# PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

# CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

# JUNE 30, 2019 AND 2018

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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

PWCR19001244

To the Board of Directors and Shareholders of President Securities Corporation

## *Opinion*

We have audited the accompanying consolidated balance sheets of President Securities Corporation and subsidiaries as at June 30, 2019, December 31, 2018 and June 30, 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of President Securities Corporation and subsidiaries as at June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018 and its consolidated cash flows for the six months ended June 30, 2019 and 2018 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" , and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

## *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 Consolidated Financial Statements section of our report. We are independent of President Securities Corporation and subsidiaries 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements of the current period are as follows:

***Fair value measurement of unlisted stocks without active market***

Description

Please refer to Note 4(8) for the accounting policies on unlisted stocks without active market (shown as "financial assets at fair value through other comprehensive income") and Note 5(2) for details of critical accounting judgements, estimates and assumption uncertainty. As at June 30, 2019, the unlisted stocks without active market held by the President Securities Corporation and subsidiaries totalled $725,810 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 President Securities Corporation and subsidiaries was determined using a valuation method. Management measured their fair value by using comparable listed companies in the market approach. The main assumptions of the market approach is calculated 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 President Securities Corporation and subsidiaries. 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 indication assessment of investments accounted for under equity method***

Description

Please refer to Note 4(14) 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(12) for details of investments accounted for under equity method.

President Securities Corporation and subsidiaries held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of June 30, 2019, the amount was $539,971 thousand New Taiwan Dollars. Impairment assessment for the interim period was based on the review for indications of whether the investee was significantly impaired after the end of the prior financial year in order to determine whether a detailed calculation is needed.

As the review for indications of significant impairment involved multiple subjective judgements in relation to internal and external information, this significantly affected the result of the review for indications of significant impairment. Thus, we consider the impairment indications of investments accounted for under equity method as a key audit matter.

How our audit addressed the matter

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

1. Obtained management's documents for reviewing indications of asset impairment and understood the approval process.
2. Sampled documents in relation to reviewing for indications of significant impairment, in order to understand reasonableness of the evidence.

***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of President Securities Corporation, as at and for the six months ended June 30, 2019 and 2018.

## *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", and "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing President Securities Corporation and subsidiaries' 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 President Securities Corporation and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing President Securities Corporation and subsidiaries' financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of President Securities Corporation and subsidiaries' 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 President Securities Corporation and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause President Securities Corporation and subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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
August 28, 2019

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The accompanying consolidated 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 consolidated 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 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | June 30, 2019 AMOUNT | % | December 31, 2018 AMOUNT | % | June 30, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| 110000 | **Current assets** | | | | | | | |
| 111100 | Cash and cash equivalents | 6(1) | $ 6,467,717 | 7 | $ 5,932,669 | 9 | $ 6,694,364 | 8 |
| 112000 | Financial assets at fair value through profit or loss - current | 6(2) | 41,318,739 | 44 | 27,680,473 | 39 | 30,960,159 | 37 |
| 113200 | Financial assets at fair value through other comprehensive income - current | 6(3) | 306,475 | 1 | 296,304 | 1 | 290,191 | - |
| 114010 | Bonds purchased under resale agreements | 6(4) | - | - | 93,193 | - | 111,828 | - |
| 114030 | Margin loans receivable | 6(5) | 7,878,724 | 8 | 8,020,488 | 11 | 12,552,669 | 15 |
| 114040 | Refinancing security deposits | | 34,459 | - | 4,402 | - | 1,395 | - |
| 114050 | Receivables from refinance guaranty | | 41,340 | - | 8,387 | - | 8,131 | - |
| 114060 | Receivable of securities business money lending | | 229,757 | - | - | - | - | - |
| 114070 | Customer margin account | 6(6) | 12,392,042 | 13 | 11,591,302 | 17 | 10,449,793 | 12 |
| 114090 | Receivables from security lending | | 105,769 | - | 78,316 | - | 13,240 | - |
| 114100 | Security lending deposits | | 866,518 | 1 | 785,431 | 1 | 313,841 | - |
| 114110 | Notes receivable | | 1,670 | - | 1,185 | - | 1,348 | - |
| 114130 | Accounts receivable | 6(7) | 17,345,195 | 18 | 8,726,852 | 12 | 15,706,251 | 19 |
| 114150 | Prepayments | | 22,135 | - | 19,116 | - | 33,232 | - |
| 114170 | Other receivables | 6(8) | 257,162 | - | 31,973 | - | 359,329 | 1 |
| 114600 | Current tax assets | | 5,025 | - | 5,542 | - | 266 | - |
| 119000 | Other current assets | 6(9) | 1,601,130 | 2 | 1,640,223 | 2 | 1,539,511 | 2 |
| 110000 | **Total current assets** | | 88,873,857 | 94 | 64,915,856 | 92 | 79,035,548 | 94 |
| 120000 | **Noncurrent assets** | | | | | | | |
| 122000 | Financial assets at fair value through profit or loss - noncurrent | 6(2) | 68,563 | - | 66,354 | - | 66,801 | - |
| 123200 | Financial assets at fair value through other comprehensive income - noncurrent | 6(3) | 752,810 | 1 | 604,579 | 1 | 564,519 | 1 |
| 124100 | Investments accounted for under equity method | 6(12) | 539,971 | 1 | 569,693 | 1 | 510,909 | 1 |
| 125000 | Property and equipment, net | 6(13) | 2,427,747 | 3 | 2,442,370 | 4 | 2,449,668 | 3 |
| 125800 | Right-of-use assets | 6(14) | 266,741 | - | - | - | - | - |
| 126000 | Investment property | 6(16) | 273,653 | - | 274,703 | - | 275,753 | - |
| 127000 | Intangible assets | 6(17) | 122,939 | - | 124,210 | - | 104,462 | - |
| 128000 | Deferred tax assets | 6(48) | 121,373 | - | 125,448 | - | 118,637 | - |
| 129000 | Other assets - noncurrent | 6(18) | 1,269,470 | 1 | 1,258,060 | 2 | 1,254,389 | 1 |
| 120000 | **Total noncurrent assets** | | 5,843,267 | 6 | 5,465,417 | 8 | 5,345,138 | 6 |
| 906001 | **Total Assets** | | $ 94,717,124 | 100 | $ 70,381,273 | 100 | $ 84,380,686 | 100 |

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PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | June 30, 2019 AMOUNT | % | December 31, 2018 AMOUNT | % | June 30, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| 210000 | **Current liabilities** | | | | | | | |
| 211100 | Short-term loans | 6(19) | $ 4,807,668 | 5 | $ 939,879 | 1 | $ 3,653,220 | 4 |
| 211200 | Commercial papers payable | 6(20) | 3,249,489 | 4 | - | - | 6,149,102 | 7 |
| 212000 | Financial liabilities at fair value through profit or loss - current | 6(21) | 415,785 | 1 | 866,097 | 1 | 1,171,073 | 2 |
| 214010 | Bonds sold under repurchase agreements | 6(22) | 23,742,148 | 25 | 15,066,599 | 21 | 15,407,615 | 18 |
| 214040 | Deposits on short sales | | 1,039,354 | 1 | 1,767,269 | 3 | 984,415 | 1 |
| 214050 | Short sale proceeds payable | | 1,197,385 | 1 | 2,007,202 | 3 | 1,123,838 | 1 |
| 214070 | Guarantee deposit received on borrowed securities | | 38,349 | - | 621 | - | 32,567 | - |
| 214080 | Futures traders' equity | 6(6) | 12,379,901 | 13 | 11,574,634 | 16 | 10,411,839 | 13 |
| 214130 | Accounts payable | 6(23) | 16,178,536 | 17 | 8,289,115 | 12 | 13,841,587 | 17 |
| 214150 | Advance receipts | | 1,604 | - | 975 | - | 1,028 | - |
| 214160 | Collections on behalf of third parties | | 400,164 | 1 | 362,578 | 1 | 420,905 | 1 |
| 214170 | Other payables | 6(24) | 1,836,851 | 2 | 916,900 | 1 | 2,805,413 | 3 |
| 214200 | Other financial liabilities - current | 6(25) | 3,197,595 | 3 | 2,687,009 | 4 | 2,647,753 | 3 |
| 214600 | Current tax liability | | 95,857 | - | 136,729 | - | 196,234 | - |
| 216000 | Current lease liabilities | | 94,891 | - | - | - | - | - |
| 219000 | Other current liabilities | | 9,151 | - | 21,281 | - | 23,779 | - |
| 210000 | **Total current liabilities** | | 68,684,728 | 73 | 44,636,888 | 63 | 58,870,368 | 70 |
| 220000 | **Noncurrent liabilities** | | | | | | | |
| 225100 | Non-current provisions | | 2,906 | - | - | - | - | - |
| 228000 | Deferred tax liability | 6(48) | 13,813 | - | 16,073 | - | 7,343 | - |
| 226000 | Non-current lease liabilities | | 167,088 | - | - | - | - | - |
| 229000 | Other liabilities-noncurrent | 6(26) | 17,302 | - | 15,865 | - | 41,771 | - |
| 220000 | **Total noncurrent liabilities** | | 201,109 | - | 31,938 | - | 49,114 | - |
| 906003 | **Total Liabilities** | | 68,885,837 | 73 | 44,668,826 | 63 | 58,919,482 | 70 |
| 300000 | **Equity attributable to owners of the parent company** | | | | | | | |
| 301000 | **Capital** | | | | | | | |
| 301010 | Common stock | 6(28) | 13,723,900 | 14 | 13,904,281 | 20 | 13,904,281 | 17 |
| 302000 | **Capital reserve** | | 91,261 | - | 142,702 | - | 142,702 | - |
| 304000 | **Retained earnings** | 6(28) | | | | | | |
| 304010 | Legal reserve | | 2,876,769 | 3 | 2,755,737 | 4 | 2,755,737 | 3 |
| 304020 | Special reserve | | 7,130,830 | 8 | 6,945,453 | 10 | 6,945,453 | 8 |
| 304040 | Unappropriated earnings | | 1,120,020 | 1 | 1,278,472 | 2 | 1,102,757 | 1 |
| 305000 | **Other equity interest** | | 819,838 | 1 | 619,340 | 1 | 547,915 | 1 |
| 300000 | **Total** | | 25,762,618 | 27 | 25,645,985 | 37 | 25,398,845 | 30 |
| 306000 | **Non-controlling interests** | | 68,669 | - | 66,462 | - | 62,359 | - |
| 906004 | **Total Equity** | | 25,831,287 | 27 | 25,712,447 | 37 | 25,461,204 | 30 |
| 906002 | **Total liabilities and equity** | | $ 94,717,124 | 100 | $ 70,381,273 | 100 | $ 84,380,686 | 100 |

