categorised in Level 3. The department assesses the independence, reliability, consistency and representativeness of the source information, regularly verifies the valuation models and calibrates the parameters to ensure the valuation process and results are in compliance with IFRSs.

(F) For the fair value measurement of Level 3, the sensitivity analysis of the fair value to the reasonable alternative hypothesis shows that the fair value measurement of the financial assets by the Company is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the impact to profit or loss or to other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used in valuation models have changed up or down by 1%:

	Recognised in profit or loss		Recognised in other comprehensive income	
December 31, 2018	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets at fair value through profit or loss -non-current				
Venture capital shares	Not applicable	Not applicable	-	-
Financial assets at fair value through other comprehensive income - non-current				
Unlisted stocks	-	-	1,465	(1,465)

6) Capital management

A. Objective of capital management

(A) The represented capital adequacy ratio basically shall not be lower than 200% in compliance with the warning standard addressed in the "Rules Governing Securities Firms".

(B) The Company includes all risks involved in the investment position as a part of risk management, such as market risk, credit risk, liquidity risk, operating risk, legal risk, and model risk and so on. Each risk management responsive unit should identify, evaluate, monitor and control various risks in order to enable the Company to defend impact from financial market, reflect the current operating strategies and make the investment portfolio applied to business planning and development.

B. Capital management policy and procedure

In order to secure the long-term and stable development of various businesses and effectively assume risks, the Company manages capital based on the business development, related regulations and financial market environment. Major capital evaluation processes include:

(A) Each segment should provide accurate and valid source of information to maintain calculation accuracy of capital adequacy ratio.

(B) After the reporting at the 10th of each month, capital adequacy ratio should be computed by the end of every month. If the result is close to the legal standard, every unit will be called to attend a meeting for discussion and strategic planning to ensure that the basic objective of capital adequacy ratio is not less than 200%.

(C) Both the risk limits and economic capital of the Company should be agreed by the Board of Directors. The Company should quarterly report details of risk control with disclosure of investment condition in order to assess whether the risk position exceeds the limit and whether the investment direction is in line with the market trend. Within the authorized risk limits, the Company is actively engaged in development of various businesses and continually increases profit, creates company value, and complies with the capital management objective.

The Company calculates and reports the capital adequacy ratio according to "Rules Governing Securities Firms". According to Jin-Guan-Zeng-Chuan Letter No. 1010016685, from July 2012, advanced calculation method applied to capital adequacy ratio for securities firms is applicable to non-financial-holdings securities firms who file the report about information on capital adequacy ratio for December 31,2018 and 2017, the capital adequacy ratios were 567% and 417%, respectively, as required by the regulations.

7) Assets and liabilities of trust accounts

Pursuant to Article 17 of Enforcement Rules of the Trust Enterprise Act, balance sheet, income statement, and property list of trust accounts shall be disclosed in the parent company only financial statements on a semiannual basis.

A. Balance sheet of trust accounts

Trust assets	December 31, 2018	December 31, 2017
Bank savings	$ 179,211	$ 209,606
Structured notes	380,552	362,297
Stock	187,279	488,210
Bond	252,251	8,044
Fund	2,019,812	2,097,002
Securities lending	164,989	383,355
Accounts receivable	29,429	23,943
Total of trust assets	$ 3,213,523	$ 3,572,457

Trust liabilities	December 31, 2018	December 31, 2017
Accounts payable	$ 4,862	$ 37,124
Trust capital	3,574,783	3,346,934
Retained earnings	(366,122)	188,399
Total of trust liabilities	$ 3,213,523	$ 3,572,457

B. Income statement of trust accounts

Item	Year ended December 31, 2018	Year ended December 31, 2017
Trust income		
Interest income	$ 8,028	$ 75
Cash dividends received	11,334	15,116
Income from stocks lending	117,957	16,110
Investment gains - realised	556	61,346
Investment (losses) gains - unrealised	(387,327)	141,135
Subtotal	(249,452)	233,782
Trust expenses		
Management fee	-	1
Service fee	(18)	(3)
Borrowing costs	(4,041)	(2,781)
Remittance fee	(1)	(1)
Income before income tax	(253,512)	230,998
Income tax expense	(5)	-
Net income	($ 253,517)	$ 230,998

C. Property list of trust accounts

Item	December 31, 2018	December 31, 2017
Bank savings	$ 179,211	$ 209,606
Structured notes	380,552	362,297
Funds	2,019,812	2,097,002
Bond	252,251	8,044
Stock	187,279	488,210
Securities lending	164,989	383,355
Others	29,429	23,943
Total	$ 3,213,523	$ 3,572,457

8) Effects on initial application of IFRS9 and information on application of IAS 39 in 2017

A. Summaries of adopting significant accounting policies in 2017

(A) Financial assets and financial liabilities at fair value through profit or loss

a. Financial assets and financial liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading or financial assets and financial liabilities designated as at fair value through profit or loss on initial recognition. Financial assets and financial liabilities are classified in this category of held for trading if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also categorized as financial instruments held for trading unless they are designated as hedges.

b. On a regular way purchase or sale basis, financial assets held for trading are recognized and derecognized using trade date accounting.

c. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. Derivative assets, that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery, of such unquoted equity instruments are presented in 'financial assets measured at cost', if their fair value cannot be reliably measured. Derivative liabilities that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery of such unquoted equity instruments are presented in 'financial liabilities measured at cost', if their fair value cannot be reliably measured.

(B) Available-for-sale financial assets

a. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

b. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

c. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

d. If there has been objective evidence of impairment, the Company will account for impairment. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the

impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(C) Financial assets at cost – non-current

a. Financial assets measured at cost are initially recognized at fair value plus transaction costs of acquisition. On a regular way purchase or sale basis, financial assets measured at cost are recognized and derecognized using trade date accounting.

b. If the variability in the range of reasonable fair value estimate vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be measured at cost.

c. With respect to impairment assessment of the said financial asset, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(D) Impairment of financial assets

a. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

b. The criteria that the Company uses to determine whether there is an objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or

national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

c. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made in accordance with aforesaid accounting policies of various financial assets.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

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	IAS 39 December 31, 2017 Carrying amount	Reclassifications	Remeasurements	IFRS 9 January 1, 2018 Carrying amounts	Effects: January 1, 2018 Retained earnings	Effects: January 1, 2018 Other equity interest
Financial assets at fair value through profit or loss - noncurrent	$ 50,342	$ -	$ -	$ 50,342	$ -	$ -
Add: Equity investments Transferred in from financial assets at cost (IAS 39)	-	2,609	17,538	20,147	17,538	-
	$ 50,342	$ 2,609	$ 17,538	$ 70,489	$ 17,538	$ -
Financial assets at fair value through other comprehensive income - current	$ -	$ -	$ -	$ -	$ -	$ -
Add: Debt investments Transferred in from available-for-sale financial assets (IAS 39)	-	1,044,031	-	1,044,031	-	-
	$ -	$ 1,044,031	$ -	$ 1,044,031	$ -	$ -
Financial assets at fair value through other comprehensive income - noncurrent	$ -	$ -	$ -	$ -	$ -	$ -
Add: Equity investments Transferred in from financial assets at cost (IAS39)	-	6,449	127,789	134,238	-	127,789
	$ -	$ 6,449	$ 127,789	$ 134,238	$ -	$ 127,789

a. Debt instruments within "Available-for-sale" under IAS 39, which amounted to $1,044,031, were reclassified as "Financial assets at fair value through other comprehensive income (debt instruments)" at initial adoption of IFRS 9 as they met the condition that their cash flows are solely payments of principal and the interest on outstanding principal and the objective to hold them is to collect cash flow and to sell.

b. Equity instruments within "Financial assets at cost" under IAS 39 which amounted to $6,449 were elected by the Company to be reclassified as "Financial assets at fair value through other comprehensive income (equity instruments)" at initial adoption of IFRS 9 as they were not held for trading purposes. "Financial assets at fair value through other comprehensive income (equity

instruments)" was increased by $134,238, and other equity was increased by $127,789.

c. Equity instruments within "Financial assets at cost" under IAS 39, which amounted to $2,609, were reclassified as "Financial assets at fair value through profit or loss (equity instruments)" in compliance with IFRS 9. "Financial assets at fair value through profit or loss (equity instruments)" was increased by $20,147 and retained earnings was increased by $17,538.