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | | 2018 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 400000 | **Revenues** | | | | | | | | | |
| 401000 | Brokerage handling fee revenue | 6(30) | $ 554,088 | 47 | $ 691,955 | 29 | $ 1,023,707 | 31 | $ 1,364,520 | 37 |
| 404000 | Revenues from underwriting business | 6(31) | 14,623 | 1 | 9,518 | - | 18,836 | 1 | 30,369 | 1 |
| 406000 | Gain on wealth management | | 4,080 | - | 6,803 | - | 7,272 | - | 11,366 | - |
| 410000 | Gain on sale of operating securities | 6(32) | 74,749 | 6 | 1,046,602 | 44 | 1,132,432 | 34 | 1,075,661 | 30 |
| 421100 | Revenue from providing agency service for stock affairs | | 21,092 | 2 | 21,040 | 1 | 38,312 | 1 | 38,072 | 1 |
| 421200 | Interest income | 6(33) | 312,411 | 27 | 330,269 | 14 | 591,438 | 18 | 674,694 | 19 |
| 421300 | Dividend income | | 40,130 | 4 | 44,137 | 2 | 48,734 | 2 | 47,398 | 1 |
| 421500 | Valuation loss on operating securities at fair value through profit or loss | 6(34) | ( 20,140) | ( 2) | ( 21,892) | ( 1) | 680,794 | 21 | 48,488 | 1 |
| 421600 | (Loss) gain on covering of borrowed securities and bonds with resale agreements-short sales | 6(35) | ( 7,338) | ( 1) | 2,134 | - | 14,842 | - | 26,378 | 1 |
| 421610 | Valuation gain (loss) on borrowed securities and bonds with resale agreeents-short sales at fair value through profit or loss | 6(36) | 194 | - | ( 5,448) | - | ( 34,200) | ( 1) | ( 8,703) | - |
| 421750 | Realised loss on financial assets measured at fair value through other comprehensive income - bonds | 6(37) | - | - | ( 19,617) | ( 1) | - | - | ( 23,782) | ( 1) |
| 422000 | Loss on issuance of ETNs | | ( 199) | - | - | - | ( 199) | - | - | - |
| 422200 | Gain from issuance of call (put) warrants | 6(38) | 96,100 | 8 | 158,199 | 7 | 100,673 | 3 | 365,060 | 10 |
| 424400 | Gain from derivatives | 6(39) | 43,365 | 4 | 16,754 | 1 | ( 426,301) | ( 13) | 67,195 | 2 |
| 425300 | Impairment gain and reversal of impairment loss | 6(40) | 14,271 | 1 | ( 64,466) | ( 3) | ( 56) | - | ( 75,226) | ( 2) |
| 428000 | Other operating income | 6(41) | 33,995 | 3 | 158,767 | 7 | 94,430 | 3 | 9,111 | - |
| | **Total revenues** | | 1,181,421 | 100 | 2,374,755 | 100 | 3,290,714 | 100 | 3,650,601 | 100 |
| 500000 | **Expenses** | | | | | | | | | |
| 501000/ 502000/ 503000 | Handling charges | 6(42) | ( 115,879) | ( 10) | ( 130,910) | ( 6) | ( 265,009) | ( 8) | ( 258,246) | ( 7) |
| 521200 | Interest expenses | 6(43) | ( 150,960) | ( 13) | ( 103,543) | ( 4) | ( 271,581) | ( 8) | ( 201,777) | ( 6) |
| 524100 | Futures commission expense | | ( 21,308) | ( 2) | ( 21,062) | ( 1) | ( 39,881) | ( 1) | ( 44,431) | ( 1) |
| 524300 | Expense of clearing and settlement | | ( 24,286) | ( 2) | ( 29,601) | ( 1) | ( 46,886) | ( 2) | ( 61,036) | ( 2) |
| 528000 | Other operating expenditure | | ( 4) | - | ( 30) | - | ( 5) | - | ( 33) | - |
| 531000 | Employee benefits expense | 6(44) | ( 431,337) | ( 36) | ( 690,931) | ( 29) | ( 1,077,971) | ( 33) | ( 1,248,510) | ( 34) |
| 532000 | Depreciation and amortization | 6(45) | ( 51,343) | ( 4) | ( 22,903) | ( 1) | ( 102,324) | ( 3) | ( 48,510) | ( 1) |
| 533000 | Other operating expenses | 6(46) | ( 316,749) | ( 27) | ( 394,191) | ( 17) | ( 572,198) | ( 17) | ( 754,235) | ( 21) |
| | **Total expenditures and expenses** | | ( 1,111,866) | ( 94) | ( 1,393,171) | ( 59) | ( 2,375,855) | ( 72) | ( 2,616,778) | ( 72) |

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PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | | 2019 | | 2018 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Operating profit** | | $ 69,555 | 6 | $ 981,584 | 41 | $ 914,859 | 28 | $ 1,033,823 | 28 |
| 601000 | Share of the profit or loss of associates and joint ventures accounted for under the equity method | 6(12) | 23,750 | 2 | 24,622 | 1 | 52,077 | 2 | 48,265 | 1 |
| 602000 | Other gains and losses | 6(47) | 115,504 | 10 | 104,875 | 5 | 207,960 | 6 | 165,000 | 5 |
| 902001 | **Profit before tax** | | 208,809 | 18 | 1,111,081 | 47 | 1,174,896 | 36 | 1,247,088 | 34 |
| 701000 | Income tax expense | 6(48) | ( 23,114) | ( 2) | ( 175,841) | ( 8) | ( 64,376) | ( 2) | ( 196,963) | ( 5) |
| 902005 | **Net income** | | $ 185,695 | 16 | $ 935,240 | 39 | $ 1,110,520 | 34 | $ 1,050,125 | 29 |
| | **Other comprehensive income** | | | | | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | | | | | |
| 805540 | Unrealised gain (loss) from investments in equity instruments at fair value through other comprehensive income | | $ 77,486 | 7 | ($ 15,751) | ( 1) | $ 148,231 | 5 | ($ 2,788) | - |
| 805550 | Other comprehensive gain of associates and joint ventures accounted for under equity method | | 5,674 | - | ( 1,546) | - | 11,906 | - | ( 547) | - |
| 805599 | Income tax benefit relating to components of other comprehensive income | | - | - | - | - | - | - | 11,886 | - |
| | **Items may be reclassified to profit of loss subsequently** | | | | | | | | | |
| 805610 | Translation gain on the financial statements of foreign operating entities | | 31,756 | 3 | 132,794 | 6 | 36,294 | 1 | 60,637 | 1 |
| 805615 | Unrealised gain from investments in debt instruments at fair value through other comprehensive income | | 4,703 | - | 2,431 | - | 8,105 | - | ( 6,955) | - |
| | **Current other comprehensive income (post-tax)** | | 119,619 | 10 | 117,928 | 5 | 204,536 | 6 | 62,233 | 1 |
| 902006 | **Total current comprehensive income** | | $ 305,314 | 26 | $ 1,053,168 | 44 | $ 1,315,056 | 40 | $ 1,112,358 | 30 |
| | **Income attributable to:** | | | | | | | | | |
| 913100 | Parent company | | $ 183,708 | 16 | $ 933,172 | 39 | $ 1,107,352 | 34 | $ 1,045,886 | 29 |
| 913200 | Non-controlling interest | | $ 1,987 | - | $ 2,068 | - | $ 3,168 | - | $ 4,239 | - |
| | **Current comprehensive income attributable to:** | | | | | | | | | |
| 914100 | Parent company | | $ 301,402 | 26 | $ 1,051,775 | 44 | $ 1,307,850 | 40 | $ 1,108,454 | 30 |
| 914200 | Non-controlling interests | | $ 3,912 | - | $ 1,393 | - | $ 7,206 | - | $ 3,904 | - |
| | **Earnings per share** | 6(49) | | | | | | | | |
| 975000 | **Basic earnings per share (in dollars)** | | $ 0.14 | | $ 0.67 | | $ 0.81 | | $ 0.75 | |
| 985000 | **Diluted earnings per share (in dollars)** | | $ 0.13 | | $ 0.67 | | $ 0.80 | | $ 0.75 | |

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 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 | Unrealized gain or loss on financial instruments | Treasury shares | Total | Non-controlling interests | Total equity |
| For the six months ended June 30, 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 | $ 49,308 | $ 25,434,962 |
| Effects of retrospective application and retrospective restatement | | - | - | - | - | 17,538 | - | 563,430 | ( 7,717 ) | - | 573,251 | 13,293 | 586,544 |
| 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 | 62,601 | 26,021,506 |
| Net income for the six months ended June 30, 2018 | | - | - | - | - | 1,045,886 | - | - | - | - | 1,045,886 | 4,239 | 1,050,125 |
| Other comprehensive (loss) income for the six months ended June 30, 2018 | | - | - | - | - | 12,328 | 60,637 | ( 10,397 ) | - | - | 62,568 | ( 335 ) | 62,233 |
| Total comprehensive income | | - | - | - | - | 1,058,214 | 60,637 | ( 10,397 ) | - | - | 1,108,454 | 3,904 | 1,112,358 |
| Appropriations of 2017 earnings: | | | | | | | | | | | | | |
| Legal reserve | 6(28) | - | - | 251,972 | - | ( 251,972 ) | - | - | - | - | - | - | - |
| Special reserve | 6(28) | - | - | - | 571,894 | ( 571,894 ) | - | - | - | - | - | - | - |
| Cash dividends | 6(29) | - | - | - | - | ( 1,668,514 ) | - | - | - | - | ( 1,668,514 ) | - | ( 1,668,514 ) |
| Changes in non-controlling interests | | - | - | - | - | - | - | - | - | - | - | ( 4,146 ) | ( 4,146 ) |
| Balance at June 30, 2018 | | $ 13,904,281 | $ 142,702 | $ 2,755,737 | $ 6,945,453 | $ 1,102,757 | ($ 5,454 ) | $ 553,369 | $ - | $ - | $ 25,398,845 | $ 62,359 | $ 25,461,204 |
| For the six months ended June 30, 2019 | | | | | | | | | | | | | |
| Balance at January 1, 2019 | | $ 13,904,281 | $ 142,702 | $ 2,755,737 | $ 6,945,453 | $ 1,278,472 | $ 19,251 | $ 600,089 | $ - | $ - | $ 25,645,985 | $ 66,462 | $ 25,712,447 |
| Net income for the six months ended June 30, 2019 | | - | - | - | - | 1,107,352 | - | - | - | - | 1,107,352 | 3,168 | 1,110,520 |
| Other comprehensive income for the six months ended June 30, 2019 | | - | - | - | - | - | 36,294 | 164,204 | - | - | 200,498 | 4,038 | 204,536 |
| Total comprehensive income | | - | - | - | - | 1,107,352 | 36,294 | 164,204 | - | - | 1,307,850 | 7,206 | 1,315,056 |
| Appropriations of 2018 earnings: | | | | | | | | | | | | | |
| Legal reserve | 6(28) | - | - | 121,032 | - | ( 121,032 ) | - | - | - | - | - | - | - |
| Special reserve | 6(28) | - | - | - | 185,377 | ( 185,377 ) | - | - | - | - | - | - | - |
| Cash dividends | 6(29) | - | - | - | - | ( 959,395 ) | - | - | - | - | ( 959,395 ) | - | ( 959,395 ) |
| Purchase of treasury shares | 6(28) | - | - | - | - | - | - | - | - | ( 231,822 ) | ( 231,822 ) | - | ( 231,822 ) |
| Retirement of treasury shares | 6(28) | ( 180,381 ) | ( 51,441 ) | - | - | - | - | - | - | 231,822 | - | - | - |
| Changes in non-controlling interests | | - | - | - | - | - | - | - | - | - | - | ( 4,999 ) | ( 4,999 ) |
| Balance at June 30, 2019 | | $ 13,723,900 | $ 91,261 | $ 2,876,769 | $ 7,130,830 | $ 1,120,020 | $ 55,545 | $ 764,293 | $ - | $ - | $ 25,762,618 | $ 68,669 | $ 25,831,287 |