(Blank below)

C. The significant accounts as of December 31, 2017 is as follows:

(A)Financial assets at fair value through profit or loss

	December 31, 2017
Current items:	
Open-ended funds and money market instruments and securities investment by brokers	
Open-ended mutual funds beneficiary certificates	$ 434,960
Adjustment of open-ended funds and money market instruments and securities investment by brokers	651
Total	435,611
Trading securities - dealer	
Listed (TSE and OTC) stocks	2,596,657
Government bonds	1,699,413
Corporate bonds	4,383,130
Convertible corporate bonds	441,134
Emerging stocks	37,878
Overseas stocks	20,426,840
Exchange-traded funds	1,976,561
Others	525
Subtotal	31,562,138
Adjustment of trading securities - dealer	255,704
Total	31,817,842
Trading securities - underwriter	
Listed (TSE and OTC) stocks	613,026
Convertible corporate bonds	327,788
Subtotal	940,814
Adjustment of trading securities - underwriter	137,563
Total	1,078,377

	December 31, 2017
Trading securities - hedging	
Listed (TSE and OTC) stocks	2,064,014
Convertible corporate bonds	13,182
Warrants	104,756
Overseas stocks	-
Exchange-traded funds	477,618
Subtotal	2,659,570
Adjustment of trading securities - hedging	(77,804)
Total	2,581,766
Options bought - futures	14,644
Futures guarantee deposits receivable	1,856,916
Derivative financial instrument assets - OTC	20,043
Total	$ 37,805,199

	December 31, 2017
Non-current items:	
Trading securities - dealer - government bonds	$ 50,076
Adjustment of trading securities	266
Total	$ 50,342

(B)Available-for-sale financial assets

	December 31, 2017
Current items:	
Trading securities - dealer	
Overseas bonds	$ 1,036,521
Adjustment of trading securities - dealer	7,510
Total	$ 1,044,031

(C)Financial assets at cost-non-current

	December 31, 2017
Taiwan Depository & Clearing Corp.	$ 2,450
Taiwan Futures Exchange	4,000
Hua Liu Venture Capital Corporation	2,608
Total	$ 9,058

a. Assets above are measured at cost as the variability in the range of reasonable fair value estimate could vary significantly and the probabilities of the various estimates cannot be reasonably measured.

b. In January 2017, the shareholders' meeting acknowledged that the liquidation of Cathay Venture Capital I had been completed and reported to the Taipei District Court. The Company had collected $1,128 as remaining assets based on shareholding ratio.

(D)Gain on trading of securities

With respect to information shown in Note 6(30), amounts recognised for trading of securities generated from available-for-sale financial assets for the year ended December 31, 2017 was $9,448.

D.Credit risk for December 31, 2017 was as follows:

(A) Source and definition of credit risk

The credit risk exposure of the Company as a result of engagement in financial transactions include issuer's credit risk, credit risk of counterparty and credit risk of underlying assets:

a.Credit risk of the issuer refers to the issuers of financial debt instruments held by the Company failing to repay its obligation due to the fact that the issuer breaches the contract resulting in the risk of financial loss to the Company.

b.Credit risk of counterparty refers to risk of financial loss to the Company arising from default by the counterparty of financial instruments on the settlement or payment obligation.

c.Credit risk of the underlying assets happens when the credit rating of the underlying assets linked to the financial instrument is downgraded by the rating agency or when the losses occur as a result of contract default.

The financial assets held by the Company which could result in credit risk include bank deposit, debt securities, derivatives transactions in OTC, bonds purchased/sold under resale/repurchase agreements, refundable deposit of securities lending, futures trade margins, other refundable deposits and receivables.

(B) Maximum credit risk exposure and credit risk concentration

The maximum exposure to credit risk of financial assets in the parent company only balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. In Taiwan, the sources of credit risk of the Company are primarily resulting from cash deposited with banks or other financial institutions, debt securities issued or guaranteed by a bank, derivative instruments transaction underwritten by the Company, and all counterparties of customer margin deposits accounts being financial institutions. Credit risks of various financial assets are as follows:

a.Cash and cash equivalents

Cash and cash equivalents include time deposit, demand deposits and checking deposits. Correspondent institutions are mainly domestic financial institutions.

b.Financial assets at fair value through profit and loss -current

(a)Fund

The funds held by the Company are bond funds. As the positions held are not significant, credit risk is deemed low.

(b)Debt securities

Debt securities are mainly positions like government bonds, convertible corporate bonds and foreign bonds and the issuers are primarily R.O.C. government, domestic and foreign legal entities. 57% of convertible corporate bond were guaranteed by banks at

December 31, 2017. Details are as follows:

i.Bonds

The bonds held by the Company are mostly government bonds (inclusive of central and local government). As a whole, the credit risk of the bonds held by the Company is low.

ii.Corporate bonds

The corporate bonds held by the Company are mainly underlying investment with good credit rating and those with rating above (S&P BB).

iii.Convertible corporate bond

The convertible corporate bonds held by the Company are mostly issued by the domestic legal entities. The Company mitigates highly risky credit exposure of the issuers by control through Taiwan Corporate Credit Risk Index (TCRI).

iiii.Foreign bonds

The foreign bonds held by the Company are mainly underlying investment with good credit rating and those with rating above (S&P BB).

c.Available-for-sale financial assets-current

The foreign bonds held by the Company are mainly underlying investment with good credit rating and those with rating above (S&P BB).

d.Derivatives- futures trade margin

When engaging in futures trades in stock exchange market, the Company needs to deposit margin into a margin deposit account of a financial institution designated by the futures merchants as a guarantee to fulfil contractual obligation in the future. As a result, the credit risk is low.

e.Derivatives-OTC

The Company signs International Swaps and Derivatives Association (ISDA) agreements with each counterparty when engaging in OTC derivatives as an agreement regarding such transactions for both parties. In the agreement, it provides a fundamental contractual model for OTC derivative transactions. If any party breaches the contract or terminates the transactions early, then all the open interest covered in the agreement should be settled by net amount as bound in the contract. When the ISDA agreement is signed, the Credit Support Annex (CSA) is also signed. According to the CSA, collateral will be transferred from a party to the other during transaction process to mitigate the risk of counterparty in open interest. Please refer to Note 6(11).

Types of OTC derivative transactions in which the Company is engaged include interest rate swap and swap transaction. The counterparties are all from financial service industry and mainly located in Taiwan.

f.Bonds investment under a resale agreement

Bonds sold under a resale agreement are the bonds that the client sold to the Company at a price, interest rate, length of period as agreed by two parties and the client shall repurchase the bonds at the specified price upon maturity. The Company needs to assume credit risk from counterparties when underwriting such business, as the payment being delivered to

the other party. With consideration of good collateral obtained, the net of credit risk exposure from counterparties can be effectively reduced. As all the counterparties are financial institutions with good credit rating, the credit risks from counterparties are extremely low. Please refer to Note 6(11).

g.Margin loans receivable

Margin loans receivable are the loans provided to the client in order to process businesses of margin trading and short sale using the securities purchased through financing as collateral. The Company monitors the clients' margin ratio through information system on a daily basis. As the margin ratio of margin trading is set at 130% according to Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, the credit risk is extremely low.

h.Guaranteed price for securities lending

Guaranteed price for securities lending is the sale price of the Company's securities sold by other securities firms through margin trading after deduction of securities transactions tax and service fee, which is deposited in other securities firms as collateral. As all the counterparties are financial institutions with good credit rating, the credit risk from counterparties is extremely low.

i.Refundable deposits for securities lending

Refundable deposits for securities lending are the margins deposited in other securities firm as collateral when the Company's securities are sold. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.

j.Receivables

Receivables are the credit rights arising from the securities business including settlement receivables of consignment trading, settlement receivables of operating securities sold, financing interest receivables of self-operating credit transaction, receivables of consignment trading for securities, and receivables from banks' underwriting on foreign exchange transactions and foreign fund demand. As the majority of the Company's receivables from the consignment businesses and self-operating businesses are settlement of securities from OCT or TWSE, the credit risk is extremely low. As the foreign exchange transactions are simply the receipt or payment of different currencies and the correspondent banks are of good credit rating, the credit risk is extremely low.