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Notes | Six months ended June 30 2019 | Six months ended June 30 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 1,174,896 | $ 1,247,088 |
| Adjustments | | | |
| Income and expenses having no effect on cash flows | | | |
| Depreciation | 6(45) | 91,128 | 35,122 |
| Amortization | 6(45) | 11,196 | 13,388 |
| Impairment gain and reversal of impairment loss | 6(40) | 81 | 75,277 |
| Gain on valuation of trading securities | 6(34) | ( 680,794 ) | ( 48,488 ) |
| Loss on valuation of borrowed securities and bonds with resale agreements | 6(36) | 34,200 | 8,703 |
| Financial expense | 6(43) | 271,581 | 201,777 |
| Interest income (include financial income) | 6(33)(47) | ( 685,043 ) | ( 747,915 ) |
| Dividend income | | ( 73,969 ) | ( 72,270 ) |
| Share of the profit of associates and joint ventures accounted for under the equity method | 6(12) | ( 52,077 ) | ( 48,265 ) |
| Loss on disposal of property and equipment | 6(13) | 1 | 13 |
| (Gain) loss on valuation of non-operating financial instrument | 6(47) | ( 8,368 ) | 7,535 |
| Loss from lease modification | | 469 | - |
| Changes in assets/liabilities relating to operating activities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | ( 12,959,783 ) | 7,648,193 |
| Financial assets at fair value through other comprehensive income - current | | - | 744,575 |
| Bonds purchased under resale agreements | | 93,193 | ( 111,828 ) |
| Margin loans receivable | | 131,072 | ( 1,122,956 ) |
| Refinancing security deposits | | ( 30,057 ) | 77,955 |
| Receivables from refinance guaranty | | ( 32,953 ) | 59,029 |
| Receivable of securities business money lending | | ( 229,757 ) | - |
| Customer margin account | | ( 800,740 ) | ( 531,704 ) |
| Receivables from security lending | | ( 27,453 ) | 75,078 |
| Security lending deposits | | ( 81,087 ) | 432,041 |
| Notes receivable | | ( 485 ) | 123 |
| Accounts receivable | | ( 8,487,965 ) | ( 4,590,378 ) |
| Prepayments | | ( 5,650 ) | ( 2,483 ) |
| Other receivables | | ( 199,823 ) | ( 81,060 ) |
| Other current assets | | 39,093 | 253,353 |
| Net changes in liabilities relating to operating activities | | | |
| Financial liabilities at fair value through profit or loss - current | | ( 484,512 ) | ( 44,031 ) |
| Bonds sold under repurchase agreements | | 8,675,549 | ( 5,504,043 ) |
| Deposits on short sales | | ( 727,915 ) | ( 877,532 ) |
| Short sale proceeds payable | | ( 809,817 ) | ( 1,073,818 ) |
| Guarantee deposit received on borrowed securities | | 37,728 | ( 192,828 ) |
| Futures traders' equity | | 805,267 | 519,031 |
| Accounts payable | | 7,782,755 | 4,564,365 |
| Advance receipts | | 629 | 73 |
| Collections on behalf of third parties | | 37,586 | ( 18,673 ) |
| Other payables | | ( 47,022 ) | ( 52,968 ) |
| Other financial liabilities - current | | 510,586 | ( 551,545 ) |
| Other current liabilities | | ( 12,130 ) | 11,827 |

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

| | Notes | Six months ended June 30 2019 | Six months ended June 30 2018 |
|---|---|---|---|
| Cash (outflow) inflow generated from operations | | ( $ 6,740,390 ) | $ 301,761 |
| Dividends received | | 114,370 | 12,195 |
| Interest received | | 687,373 | 753,287 |
| Income tax paid | | ( 102,916 ) | ( 267,647 ) |
| Net cash flows (used in) from operating activities | | ( 6,041,563 ) | 799,596 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | 6(13) | ( 15,935 ) | ( 35,025 ) |
| Acquisition of intangible assets | 6(17) | ( 4,254 ) | ( 3,323 ) |
| Increase in other non-current assets | | ( 7,313 ) | ( 59,998 ) |
| Increase in prepayment for equipment | | ( 15,077 ) | ( 12,071 ) |
| Net cash flows used in investing activities | | ( 42,579 ) | ( 110,417 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Iecrease (decrease) in short-term loans | | 3,867,789 | ( 2,792,098 ) |
| Increase in commercial papers payable | | 3,250,000 | 2,500,000 |
| Increase (decrease) in other non-current liabilities | | 1,437 | ( 18,102 ) |
| Acquisition of treasury stocks | 6(28) | ( 231,822 ) | - |
| Interest paid | | ( 247,245 ) | ( 208,597 ) |
| Payments of lease liabilities | | ( 54,392 ) | - |
| Net cash flows from (used in) financing activities | | 6,585,767 | ( 518,797 ) |
| Effect of exchange rate changes | | 33,423 | 60,637 |
| Net increase in cash and cash equivalents | | 535,048 | 231,019 |
| Cash and cash equivalents at beginning of period | | 5,932,669 | 6,463,345 |
| Cash and cash equivalents at end of period | | $ 6,467,717 | $ 6,694,364 |

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(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 June 30, 2019, the Company had 35 operating branches (including the Head Office), and established Offshore Securities Unit in July 2014.

2) The Company and subsidiaries (collectively referred herein as the "Group") are 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 Group was 1,716 and 1,714 as of June 30, 2019 and 2018, respectively.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 28, 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 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, 'Lease' | January 1, 2019 |
| Amendments to IAS 19, 'Plan amendment, curtailment or settlement' | January 1, 2019 |
| Amendments to IAS 28, 'Long-term interests in associate 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 Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $214,658, increased 'lease liability' by $212,027, and decreased prepayments by $2,631 and this had no effect on retained earnings with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(A) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(B) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(C) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,761 was recognised in the second quarter of 2019.

(D) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(E) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.767% to 2.655%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

| | | |
|---|---|---|
| Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018 | $ | 217,338 |
| Less: Short-term leases | ( | 2,749) |
| Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019 | | 214,589 |
| Incremental borrowing interest rate at the date of initial application | | 0.767%~2.655% |
| Lease liabilities recognised as at January 1, 2019 by applying IFRS 16 | $ | 212,027 |

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 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 |

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

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 as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| 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 Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group’s significant accounting policies are described below:

1) Compliance statement

The consolidated financial statements of the Group 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”, and International Accounting Standards No. 34, ‘Interim financial reporting’ endorsed by the FSC.

2) Basis of preparation

A. Except for the following items, these consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidated of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Intercompany transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|---|
| The Company | President Futures Corp. (President Futures) | Futures brokerage | 96.69% | 96.69% | 96.69% |
| 〃 | President Capital Management Corp. (President Capital Management) | Securities investment consulting | 100% | 100% | 100% |
| 〃 | President Securities (HK) Ltd.(President Securities (HK)) (Note 1) | Securities dealer, brokerage, underwriting | 5.19% | 5.19% | 5.19% |
| 〃 | President Securities (BVI) Ltd.(President Securities (BVI)) | Securities investment and holding company | 100% | 100% | 100% |
| 〃 | President Insurance Agency Corp. (President Insurance Agency) | Insurance Agent | 100% | 100% | 100% |
| 〃 | PSC Venture Capital Investment Company Limited (President Venture Capital) | Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit | 100% | 100% | 100% |
| President Securities (BVI) | President Securities (HK) Ltd. (Note 1) | Securities dealer, brokerage, underwriting | 94.81% | 94.81% | 94.81% |
| 〃 | President Wealth Management (HK) Ltd.(President Wealth Management (HK)) | Wealth management | 100% | 100% | 100% |
| 〃 | President Securities (Nominee) Ltd. (President Securities (Nominee)) | Nominee Service | 100% | 100% | 100% |

Note 1: The Company holds all the shares of President Securities (HK) with President Securities (BVI).

4) 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 realized, 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 realized 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.

5) Translation of foreign currency transactions

A. Foreign currency translation and presentation

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). Functional currency and bookkeeping currency of the Company and its domestic subsidiaries are all New Taiwan Dollars; functional currency and bookkeeping currency of overseas subsidiaries-President Securities (HK), President Wealth Management (HK), and President Securities (Nominee) are Hong Kong Dollars; and functional currency and bookkeeping currency of President Securities (BVI) are US Dollars. The consolidated financial statements are presented in 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 group 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 recognized in other comprehensive income.

6) Cash and cash equivalents

A. In the consolidated 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.

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

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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group 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 Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group 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 instrumentsare 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.

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

A. Accounts and notes receivable and margin loans receivables entitle the Group 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.

10) 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.

11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group 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 containa significant financing component, the Group recognises the impairment provision for lifetime ECLs.

12) Derecognition of financial instruments

A. Derecognition of financial assets

The Group 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 Group 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 Group 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.

13) 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 realize the asset and settle the liability simultaneously.

14) Investments accounted for under the equity method

A. Associates are all entities over which the Group 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.

B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C. 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 Group's ownership percentage of the associate, the Group recognizes its share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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 Group.

E. When there are objective evidences of impairment, at balance sheet date, the Group 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 Group'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.

15) 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 Group 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.

16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly comprised of fixed payments.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising mainly the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

17) Investment property

A. Investment property of the Group 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 Group for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Group 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 Group 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.

18) 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. Membership in a foreign futures exchange is stated at acquisition cost and has an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. It is not amortized, but is tested annually for impairment.