k.Other current assets

Other current assets are mainly the collateral deposited in the bank for application for short-term debt limit and guarantee for application for issuance of commercial papers. As the correspondent banks are all financial institutions with good credit rating, the credit risk is extremely low.

l.Financial assets at fair value through profit and loss – non-current

In order to underwrite trust business, the Company deposits central government bonds in

the Central Bank as collateral. Regardless of the bonds themselves or the financial institutions where the bonds deposited, the credit risk is extremely low.

m.Other non-current assets

Other non-current assets mainly comprise operating guarantee deposits, settlement funds, and refundable deposits. Operating guarantee deposits are mainly deposited in domestic banks with good credit rating. Settlement funds are deposited in securities exchange. Settlement funds are used as compensation when a party to a marketable securities transaction fails to fulfil the settlement obligation. The credit risks from the institutions where these two assets are deposited are extremely low. The refundable deposits refer to cash or other assets which are deposited externally by the Company and can be used as refundable deposits. Because deposits are placed in various financial institutions and each deposit amount is small, the credit risk is dispersed and the credit exposure of overall refundable deposit is extremely low.

(C) Credit quality rating

The Company's internal credit rating can be categorized into low risk, medium risk and high risk. Definition of each rating is as follows:

a.Low risk: a company or the underlying position is capable of fulfilling the financial commitment to a stable extent even when facing with a significant uncertain factor or being exposed to adverse condition.

b.Medium risk: a company or the underlying position's capability to fulfil the financial commitment is weak. Any adverse operation, financial or economic movement shall further weaken its ability to fulfil the financial commitment.

c.High risk: a company or the underlying position's capability to fulfil the financial commitment is uncertain. The capability to fulfil the financial commitment shall be determined by whether the operating environment and financial position are favorable.

d.Impairment: a company or the underlying position fails to fulfil its obligation and the potential impairment assessed has reached the standard for recognition.

The Company uses internal and external credit rating as specified in below table. In the table below, above-mentioned two credit ratings are not directly correlated. They are mainly used to represent the similarity of credit quality. The internal credit rating is based on credit rating of Taiwan Ratings and TCRI. Default rate of certain foreign bonds is calculated using bond pricing method. The credit risk classification and management are based on historical default rate (1 year).

Internal credit rating	Credit rating of Taiwan Ratings	Credit rating of TCRI	Historical default rate (1 year)
Low risk	twAAA ~twBBB-	1~4	0.03%~1.21%
Medium risk	twBB+ ~ twBB	5~6	1.21%~5.10%
High risk	twBB- ~ twC	7~9	5.10%~26.85%
Impairment	D	D	-

The table of the credit quality of financial assets

As of December 31, 2017

	Normal assets						Recognised	
Financial assets	Low risk	Medium risk	High risk	Impaired	Provisions	Total	losses	Net
Cash and cash equivalents	$ 4,036,047	$ 289	$ -	$ -	$ -	$ 4,036,336	$ -	$ 4,036,336
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	310,278	-	-	-	-	310,278	-	310,278
Debt security investments	26,527,537	325,859	60,068	-	-	26,913,464	-	26,913,464
Buy Option-TAIFEX	14,644	-	-	-	-	14,644	-	14,644
Derivative instruments-Futures Margin	1,856,916	-	-	-	-	1,856,916	-	1,856,916
Derivative instruments-OTC	20,043	-	-	-	-	20,043	-	20,043
Available-for-sale financial assets-current								
Debt security investments	1,044,031	-	-	-	-	1,044,031	-	1,044,031
Margin loans receivable	11,449,543	-	-	-	50,420	11,499,963	84,093	11,415,870
Refinancing security deposits	79,350	-	-	-	-	79,350	-	79,350
Receivables from refinance guaranty	67,160	-	-	-	-	67,160	-	67,160
Receivables from security lending	88,318	-	-	-	-	88,318	-	88,318
Security lending deposits	745,882	-	-	-	-	745,882	-	745,882
Notes receivable	1,365	-	-	-	-	1,365	-	1,365
Accounts receivable	10,748,383	-	-	-	4,359	10,752,742	4,359	10,748,383
Accounts receivable-related parties	5,546	-	-	-	-	5,546	-	5,546
Other receivables	8,005	-	-	-	-	8,005	-	8,005
Other current assets	783,916	-	-	-	-	783,916	-	783,916
Financial assets at fair value through profit or loss-non current	50,342	-	-	-	-	50,342	-	50,342
Other assets-non current	947,540	-	-	-	136,443	1,083,983	136,443	947,540
Total	$ 58,784,846	$ 326,148	$ 60,068	$ -	$ 191,222	$ 59,362,284	$ 224,895	$ 59,137,389

13. OTHER DISCLOSURE ITEMS

1) Information about significant transactions

A. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.

B. Endorsements and guarantees for others：None.

C. Acquisitions of real estate exceeding $300 million or 20 percent of contributed capital：None.

D. Disposals of real estate exceeding $300 million or 20 percent of contributed capital：None.

E. Purchases or sales transactions discount on brokers' charges with related parties in excess of $5 million：None.

F. Receivables from related parties exceeding $100 million or 20 percent of contributed capital：None.

G. Significant transactions between parent company and subsidiaries are provided in Note 7.

2) Related information of investee companies

A. Related information of investee companies

Name of the investor	Name of the investee company	Location	Date of registration	Reference number and the date of approval letter issued by FSC	Major operating activities	Original investment: Balance on December 31,2018	Original investment: Balance on December 31, 2017	Ending Balance: Shares	Ending Balance: Percentage	Ending Balance: Book vlaue	Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
President Securities Corp.	President Futures Corp.	Taipei	1994.03.01	1994.03.01 Jing-Tou-Shen (83) Gong-Shang Letter No.1114 (Note 1)	Futures brokerage	$ 644,650	$ 644,650	63,817,303	96.69%	$ 1,935,207	$ 921,841	$ 221,008	$ 213,699	$ 121,253	Subsidiary of the Company
	President Capital Management Corp.	Taipei	1997.04.15	1997.02.25 (86) Tai-Cai-Zheng (2) Letter No.17769	Securities investment consulting	200,000	200,000	17,400,000	100.00%	194,831	43,034	(2,167)	(2,167)	704	Subsidiary of the Company
	President Securities (HK) Ltd.	Hong Kong	1994.07.26	1993.11.4 (82) Tai-Cai-Zheng (2) Letter No.40913	Securities dealer, brokerage, underwriting and consulting	34,030	34,030	10,000,000	5.19%	72,792	185,365	36,883	1,914	-	Subsidiary of the Company
	President Securities (BVI) Ltd.	British Virgin Islands	1998.02.26	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Securities investment and holding company	2,264,573	2,264,573	67,746,000	100.00%	2,298,272	-	52,981	52,981	-	Subsidiary of the Company
	Uni-President Asset Management Corp.	Taipei	2000.08.18	2000.07.19 (89) Tai-Cai-Zheng (2) Letter No.56407	Investment Trust	667,622	667,622	14,904,630	42.46%	569,230	791,291	239,809	101,504	72,511	Associates
	President Insurance Agency Corp.	Taipei	2008.04.29	(Note2)	Insurance Agent	10,000	10,000	1,000,000	100.00%	31,911	54,159	14,048	14,048	14,167	Subsidiary of the Company