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.

19) Impairment of non-financial assets

A. The Group 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.

20) 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.

21) 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 Group. 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 Group did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

22) 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 Group'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 Group 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 Group 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 Group recognizes the accrued pension obligations in the consolidated 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.

c. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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.

23) Revenues and expenses

The Group's revenues and expenses are recognized as incurred, which 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 invested in the Group's operations, which primarily include employee benefit expense, depreciation and amortization, and other business and administrative expenses.

24) 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 realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included in the consolidated 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 realized in the future, the proportion of realization 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 Group 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 realize 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 realize the asset and settle the liability simultaneously.

E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

25) 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 consolidated 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.

26) 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 Group 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".

27) Operating segments

The Group's operating segments are reported in a manner consistent with the internal reports provided to the Chief Operating Decision-Maker. The Group's performance of segment profit (loss) is assessed based on the profit (loss) before tax, but not segment income, assets and liabilities. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

1) As the consolidated financial statements of the Group may be affected by the adoption of accounting policy, accounting estimate and assumption, the Group'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 Group 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 Group 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 Group will assess the impairment of the investment. The Group assesses its share of the recoverable amount which is based on the discounted value of expected cash flow, and assess 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

The annual periodic 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 periodic 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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Petty cash | $ 1,943 | $ 170 |
| Checking deposits | 781,759 | 751,462 |
| Current deposits: | | |
| Deposits denominated in NTD | 382,608 | 347,576 |
| Deposits denominated in foreign currencies | 1,328,592 | 833,204 |
| Time deposits | 3,972,815 | 4,000,257 |
| Total | $ 6,467,717 | $ 5,932,669 |

| | June 30, 2018 |
|---|---|
| Petty cash | $ 1,992 |
| Checking deposits | 679,796 |
| Current deposits: | |
| Deposits denominated in NTD | 424,016 |
| Deposits denominated in foreign currencies | 1,887,377 |
| Time deposits | 3,701,183 |
| Total | $ 6,694,364 |

As of June 30, 2019, December 31, 2018 and June 30, 2018, the annual interest rates of time deposits, including foreign time deposits were 0.04% ~ 3.30%, 0.04%~3.93% and 0.04%~3.93%, respectively.

(Blank below)

2) Financial assets at fair value through profit or loss

| | June 30, 2019 | 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 | $ 99,656 | $ 245,000 |
| Commerial bonds | - | 1,384,265 |
| Overseas stocks and funds | - | 123,799 |
| Listed (TSE and OTC) stocks | 24,986 | - |
| Exchange-traded funds | 91,806 | 102,168 |
| Subtotal | 216,448 | 1,855,232 |
| Adjustment of open-ended funds , money market instruments and securities investment by brokers | 3,535 | ( 1,172) |
| Total | 219,983 | 1,854,060 |
| Trading securities - dealer | | |
| Listed (TSE and OTC) stocks | 3,185,641 | 299,776 |
| Government bonds | 4,130,807 | 4,700,905 |
| Corporate bonds | 5,555,955 | 3,265,038 |
| Convertible corporate bonds | 220,130 | 148,279 |
| Emerging stocks | 68,690 | 79,091 |
| Overseas stocks | 19,140,342 | 9,631,148 |
| Exchange-traded funds | 2,409,746 | 2,765,819 |
| Unlisted stocks | 20,264 | 50,924 |
| Subtotal | 34,731,575 | 20,940,980 |
| Adjustment of trading securities - dealer | 325,768 | ( 134,579) |
| Total | 35,057,343 | 20,806,401 |
| Trading securities - underwriter | | |
| Listed (TSE and OTC) stocks | 839,922 | 837,441 |
| Unlisted stocks | - | 14,400 |
| Convertible corporate bonds | 319,087 | 479,500 |
| Subtotal | 1,159,009 | 1,331,341 |
| Adjustment of trading securities - underwriter | 138,995 | 123,837 |
| Total | 1,298,004 | 1,455,178 |
| Trading securities - hedging | | |
| Listed (TSE and OTC) stocks | 1,309,194 | 584,558 |
| Convertible corporate bonds | 22,478 | 613 |
| Warrants | 27,226 | 39,229 |
| Overseas stocks | 38,372 | - |
| Exchange traded funds | 109,632 | 154,782 |
| Exchange Traded Note | 19 | - |
| Subtotal | 1,506,921 | 779,182 |
| Adjustment of trading securities - hedging | 23,890 | 6,164 |
| Total | 1,530,811 | 785,346 |

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Options bought - futures | $ 29,781 | $ 26,140 |
| Futures guarantee deposits receivable | 3,165,300 | 2,750,048 |
| Derivative financial instrument assets - OTC | 17,517 | 3,300 |
| Total | $ 41,318,739 | $ 27,680,473 |
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss: | | |
| Trading securities - dealer - government bonds | $ 49,908 | $ 49,895 |
| Unlisted stocks | 2,608 | 2,609 |
| Subtotal | 52,516 | 52,504 |
| Adjustment of trading securities | 16,047 | 13,850 |
| Total | $ 68,563 | $ 66,354 |

| | June 30, 2018 |
|---|---|
| Open-ended funds, money market instruments and securities investment by brokers | |
| Open-ended mutual funds beneficiary certificates | $ 169,960 |
| Overseas stocks and funds | 40,409 |
| Listed (TSE and OTC) stocks | 68,786 |
| Subtotal | 279,155 |
| Adjustment of open-ended funds , money market instruments and securities investment by brokers | 1,158 |
| Total | 280,313 |
| Trading securities - dealer | |
| Listed (TSE and OTC) stocks | 3,053,286 |
| Government bonds | 2,485,085 |
| Corporate bonds | 3,675,479 |
| Convertible corporate bonds | 193,288 |
| Emerging stocks | 94,090 |
| Overseas stocks | 12,594,890 |
| Exchange-traded funds | 1,657,584 |
| Unlisted stocks | 50,924 |
| Subtotal | 23,804,626 |
| Adjustment of trading securities - dealer | 229,243 |
| Total | 24,033,869 |
| Trading securities - underwriter | |
| Listed (TSE and OTC) stocks | 612,758 |
| Convertible corporate bonds | 417,033 |
| Unlisted stocks | 42,660 |
| Subtotal | 1,072,451 |
| Adjustment of trading securities - underwriter | 148,505 |
| Total | 1,220,956 |

| | June 30, 2018 |
|---|---|
| Trading securities - hedging | |
| Listed (TSE and OTC) stocks | $ 2,208,522 |
| Convertible corporate bonds | 4,053 |
| Warrants | 41,222 |
| Overseas stocks | 5,539 |
| Exchange traded funds | 299,852 |
| Subtotal | 2,559,188 |
| Adjustment of trading securities - hedging | ( 268) |
| Total | 2,558,920 |
| Options bought - futures | 54,041 |
| Futures guarantee deposits receivable | 2,748,541 |
| Derivative financial instrument assets - OTC | 63,519 |
| Total | $ 30,960,159 |
| Non-current items: | |
| Financial assets mandatorily measured at fair value through profit or loss: | |
| Trading securities - dealer - government bonds | $ 50,028 |
| Unlisted stocks | 2,609 |
| Subtotal | 52,637 |
| Adjustment of trading securities | 14,164 |
| Total | $ 66,801 |

a. For the three months and six months ended June 2019 and 2018, net realised and unrealised gains on financial assets and liabilities at fair value through profit or loss amounted to $186,731, $1,196,349, $1,468,041 and $1,574,079, respectively.

b. Details of the Group'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).

3) Financial assets at fair value through other comprehensive income

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Current items: | | |
| Debt instruments | | |
| Trading securities - dealer | | |
| Overseas bonds | $ 292,803 | $ 290,816 |
| Adjustment of trading securities - dealer | 13,672 | 5,488 |
| Total | $ 306,475 | $ 296,304 |
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 37,565 | $ 37,565 |
| Adjustment of trading securities | 715,245 | 567,014 |
| Total | $ 752,810 | $ 604,579 |

| | June 30, 2018 |
|---|---|
| Current items: | |
| Trading securities - dealer | |
| Overseas bonds | $ 289,676 |
| Adjustment of trading securities - dealer | 515 |
| Total | $ 290,191 |
| Non-current items: | |
| Listed (TSE and OTC) stocks | $ 37,565 |
| Adjustment of trading securities | 526,954 |
| Total | $ 564,519 |

a. The Group 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 $752,810, $604,579 and $564,519 as at June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

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 | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Fair value change recognised in other comprehensive income - parent company | $ 152,269 | ($ 2,453) |
| Fair value change recognised in other comprehensive income - non-controlling interest | ( 4,038) | ( 335) |
| Total | $ 148,231 | ($ 2,788) |
| | | |
| Debt instruments at fair value through other comprehensive income | | |
| Fair value change recognised in other comprehensive income | $ 8,105 | $ 16,827 |
| Cumulative other comprehensive income reclassified to profit or loss | | |
| Due to derecognition | $ - | ($ 23,782) |
| Interest income recognised in profit or loss | $ 452 | $ 7,799 |

c. Details of the Group'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).

4) Bonds purchased under resale agreements

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Overseas bonds | $ - | $ 93,193 |

| | June 30, 2018 |
|---|---|
| Government bonds | $ 99,564 |
| Overseas bonds | 12,264 |
| Total | $ 111,828 |

The above bonds purchased under resale agreements as of June 30, 2019, December 31, 2018 and June 30, 2018 were 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 $0, $93,705 and $111,879, respectively. The annual interest rates of every currency were as follows:

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| NTD | - | - | -0.30% |
| Foreign currencies (Note) | - | 2.20% | 1.70% |

(Note)：Foreign currencies include USD and EUR.

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) Customer margin account

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Bank deposit | $ 7,938,376 | $ 8,342,444 |
| Futures clearing house | 1,615,313 | 1,309,128 |
| Other futures commission merchant | 2,838,153 | 1,939,362 |
| Securities | 200 | 368 |
| Total | $ 12,392,042 | $ 11,591,302 |

| | June 30, 2018 |
|---|---|
| Bank deposit | $ 7,724,339 |
| Futures clearing house | 1,423,418 |
| Other futures commission merchant | 1,301,822 |
| Securities | 214 |
| Total | $ 10,449,793 |

The difference between the customer margin deposits accounts and futures traders' equity as of June 30, 2019, December 31, 2018 and June 30, 2018 were outlined below:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Customer margin deposits accounts | $ 12,392,042 | $ 11,591,302 |
| Add: Early customer margin deposits | 5,947 | 10,736 |
| Less: Service fee income pending for transfer | ( 10,418) | ( 12,294) |
| Futures exchange tax pending for transfer | ( 592) | ( 609) |
| Net interest income pending for transfer | ( 3,312) | ( 2,412) |
| Temporary receipts | ( 3,766) | ( 12,089) |
| Futures traders' equity | $ 12,379,901 | $ 11,574,634 |

| | June 30, 2018 |
|---|---|
| Customer margin deposits accounts | $ 10,449,793 |
| Add: Early customer margin deposits | 1,829 |
| Net interest expense pending for transfer | 2,837 |
| Less: Service fee income pending for transfer | ( 20,808) |
| Futures exchange tax pending for transfer | ( 822) |
| Net interest income pending for transfer | ( 1,570) |
| Temporary receipts | ( 19,420) |
| Futures traders' equity | $ 10,411,839 |

7) Accounts receivable

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Accounts receivable - non related parties | | |
| Settlement price receivable-brokers | $ 6,271,246 | $ 6,767,737 |
| Settlement price receivable-dealer | 1,860,967 | 672,850 |
| Accounts receivable-international bonds | 872,640 | - |
| Accounts receivable-foreign bonds | 6,745,625 | 142,329 |
| Spot exchange receivable, foreign currencies | 84,565 | - |
| Interest receivable | 346,245 | 338,710 |
| Settlement price | 1,079,834 | 724,602 |
| Others | 84,913 | 83,285 |
| Subtotal | 17,346,035 | 8,729,513 |
| Less: Allowance for uncollectable accounts | ( 840) | ( 2,661) |
| Total | $ 17,345,195 | $ 8,726,852 |

| | June 30, 2018 |
|---|---|
| Accounts receivable - non related parties | |
| Settlement price receivable-brokers | $ 9,067,981 |
| Settlement price receivable-dealer | 518,740 |
| Accounts receivable-international bonds | 408,855 |
| Accounts receivable-foreign bonds | 4,463,994 |
| Spot exchange receivable, foreign currencies | 3,540 |
| Interest receivable | 372,805 |
| Settlement price | 789,529 |
| Others | 81,499 |
| Subtotal | 15,706,943 |
| Less: Allowance for uncollectable accounts | ( 692) |
| Total | $ 15,706,251 |

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

| | June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 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 - non related parties | $ 17,001,899 | $ 74,635 | $ 94,673 | $ 91,342 | $ 83,486 | $ 17,346,035 |

| | 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 - non related parties | $ 8,396,560 | $ 36,819 | $ 90,459 | $ 138,362 | $ 67,313 | $ 8,729,513 |

| | June 30, 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 - non related parties | $ 15,344,811 | $ 73,811 | $ 103,017 | $ 128,649 | $ 56,655 | $ 15,706,943 |

The above ageing analysis was based on invoice date.

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

8) Other receivables

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Interest receivable | $ 14,949 | $ 15,577 |
| Dividends receivable | 25,235 | - |
| Others | 227,566 | 27,729 |
| Subtotal | 267,750 | 43,306 |
| Less: Allowance for uncollectible accounts | ( 10,588) | ( 11,333) |
| Total | $ 257,162 | $ 31,973 |

| | June 30, 2018 |
|---|---|
| Dividends receivable | $ 97,441 |
| Interest receivable | 12,396 |
| Others | 260,804 |
| Subtotal | 370,641 |
| Less: Allowance for uncollectible accounts | ( 11,312) |
| Total | $ 359,329 |

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

9) Other current assets

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Pending settlements | $ 949,688 | $ 984,841 |
| Pledged time deposits | 629,302 | 635,263 |
| Underwriting share proceeds collected on behalf of customers | 20 | 18,542 |
| Temporary payments | 21,236 | 746 |
| Others | 884 | 831 |
| Total | $ 1,601,130 | $ 1,640,223 |

| | June 30, 2018 |
|---|---|
| Pending settlements | $ 838,975 |
| Pledged time deposits | 644,539 |
| Deposits-in for foreign currency securities | 1,828 |
| Underwriting share proceeds collected on behalf of customers | 52,786 |
| Temporary payments | 463 |
| Others | 920 |
| Total | $ 1,539,511 |

10) Transfer of financial assets

A. During the Group'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 Group 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 Group 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:

| June 30, 2019 | | |
|---|---|---|
| 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 | $ 23,321,627 | $ 23,409,260 |
| Available-for-sale financial assets | | |
| Repurchase agreement | 306,475 | 288,354 |

| 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 |

| June 30, 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 | $ 15,331,809 | $ 15,119,226 |
| Available-for-sale financial assets | | |
| Repurchase agreement | 290,191 | 288,389 |

11) Offsetting financial assets and financial liabilities

A. The Group 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

June 30, 2019

| Description | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the | Net amounts of financial assets presented in the balance sheet | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial instruments | $ 17,490 | $ - | $ 17,490 | $ 10,921 | $ - | $ 6,569 |
| Total | $ 17,490 | $ - | $ 17,490 | $ 10,921 | $ - | $ 6,569 |

December 31, 2018

| Description | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the | Net amounts of financial assets presented in the balance sheet | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| 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 |

June 30, 2018

| Description | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the | Net amounts of financial assets presented in the balance sheet | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial instruments | $ 63,402 | $ - | $ 63,402 | $ 60,300 | $ - | $ 3,102 |
| Bonds purchased under resale agreements | 12,264 | - | 12,264 | 12,068 | - | 196 |
| Total | $ 75,666 | $ - | $ 75,666 | $ 72,368 | $ - | $ 3,298 |

(2) Financial liabilities

June 30, 2019

| 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 | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial instruments | $ 10,921 | $ - | $ 10,921 | $ 10,921 | $ - | $ - |
| Bonds sold and repurchase agreements | 15,084,240 | - | 15,084,240 | 15,084,240 | - | - |
| Total | $ 15,095,161 | $ - | $ 15,095,161 | $ 15,095,161 | $ - | $ - |

December 31, 2018

| 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 | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| 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 |

June 30, 2018

| 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 | Not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Derivative financial instruments | $ 60,300 | $ - | $ 60,300 | $ 60,300 | $ - | $ - |
| Bonds sold and repurchase agreements | 10,673,437 | - | 10,673,437 | 10,673,437 | - | - |
| Total | $ 10,733,737 | $ - | $ 10,733,737 | $ 10,733,737 | $ - | $ - |

12) Investments accounted for under the equity method

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Uni-President Asset Management Corp. | $ 539,971 | $ 569,693 |

| | June 30, 2018 |
|---|---|
| Uni-President Asset Management Corp. | $ 510,909 |

A. The Group's share of its associates' profits or losses recognised in long-term equity investment accounted for under the equity method for the three months and six months ended June 30, 2019 and 2018 were $23,750, $24,622, $52,077 and $48,265, respectively.

B. The financial information of the Group's principal associates is summarized as follows:

(a)The basic information of the joint ventures that are material to the Group is as follows:

| Company name | Principal place of businesss | Shareholding ratio | | | Nature of relationship | Methods of measurement |
|---|---|---|---|---|---|---|
| | | June 30, 2019 | December 31, 2018 | June 30, 2018 | | |
| Uni-President Asset Management Corp. | Taipei city | 42.49% | 42.49% | 42.49% | Associate | Equity method |

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

Balance sheet

| | Uni-President Asset Management Corp. | | |
|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
| Current assets | $ 370,622 | $ 502,419 | $ 555,041 |
| Non-current assets | 661,307 | 599,619 | 560,881 |
| Current liabilities | ( 124,647) | ( 156,138) | ( 302,764) |
| Non-current liabilities | ( 59,115) | ( 27,364) | ( 33,376) |
| Total net assets | $ 848,167 | $ 918,536 | $ 779,782 |
| Share in joint venture's net assets | $ 360,450 | $ 390,355 | $ 331,388 |
| Goodwill and others | 179,521 | 179,338 | 179,521 |
| Carrying amount of the joint venture | $ 539,971 | $ 569,693 | $ 510,909 |

Statement of comprehensive income

| | Uni-President Asset Management Corp. | |
|---|---|---|
| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
| Revenue | $ 388,276 | $ 388,610 |
| Profit for the period from continuing operations | $ 122,110 | $ 113,910 |
| Other comprehensive income(loss)- net of tax | 28,017 | ( 1,288) |
| Total comprehensive income | $ 150,127 | $ 112,622 |
| Dividends received from associates | $ 93,706 | $ 72,569 |

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13) Property and equipment

| | 2019 | | | | |
|---|---|---|---|---|---|
| January 1 | Land | Buildings | Equipment | Leasehold improvements | Total |
| Cost | $ 1,680,129 | $ 1,053,129 | $ 234,426 | $ 57,963 | $ 3,025,647 |
| Accumulated depreciation and impairment | - | ( 410,315) | ( 132,048) | ( 40,914) | ( 583,277) |
| Total | $ 1,680,129 | $ 642,814 | $ 102,378 | $ 17,049 | $ 2,442,370 |
| January 1 | $ 1,680,129 | $ 642,814 | $ 102,378 | $ 17,049 | $ 2,442,370 |
| Additions | - | 3,081 | 12,854 | - | 15,935 |
| Disposal | - | - | ( 15) | - | ( 15) |
| Reclassifications | - | 2,564 | 2,745 | - | 5,309 |
| Depreciation | - | ( 12,180) | ( 19,668) | ( 4,004) | ( 35,852) |
| June 30 | $ 1,680,129 | $ 636,279 | $ 98,294 | $ 13,045 | $ 2,427,747 |

| June 30 | Land | Buildings | Equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|
| Cost | $ 1,680,129 | $ 1,054,756 | $ 239,672 | $ 55,651 | $ 3,030,208 |
| Accumulated depreciation and impairment | - | ( 418,477) | ( 141,378) | ( 42,606) | ( 602,461) |
| Total | $ 1,680,129 | $ 636,279 | $ 98,294 | $ 13,045 | $ 2,427,747 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| January 1 | Land | Buildings | Equipment | Leasehold improvements | Total |
| Cost | $ 1,680,129 | $ 1,052,401 | $ 212,645 | $ 60,419 | $ 3,005,594 |
| Accumulated depreciation and impairment | - | ( 387,713) | ( 140,857) | ( 42,635) | ( 571,205) |
| Total | $ 1,680,129 | $ 664,688 | $ 71,788 | $ 17,784 | $ 2,434,389 |
| January 1 | $ 1,680,129 | $ 664,688 | $ 71,788 | $ 17,784 | $ 2,434,389 |
| Additions | - | 1,027 | 33,000 | 998 | 35,025 |
| Disposal | - | - | ( 13) | - | ( 13) |
| Reclassifications | - | 1,390 | 5,602 | 7,347 | 14,339 |
| Depreciation | - | ( 12,079) | ( 17,247) | ( 4,746) | ( 34,072) |
| June 30 | $ 1,680,129 | $ 655,026 | $ 93,130 | $ 21,383 | $ 2,449,668 |

| June 30 | Land | Buildings | Equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|
| Cost | $ 1,680,129 | $ 1,053,129 | $ 221,959 | $ 61,691 | $ 3,016,908 |
| Accumulated depreciation and impairment | - | ( 398,103) | ( 128,829) | ( 40,308) | ( 567,240) |
| Total | $ 1,680,129 | $ 655,026 | $ 93,130 | $ 21,383 | $ 2,449,668 |

A. No interest was capitalized for property and equipment for the six months ended June 30, 2019 and 2018.

B. The information on property and equipment pledged or restricted as of June 30, 2019 and 2018 is described in Note 8. Property and equipment are unsecured in nature as of December 31, 2018.

14) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| | Carrying Amount | Depreciation charge |
| Buildings | $ 251,080 | $ 49,204 |
| Transportation equipment (Business vehicles) | 14,325 | 3,708 |
| Office equipment (Photocopiers) | 1,336 | 1,314 |
| Total | $ 266,741 | $ 54,226 |

C. For the six months ended June 30, 2019, the additions to right-of-use assets amounted to $125,828.

D. The information on income and expense accounts relating to lease contracts is as follows:

| | Six months ended June 30, 2019 |
|---|---|
| Items affecting profit or loss | |
| Interest expense on lease liabilities | $ 1,100 |
| Expense on short-term lease contracts | 1,878 |
| Expense on variable lease payment | 123 |

E. For the six months ended June 30, 2019, the Group's total cash outflow for leases amounted to $57,493.

15) Leasing arrangements – lessor

Effective 2019

A. The Group leases various assets including office and parking space. Rental contracts are typically made for periods of 1 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the six months ended June 30, 2019, the Group recognised rent income in the amount of $12,782, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

| | June 30, 2019 |
|---|---|
| 2019 | $ 12,204 |
| 2020 | 22,989 |
| 2021 | 21,040 |
| 2022 | 20,556 |
| 2023 | 20,556 |
| 2024 | 6,705 |
| Total | $ 104,050 |

(Blank below)

16) Investment property

| | 2019 | | |
|---|---|---|---|
| January 1 | 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 | $ 198,099 | $ 76,604 | $ 274,703 |
| Depreciation | - | ( 1,050) | ( 1,050) |
| June 30 | $ 198,099 | $ 75,554 | $ 273,653 |
| June 30 | Land | Buildings | Total |
| Cost | $ 198,099 | $ 107,076 | $ 305,175 |
| Accumulated depreciation and impairment | - | ( 31,522) | ( 31,522) |
| Total | $ 198,099 | $ 75,554 | $ 273,653 |

| | 2018 | | |
|---|---|---|---|
| January 1 | 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 |
| January 1 | $ 198,099 | $ 78,704 | $ 276,803 |
| Depreciation | - | ( 1,050) | ( 1,050) |
| June 30 | $ 198,099 | $ 77,654 | $ 275,753 |
| June 30 | Land | Buildings | Total |
| Cost | $ 198,099 | $ 107,076 | $ 305,175 |
| Accumulated depreciation and impairment | - | ( 29,422) | ( 29,422) |
| Total | $ 198,099 | $ 77,654 | $ 275,753 |

A. For the three months and six months ended June 30, 2019 and 2018, rental income from the lease of the investment property were $4,413, $4,413, $8,826, and $8,826, respectively and direct operating expenses arising from the investment property were $901, $904, $1,807, and $1,810, respectively.

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

C. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

17) Intangible assets

| | 2019 | | | |
|---|---|---|---|---|
| January 1 | Computer software | Goodwill | Customer relationships and others | Total |
| Cost | $ 138,619 | $ 42,004 | $ 89,829 | $ 270,452 |
| Accumulated depreciation and impairment | ( 92,082) | - | ( 54,160) | ( 146,242) |
| Total | $ 46,537 | $ 42,004 | $ 35,669 | $ 124,210 |
| January 1 | $ 46,537 | $ 42,004 | $ 35,669 | $ 124,210 |
| Additions | 4,254 | - | - | 4,254 |
| Reclassifications | 5,352 | - | - | 5,352 |
| Depreciation | ( 10,877) | - | - | ( 10,877) |
| June 30 | $ 45,266 | $ 42,004 | $ 35,669 | $ 122,939 |
| June 30 | Computer software | Goodwill | Customer relationships and others | Total |
| Cost | $ 145,907 | $ 42,004 | $ 35,669 | $ 223,580 |
| Accumulated depreciation and impairment | ( 100,641) | - | - | ( 100,641) |
| Total | $ 45,266 | $ 42,004 | $ 35,669 | $ 122,939 |

| | 2018 | | | |
|---|---|---|---|---|
| January 1 | Computer sofware | Goodwill | Customer relationships and others | Total |
| Cost | $ 121,650 | $ 42,004 | $ 89,829 | $ 253,483 |
| Accumulated depreciation and impairment | ( 92,265) | - | ( 49,122) | ( 141,387) |
| Total | $ 29,385 | $ 42,004 | $ 40,707 | $ 112,096 |
| January 1 | $ 29,385 | $ 42,004 | $ 40,707 | $ 112,096 |
| Additions | 3,323 | - | - | 3,323 |
| Reclassifications | 2,121 | - | - | 2,121 |
| Depreciation | ( 8,040) | - | ( 5,038) | ( 13,078) |
| June 30 | $ 26,789 | $ 42,004 | $ 35,669 | $ 104,462 |
| June 30 | Computer software | Goodwill | Customer relationships and others | Total |
| Cost | $ 114,506 | $ 42,004 | $ 89,829 | $ 246,339 |
| Accumulated depreciation and impairment | ( 87,717) | - | ( 54,160) | ( 141,877) |
| Total | $ 26,789 | $ 42,004 | $ 35,669 | $ 104,462 |

A. No interest was capitalized for intangible assets for the three months and six months ended June 30, 2019 and 2018.

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 Group's brokerage segment.

C. The recoverable amount of goodwill was periodically 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 |
| Growth rate | 0.00% |
| Discount rate | 11.96% |

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.

18) Other noncurrent assets

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Operation guaranteed deposits | $ 680,000 | $ 680,000 |
| Clearing and settlement fund | 350,494 | 327,619 |
| Refundable deposits | 187,569 | 220,511 |
| Deferred expenses | 17,309 | 16,307 |
| Prepaid pension expenses | 17,070 | 1,010 |
| Prepayment for equipment | 16,308 | 11,893 |
| Overdue receivables | 242,450 | 213,075 |
| Others | 720 | 720 |
| Subtotal | 1,511,920 | 1,471,135 |
| Less: Allowance for uncollectible accounts | ( 242,450) | ( 213,075) |
| Total | $ 1,269,470 | $ 1,258,060 |

| | June 30, 2018 |
|---|---|
| Operation guaranteed deposits | $ 682,000 |
| Clearing and settlement fund | 326,668 |
| Refundable deposits | 214,915 |
| Deferred expenses | 16,457 |
| Prepaid pension expenses | 23 |
| Prepayment for equipment | 14,146 |
| Overdue receivables | 218,423 |
| Others | 180 |
| Subtotal | 1,472,812 |
| Less: Allowance for uncollectible accounts | ( 218,423) |
| Total | $ 1,254,389 |

19) Short-term loans

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Secured loans | $ 600,000 | $ - |
| Unsecured loans | 3,897,068 | 939,879 |
| Call loans from banks | 310,600 | - |
| Total | $ 4,807,668 | $ 939,879 |
| Interest rates | 0.880%~3.000% | 3.411%~3.500% |

| | June 30, 2018 |
|---|---|
| Secured loans | $ 511,430 |
| Unsecured loans | 3,141,790 |
| Total | $ 3,653,220 |
| Interest rates | 0.700%~3.440% |

20) Commercial papers payable

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Face value | $ 3,250,000 | $ - |
| Less: discount on commercial papers payable | ( 511) | - |
| Total | $ 3,249,489 | $ - |
| Interest rates | 0.640%~0.795% | - |

| | June 30, 2018 |
|---|---|
| Face value | $ 6,150,000 |
| Less: discount on commercial papers payable | ( 898) |
| Total | $ 6,149,102 |
| Interest rates | 0.360%~0.630% |

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| 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 | 107,230 | 148,009 |
| Valuation adjustment on liabilities on sale of borrowed securities - hedged | 2,941 | ( 15,145) |
| Liabilities on sale of borrowed securities - non-hedged | 28,107 | 391,436 |
| Valuation adjustment on liabilities on sale of borrowed securities - non-hedged | 775 | ( 19,457) |
| Subtotal | 139,053 | 504,843 |
| Issuance of call ( put ) warrants | 15,687,848 | 15,115,760 |
| Gain on price fluctuation | ( 5,911,516) | ( 7,549,321) |
| Market value (A) | 9,776,332 | 7,566,439 |
| Warrants redeemed | ( 13,309,851) | ( 11,955,149) |
| Loss on price fluctuation | 3,735,811 | 4,622,139 |
| Market value (B) | ( 9,574,040) | ( 7,333,010) |
| Warrants - net (A+B) | 202,292 | 233,429 |
| Options sold - TAIFEX | 32,409 | 9,521 |
| Outstanding Liability for Issuance of ETNs | 7,673 | - |
| Valuation adjustment on outstanding Liability for Issuance of ETNs | 231 | - |
| Subtotal | 7,904 | - |
| Derivative financial liabilities - OTC | 34,127 | 24,690 |
| Total | $ 415,785 | $ 866,097 |

| | June 30, 2018 |
|---|---|
| Investments in bonds under resale agreements - short sales | $ 294,511 |
| Valuation adjustment of financial assets held for trading | 87 |
| Subtotal | 294,598 |
| Liabilities on sale of borrowed securities - hedged | 28,236 |
| Valuation adjustment on liabilities on sale of borrowed securities - hedged | 161 |
| Liabilities on sale of borrowed securities - non-hedged | 252 |
| Valuation adjustment on liabilities on sale of borrowed securities - non-hedged | ( 44) |
| Subtotal | 28,605 |
| Issuance of call ( put ) warrants | 13,067,632 |
| Gain on price fluctuation | ( 5,749,305) |
| Market value (A) | 7,318,327 |
| Warrants redeemed | ( 9,736,917) |
| Loss on price fluctuation | 3,113,699 |
| Market value (B) | ( 6,623,218) |
| Warrants - net (A+B) | 695,109 |
| Options sold - TAIFEX | 54,720 |
| Derivative financial liabilities - OTC | 98,041 |
| Total | $ 1,171,073 |

Among the warrants issued by the Group, 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 twelve months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