Name of the investor	Name of the investee company	Location	Date of registration	Reference number and the date of approval letter issued by FSC	Major operating activities	Original investment: Balance on December 31, 2018	Original investment: Balance on December 31, 2017	Ending Balance: Shares	Ending Balance: Percentage	Ending Balance: Book vlaue	Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
President Securities Corp.	PSC Venture Capital Investment Limited Company	Taipei	2013.10.29	2013.08.08 Jing-Guan-Zheng-Chuan Letter No.1020028529	Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit	300,000	300,000	30,000,000	100.00%	245,072	(3,760)	(2,704)	(2,704)	-	Subsidiary of the Company
President Insurance Agency Corp.	Uni-President Asset Management Corp.	Taipei	2000.08.18	2000.07.19 (89) Tai-Cai-Zheng (2) Letter No.56407	Investment Trust	478	478	12,000	0.03%	463	791,291	239,809	82	58	Associates
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	1994.07.26	1993.11.4 (82) Tai-Cai-Zheng (2) Letter No.40913	Securities dealer, brokerage, underwriting and consulting	814,705	814,705	182,600,000	94.81%	1,329,739	185,365	36,883	34,969	-	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	2002.03.31	2001.12.11 (90) Tai-Cai-Zheng (2) Letter No.166728	Wealth management	92,091	92,091	23,400,000	100.00%	58,711	-	532	532	-	Indirect subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	1999.08.06	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Nominee Service	3,403	3,403	1,000,000	100.00%	1,936	-	(74)	(74)	-	Indirect subsidiary of the Company

Note1：As FSC was established in July, 2004, President Futures Corp. was apporved by the Investment Commission, Ministry of Economic Affairs.

Note2：When securities corporations invest in domestic business within FSC's limitation, there is no need to obtain the approval from FSC in advance, according to Tai-Cai-Zheng (2) Letter No.0930000005. Therefore, there was no reference numbers for President Personal Insurance Agency Co., Ltd. and President Insurance Agency Corp.

B. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.
C. Endorsements and guarantees for others：None.
D. Acquisitions of real estate exceeding $300 million or 20 percent of contributed capital：None.
E. Disposals of real estate exceeding $300 million or 20 percent of contributed capital：None.
F. Purchases or sales transactions discount on brokers' charges with related parties in excess of $5,000,000：None.
G. Receivables from related parties exceeding $100 million or 20 percent of contributed capital：None.
H. Accordance with Jin-Guan-Zheng-Quan-Zi Letter No. 10300375782, the Company is required to disclose details of businesses run by foreign enterprises that were incorporated in the countries identified as non-signatories to the IOSCO MMoU or have not obtained securities or futures license of signatories to the IOSCO MMoU：
   a) Securities held as of December 31, 2018 of President Securities (BVI) Ltd：

			Carrying value		Expressed in U.S. Dollars Fair vaule	
Securities types and name	Type	Number of shares	Unit price	Amount	Unit price	Amount
Financial assets at fair value through profit or loss - current						
Open-end funds, mony market instruments and securities investment by brokers:						
United States of America DL-Zero Principal 15.5.2021	Zero-Coupon Bond	$ 4,340,000	$ 0.929	$ 4,030,558	$ 0.942	$ 4,090,016
Investments in associates						
President Securities (HK) Ltd.	STOCK	182,600,000	$ 0.237	$ 43,292,815	$ 0.237	$ 43,292,815
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.082	1,911,477	0.082	1,911,477
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.063	63,046	0.063	63,046
Total				$ 45,267,338		$ 45,267,338

b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd.: None.

c) Revenue from engagement in cosultation on assets management business, service contents and litigation：None.

d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

Expressed in U.S. dollars

	December 31, 2018		December 31, 2017			December 31, 2018		December 31, 2017	
Assets	Amount	%	Amount	%	Liabilities and shareholders'equity	Amount	%	Amount	%
Current assets					Current liabilties				
Cash and cash equivalents	$ 25,277,023	34	$ 24,810,955	34	Other payables	$ 3,563	-	$ 3,571	-
Financial assets at fair value through profit or loss - current	4,090,016	6	4,051,954	6	Total liabilities	3,563	-	3,571	-
Other receivables	194,910	-	117,323	-	Shareholders'equity				
Total current assets	29,561,949	40	28,980,232	40	Share capital	67,746,000	91	67,746,000	93
Investment in associates	45,267,338	60	44,184,266	60	Capital reserve	757,813	1	757,813	1
					Retained earnings				
					Retained earnings	6,016,267	8	4,260,476	6
					Other equity				
					Exchange differences on translation of foreign financial statements	305,644	-	396,638	-
					Total shareholders' equity	74,825,724	100	73,160,927	100
Total assets	$ 74,829,287	100	$ 73,164,498	100	Total liabilities and shareholders' equity	$ 74,829,287	100	$ 73,164,498	100