22) Bonds sold under repurchase agreements

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Government bonds | $ 4,544,143 | $ 4,100,351 |
| Corporate bonds | 1,399,884 | 1,298,032 |
| Bank debentures | 300,000 | - |
| International bonds | 2,413,881 | 954,829 |
| Foreign bonds | 15,084,240 | 8,713,387 |
| Total | $ 23,742,148 | $ 15,066,599 |

| | June 30, 2018 |
|---|---|
| Government bonds | $ 2,454,540 |
| Corporate bonds | 1,250,209 |
| Bank debentures | 200,176 |
| International bonds | 829,253 |
| Foreign bonds | 10,673,437 |
| Total | $ 15,407,615 |

The above bonds sold under repurchase agreements as of June 30, 2019, December 31, 2018 and June 30, 2018 and 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 $23,843,132, $15,134,144 and $15,470,410, respectively, and the annual interest rates in every currency were shown as follows:

| Currency | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| NTD | 0.20%~0.75% | 0.33%~0.62% | 0.30%~0.50% |
| Foreign currencies (Note) | -0.40%~3.72% | -0.30%~4.20% | -0.30%~4.12% |

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

23) Accounts payable

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Settlement accounts payable - brokered trading | $ 7,500,743 | $ 5,939,260 |
| Settlement proceeds | 356,282 | 1,811,674 |
| Settlement accounts payable - operating | 543,402 | 257,063 |
| Accounts payable - foreign bonds | 6,718,371 | 172,208 |
| Accounts payable - international bonds | 872,067 | - |
| Spot exchange payable, foreign currencies | 84,399 | - |
| Others | 103,272 | 108,910 |
| Total | $ 16,178,536 | $ 8,289,115 |

| | June 30, 2018 |
|---|---|
| Settlement accounts payable - brokered trading | $ 8,882,267 |
| Settlement proceeds | 1,268,604 |
| Settlement accounts payable - operating | 889,103 |
| Accounts payable - foreign bonds | 2,731,402 |
| Spot exchange payable, foreign currencies | 3,546 |
| Others | 66,665 |
| Total | $ 13,841,587 |

24) Other payables

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Salary and bonus payable | $ 455,071 | $ 493,821 |
| Employees' and directors' remuneration payable | 94,052 | 69,568 |
| Dividends payable | 964,394 | - |
| Others | 323,334 | 353,511 |
| Total | $ 1,836,851 | $ 916,900 |

| | June 30, 2018 |
|---|---|
| Salary and bonus payable | $ 550,856 |
| Employees' and directors' remuneration payable | 176,826 |
| Dividends payable | 1,672,661 |
| Others | 405,070 |
| Total | $ 2,805,413 |

25) Other financial liabilities - current

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Equity-linked notes (ELN) - Options | $ 1,000 | $ - |
| Principal guaranteed notes (PGN) - fixed income | 3,196,595 | 2,687,009 |
| Total | $ 3,197,595 | $ 2,687,009 |

| | June 30, 2018 |
|---|---|
| Equity-linked notes (ELN) - Options | $ 2,000 |
| Principal guaranteed notes (PGN) - fixed income | 2,645,753 |
| Total | $ 2,647,753 |

The Group 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).

26) Other liabilities-non-current

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Net defined benefit obligation | $ 10,575 | $ 10,881 |
| Guarantee deposits received | 6,727 | 4,984 |
| Total | $ 17,302 | $ 15,865 |

| | June 30, 2018 |
|---|---|
| Net defined benefit obligation | $ 36,937 |
| Guarantee deposits received | 4,834 |
| Total | $ 41,771 |

27) Pension plan

A. Defined benefit plans

(A) The Group 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 Group contributes monthly an amount which ranges between 2.0% and 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 Group 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 Group will make contributions to cover the deficit by next March.

(B) Under the defined benefit pension plan, the Group recognized the pension costs for the three months and six months ended June 30, 2019 and 2018 in the statement of comprehensive income in the amount of $1,278, $1,563, $2,557 and $3,122, respectively.

(C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $38,975.

B. Defined contribution plans:

Effective from July 1, 2005, the Group 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 Group for the three months and six months ended June 30, 2019 and 2018 were $15,576, $16,312, $31,656 and $32,696, respectively.

C. President Securities (HK), President Wealth Management (HK), and President Securities (Nominee) have defined benefit pension plans in accordance with local laws, and recognised the current pension expenses by contributing to the accrued pension assets. President Securities (HK) recognised pension expenses of $441, $423, $904 and $876, respectively, for the three months and six months ended June 30, 2019 and 2018.

28) Equity

A. Common stock

(A) As of June 30, 2019, the Company's authorized capital was $15,000,000 with a par value of $10 (in dollars) per share. As of June 30, 2019, December 31, 2018 and June 30, 2018, the common stocks issued were 1,372,390, 1,390,428 and 1,390,428 thousand shares, and the outstanding common stocks were 1,372,390, 1,390,428 and 1,390,428 thousand shares, respectively.

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

(Expressed in thousands)

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| January 1 | 1,390,428 | 1,390,428 |
| Purchase and retirement of treasury shares | (18,038) | - |
| June 30 | 1,372,390 | 1,390,428 |

(B) Treasury shares

In order to maintain the Company's credit and stockholders' rights and interests, the Company bought back outstanding shares. The movement of the number of treasury shares is as follows:

(Expressed in thousands)

| Six months ended June 30, 2019 | | | | | |
|---|---|---|---|---|---|
| Reason for buyback | Shares at the beginning of the period | Period increase | Period decrease | Shares at the end of the period | Period-end amount |
| To maintain the Company's credit and stockholders' rights and interests | - | 18,038 | ( 18,038) | - | $ - |

In accordance with Article 28-2 of the Securities and Exchange Act, whenever the buyback is required to maintain the company's credit and shareholders' rights and interests, the shares so purchased shall be cancelled and the amendment registration shall be effected within six months from the date of buyback. In May, 2019, the Board of Directors resolved to retire the treasury shares and completed the registration of change in capital.

B. Capital reserve

| | Share premium | Treasury share transactions | Expired stock options | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Total |
|---|---|---|---|---|---|
| June 30, 2019 | $ 24,663 | $ 65,675 | $ 483 | $ 440 | $ 91,261 |
| December 31, 2018 | $ 24,986 | $ 116,793 | $ 483 | $ 440 | $ 142,702 |
| June 30, 2018 | $ 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

In accordance with 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.

In accordance with Jin-Guan-Zneng-Quan Letter No. 10500278285 dated August 5, 2016, securities firms should set aside 0.5% to 1% of net income after tax as special reserve, upon the distribution of earnings from 2016 to 2018. From fiscal year 2017, special reserve as mentioned above may be reversed based on an amount equal to employees' transformation training expenditure, employee transfer and settlement expenditure arising from the development of Fintech. Further, according to Jin-Guan-Zheng-Quan Letter No. 1080321644 dated July 10, 2019, securities firms are no longer required to set aside special reserve starting from 2019. And the special reserve, within the balance of special reserve set aside in the previous years, could be reversed at the same amount for the aforementioned expenditures.

29) 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 earnings distribution for 2018 as resolved by the shareholders on June 18, 2019; the appropriation of 2017 earnings was resolved by the shareholders on June 21, 2018. Details are as follows:

| | For the year ended December 31, 2018 | | For the year ended December 31, 2017 | |
|---|---|---|---|---|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Provision of legal reserve | $ 121,032 | | $ 251,972 | |
| Provision of special reserve | 242,064 | | 503,944 | |
| Provision of special reserve (Note 1) | 6,052 | | 12,599 | |
| Reversal of special reserve (Note 1) | ( 4,365) | | ( 3,023) | |
| Reversal (provision) of special reserve (Note 2) | ( 58,374) | | 58,374 | |
| Cash dividends | 959,395 | $ 0.69 | 1,668,514 | $ 1.20 |
| Total | $ 1,265,804 | | $ 2,492,380 | |

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 22, 2019 and March 26, 2018.

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. For details on employees' remuneration and directors' remuneration, please refer to Note 6 (44).

30) Brokerage handling fee revenue

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Revenues from brokered trading - TWSE | $ 258,573 | $ 344,288 |
| Revenues from brokered trading - OTC | 102,777 | 134,080 |
| Revenues from brokered trading - Futures | 159,140 | 172,384 |
| Others | 33,598 | 41,203 |
| Total | $ 554,088 | $ 691,955 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Revenues from brokered trading - TWSE | $ 472,629 | $ 646,484 |
| Revenues from brokered trading - OTC | 198,713 | 250,013 |
| Revenues from brokered trading - Futures | 290,341 | 367,046 |
| Others | 62,024 | 100,977 |
| Total | $ 1,023,707 | $ 1,364,520 |

31) Revenues from underwriting business

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Revenues from underwriting securities on a firm commitment basis | $ 1,523 | $ 4,767 |
| Others | 13,100 | 4,751 |
| Total | $ 14,623 | $ 9,518 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Revenues from underwriting securities on a firm commitment basis | $ 2,389 | $ 12,234 |
| Others | 16,447 | 18,135 |
| Total | $ 18,836 | $ 30,369 |

32) Gain on sale of trading securities

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Dealers: | | |
| -TAIEX | ($ 52,599) | $ 890,117 |
| -OTC | 23,286 | 100,074 |
| -Overseas trading | 145,958 | 49,827 |
| Subtotal | 116,645 | 1,040,018 |
| Underwriters: | | |
| -TAIEX | 18,125 | 2,290 |
| -OTC | 7,011 | ( 358) |
| Subtotal | 25,136 | 1,932 |
| Hedging: | | |
| -TAIEX | ( 40,831) | ( 21,235) |
| -OTC | ( 10,978) | 21,357 |
| -Overseas trading | ( 15,223) | 4,530 |
| Subtotal | ( 67,032) | 4,652 |
| Total | $ 74,749 | $ 1,046,602 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Dealers: | | |
| -TAIEX | $ 653,009 | $ 1,139,529 |
| -OTC | 36,405 | ( 24,864) |
| -Overseas trading | 356,969 | 116,254 |
| Subtotal | 1,046,383 | 1,230,919 |
| Underwriters: | | |
| -TAIEX | 27,406 | 14,946 |
| -OTC | 23,282 | 4,558 |
| Subtotal | 50,688 | 19,504 |
| Hedging: | | |
| -TAIEX | 35,340 | ( 164,298) |
| -OTC | 12,599 | ( 1,449) |
| -Overseas trading | ( 12,578) | ( 9,015) |
| Subtotal | 35,361 | ( 174,762) |
| Total | $ 1,132,432 | $ 1,075,661 |

33) Interest revenue

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Interest income from margin loans | $ 126,521 | $ 180,581 |
| Interest income from bonds | 184,627 | 148,931 |
| Others | 1,263 | 757 |
| Total | $ 312,411 | $ 330,269 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Interest income from margin loans | $ 246,076 | $ 354,952 |
| Interest income from bonds | 343,215 | 318,079 |
| Others | 2,147 | 1,663 |
| Total | $ 591,438 | $ 674,694 |