PRESIDENT WEALTH MANAGEMENT (HK) LTD.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

Expressed in HK dollars

	December 31, 2018		December 31, 2017			December 31, 2018		December 31, 2017	
Assets	Amount	%	Amount	%	Liabilities and shareholders'equity	Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	$ 14,943,066	100	$ 14,832,782	100	Other payables	$ 20,075	-	$ 19,410	-
Other receivables	50,492	-	21,795	-	Total liabilities	20,075	-	19,410	-
Total current assets	14,993,558	100	14,854,577	100	Shareholders' equity				
					Share capital	23,400,000	156	23,400,000	158
					Retained earnings (accumulated deficit)	(8,426,517)	(56)	(8,564,833)	(58)
					Total shareholders' equity	14,973,483	100	14,835,167	100
Total assets	$ 14,993,558	100	$ 14,854,577	100	Total liabilities and shareholders' equity	$ 14,993,558	100	$ 14,854,577	100

PRESIDENT SECURITIES (NOMINEE) LTD.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

Expressed in HK dollars

	December 31, 2018		December 31, 2017			December 31, 2018		December 31, 2017	
Assets	Amount	%	Amount	%	Liabilities and shareholders'equity	Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	$ 509,539	100	$ 528,954	100	Other payables	$ 17,190	3	$ 16,620	3
Other receivables	1,516	-	674	-	Total liabilities	17,190	3	16,620	3
Total current assets	511,055	100	529,628	100	Shareholders' equity				
					Share capital	1,000,000	196	1,000,000	189
					Retained earnings (accumulated deficit)	(506,135)	(99)	(486,992)	(92)
					Total shareholders' equity	493,865	97	513,008	97
Total assets	$ 511,055	100	$ 529,628	100	Total liabilities and shareholders' equity	$ 511,055	100	$ 529,628	100

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in U.S. dollars

Accounts	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Expenditures				
Employee benefits	($ 49,965)	(3)	($ 50,243)	(1)
Other operating expenses	(18,427)	(1)	(17,541)	(1)
Total expenditures and expenses	(68,392)	(4)	(67,784)	(2)
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,174,066	67	2,391,353	67
Other gains and losses	650,116	37	1,247,468	35
Total non-operating gains and losses	1,824,182	104	3,638,821	102
Profit before tax	1,755,790	100	3,571,037	100
Income tax expense	-	-	-	-
Net income	$ 1,755,790	100	$ 3,571,037	100

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in HK dollars

Accounts	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	($ 41,570)	(30)	($ 39,920)	(129)
Total expenditures and expenses	(41,570)	(30)	(39,920)	(129)
Non-operating gains and losses				
Other gains and losses	179,886	130	70,824	229
Profit before tax	138,316	100	30,904	100
Income tax expense	-	-	-	-
Net income	$ 138,316	100	$ 30,904	100

President Securities (Nominee) Ltd.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in HK dollars

Accounts	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	($ 24,590)	128	($ 24,660)	110
Total expenditures and expenses	(24,590)	128	(24,660)	110
Non-operating gains and losses				
Other gains and losses	5,447	(28)	2,152	(10)
Loss before tax	(19,143)	100	(22,508)	100
Income tax expense	-	-	-	-
Net loss	($ 19,143)	100	($ 22,508)	100

f) Transactions between related parties and foreign business：None.

3) Information of overseas branches and representative office

Overseas branches and representative office	Nationality	Date of registration	Reference number and the date of approval letter given by Securities and Futures Bureau of FSC	Main business activities	Operating income	(Loss) profit before tax (Note 1)	Assignment of working capital				Material transaction account with head office	Note
							Balance on January 1, 2018	Increase of working capital	Deduction of working capital	Balance on December 31, 2018		
Representative office of President Securities Corp. in Xiamen	Xiamen	2008.08.22	2008.01.21 Jing-Guan-Zheng-Chuan Letter No.0960073542	Non-operating activities of securities business consultation, contact, and market survey	-	($ 5,630)	-	-	-	-	-	-

Note 1: Operating expenses generated by the representative office.

4) Disclosure of investment in Mainland China：Not applicable