34) Valuation loss on trading securities at fair value through profit or loss

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Loss on sale of securities - dealer | ($ 17,218) | ($ 34,893) |
| Loss on sale of securities - underwriting | ( 13,377) | ( 2,484) |
| Gain on sale of securities - hedging | 10,455 | 15,485 |
| Total | ($ 20,140) | ($ 21,892) |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Gain (loss) on sale of securities - dealer | $ 647,910 | ($ 39,990) |
| Gain on sale of securities - underwriting | 15,158 | 10,941 |
| Gain on sale of securities - hedging | 17,726 | 77,537 |
| Total | $ 680,794 | $ 48,488 |

35) (Loss) gain on covering of borrowed securities and bonds with resale agreements - short sales

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Loss from the bond investments under resale agreements | ($ 4,276) | ($ 20,875) |
| Gain (loss) from covering - warrants | 80 | ( 9,005) |
| (Loss) gain from securities borrowing transactions - dealer | ( 3,142) | 32,014 |
| Total | ($ 7,338) | $ 2,134 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| (Loss) gain from the bond investments under resale agreements | ($ 6,545) | $ 4,336 |
| Gain (loss) from securities borrowing transactions - warrants | 1,518 | ( 367) |
| Gain from covering - warrants | 19,869 | 22,409 |
| Total | $ 14,842 | $ 26,378 |

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

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Valuation gain from the bond investments under resale agreements | $ 4,634 | $ 1,521 |
| Valuation loss from securities borrowing transactions - dealer | ( 393) | ( 5,180) |
| Valuation loss from covering - warrants | ( 4,047) | ( 1,789) |
| Total | $ 194 | ($ 5,448) |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Valuation gain (loss) from the bond investments under resale agreements | $ 3,096 | ($ 87) |
| Valuation (loss) gain from securities borrowing transactions - dealer | ( 27,563) | 469 |
| Valuation loss from covering - warrants | ( 9,733) | ( 9,085) |
| Total | ($ 34,200) | ($ 8,703) |

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

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Foreign bonds | $ - | ($ 19,617) |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Foreign bonds | $ - | ($ 23,782) |

38) Gain from issuance of call (put) warrants

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Gain on changes in fair value of call ( put ) warrant liabilities and redemption | $ 121,486 | $ 188,573 |
| Loss on exercise of call ( put ) warrants before maturity | ( 7,777) | ( 8,437) |
| Expenses arising out of issuance of call ( put ) warrants | ( 17,609) | ( 21,937) |
| Total | $ 96,100 | $ 158,199 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Gain on changes in fair value of call ( put ) warrant liabilities and redemption | $ 142,008 | $ 426,301 |
| Loss on exercise of call ( put ) warrants before maturity | ( 10,033) | ( 18,822) |
| Expenses arising out of issuance of call ( put ) warrants | ( 31,302) | ( 42,419) |
| Total | $ 100,673 | $ 365,060 |

39) Gain from derivatives

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Futures contract gain (loss) | $ 101,771 | ($ 33,729) |
| Option trading (loss) gain | ( 31,390) | 67,954 |
| Loss on foreign exchange derivatives | ( 8,742) | ( 1,811) |
| Others | ( 18,274) | ( 15,660) |
| Total | $ 43,365 | $ 16,754 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Futures contract (loss) gain | ($ 304,490) | $ 75,718 |
| Option trading (loss) gain | ( 68,842) | 119,462 |
| Loss on foreign exchange derivatives | ( 17,302) | ( 91,530) |
| Others | ( 35,667) | ( 36,455) |
| Total | ($ 426,301) | $ 67,195 |

40) Impairment loss and reversal of impairment loss

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Reversal of provision for impairment | $ 14,260 | ($ 64,495) |
| Recovery of bad debts | 11 | 29 |
| Total | $ 14,271 | $ (64,466) |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Provision for impairment | ($ 81) | ($ 75,276) |
| Recovery of bad debts | 25 | 50 |
| Total | ($ 56) | ($ 75,226) |

41) Other operating income

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Income from securities lending | $ 28,067 | $ 23,402 |
| Net currency exchange (loss) gain | ( 22,400) | 109,817 |
| Handling fee revenues from funds | 11,987 | 11,039 |
| Others | 16,341 | 14,509 |
| Total | $ 33,995 | $ 158,767 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Income from securities lending | $ 44,503 | $ 45,469 |
| Net currency exchange (loss) | ( 8,236) | ( 90,396) |
| Handling fee revenues from funds | 22,130 | 22,286 |
| Others | 36,033 | 31,752 |
| Total | $ 94,430 | $ 9,111 |

42) Handling charges

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Brokerage handling fee expense | $ 61,850 | $ 78,275 |
| Dealer handling fee expense | 53,621 | 52,100 |
| Refinancing processing fee expense | 408 | 535 |
| Total | $ 115,879 | $ 130,910 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Brokerage handling fee expense | $ 116,077 | $ 150,977 |
| Dealer handling fee expense | 148,159 | 106,319 |
| Refinancing processing fee expense | 773 | 950 |
| Total | $ 265,009 | $ 258,246 |

43) Financial costs

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Interest expense from repurchase agreements | $ 103,553 | $ 64,262 |
| Loans interest expense | 42,110 | 35,676 |
| Other interest expense | 5,297 | 3,605 |
| Total | $ 150,960 | $ 103,543 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Interest expense from repurchase agreements | $ 190,269 | $ 124,994 |
| Loans interest expense | 71,619 | 69,409 |
| Other interest expense | 9,693 | 7,374 |
| Total | $ 271,581 | $ 201,777 |

44) Employee benefits expense

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Salaries | $ 359,046 | $ 611,082 |
| Labor and health insurance | 29,133 | 29,707 |
| Pension | 17,295 | 18,298 |
| Other employee benefits | 25,863 | 31,844 |
| Total | $ 431,337 | $ 690,931 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Salaries | $ 925,821 | $ 1,082,221 |
| Labor and health insurance | 63,103 | 66,389 |
| Pension | 35,117 | 36,694 |
| Other employee benefits | 53,930 | 63,206 |
| Total | $ 1,077,971 | $ 1,248,510 |

A. In accordance with 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 three months and six months ended June 30, 2019 and 2018, employees' compensation was accrued at $4,106, $22,828, $24,089 and $25,366, respectively; directors' remuneration was accrued at $4,106, $22,828, $24,089 and $25,366, respectively. The aforementioned amounts were recognised in salary expenses.

C. For six months ended June 30, 2019, 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 2018 as resolved by the Board of Directors was in agreement with the estimates in the 2018 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.

45) Depreciation and amortization

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Depreciation | $ 45,708 | $ 17,556 |
| Amortization | 5,635 | 5,347 |
| Total | $ 51,343 | $ 22,903 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Depreciation | $ 91,128 | $ 35,122 |
| Amortization | 11,196 | 13,388 |
| Total | $ 102,324 | $ 48,510 |

46) Other operating expenses

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Rentals | $ 1,127 | $ 28,222 |
| Taxes | 153,558 | 204,116 |
| Computer information expenses | 40,745 | 40,027 |
| Postage | 18,249 | 17,645 |
| Others | 103,070 | 104,181 |
| Total | $ 316,749 | $ 394,191 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Rentals | $ 2,336 | $ 56,710 |
| Taxes | 268,043 | 388,475 |
| Computer information expenses | 79,792 | 80,772 |
| Postage | 35,064 | 34,688 |
| Others | 186,963 | 193,590 |
| Total | $ 572,198 | $ 754,235 |

47) Other gains and losses

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Financial income | $ 49,518 | $ 40,050 |
| Gain (loss) on disposal of investments | 7,407 | ( 6,488) |
| (Loss) gain on valuation of non-operating financial instruments | ( 745) | 2,973 |
| Net currency exchange gain | 589 | 5,348 |
| Other non-operating revenues | 58,735 | 62,992 |
| Total | $ 115,504 | $ 104,875 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Financial income | $ 93,638 | $ 73,258 |
| Gain (loss) on disposal of investments | 14,270 | ( 8,276) |
| Gain (loss) on valuation of non-operating financial instruments | 8,368 | ( 7,535) |
| Net currency exchange gain | 2,141 | 3,334 |
| Other non-operating revenues | 89,543 | 104,219 |
| Total | $ 207,960 | $ 165,000 |

48) Income tax

A. Income tax expense

(a)Components of income tax expense:

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the periods | $ 11,422 | $ 129,083 |
| Prior year income tax underestimation | 6,911 | 6,338 |
| Tax on undistributed surplus | - | 2,000 |
| Total current tax | 18,333 | 137,421 |
| Deferred taxes: | | |
| Temporary differences | 4,781 | 39,016 |
| Impact of change in tax rate | - | ( 596) |
| Total deferred taxes | 4,781 | 38,420 |
| Income tax expense | $ 23,114 | $ 175,841 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the periods | $ 63,734 | $ 163,182 |
| Prior year income tax (overestimation) underestimation | ( 1,174) | 6,390 |
| Tax on undistributed surplus | - | 2,000 |
| Total current tax | 62,560 | 171,572 |
| Deferred taxes: | | |
| Temporary differences | 1,816 | 35,489 |
| Impact of change in tax rate | - | ( 10,098) |
| Total deferred taxes | 1,816 | 25,391 |
| Income tax expense | $ 64,376 | $ 196,963 |

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

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Impact of change in tax rate | $ - | $ - |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Impact of change in tax rate | $ - | ($ 11,886) |

B. As of June 30, 2019, the Company's income tax returns through 2016 have been assessed by the National Tax Authority. The income tax returns through 2017 of President Futures, President Capital Management, President Venture Capital, President Personal Insurance Agency and President Insurance Agency have also been assessed.

C. 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 Group has assessed the impact of the change in income tax rate.

D. With respect to the income tax returns of the Company for 2015 and 2016, the Tax Authority assessed to increase income tax payable by $24,696. However, the Company disagreed with the assessments and had filed for administrative litigation. Moreover, the Company had recognised the income tax expense relating to the additional income tax payable.

E. 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.

49) Earnings per share

| | Three months ended June 30, 2019 | | |
|---|---|---|---|
| | 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 | $ 183,708 | 1,374,543 | $ 0.14 |
| Dilutive effect of common stock equivalents | | | |
| Employee bonus | - | 326 | |
| | $ 183,708 | 1,374,869 | $ 0.13 |

| | Three months ended June 30, 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 | $ 933,172 | 1,390,428 | $ 0.67 |
| Dilutive effect of common stock equivalents | | | |
| Employee bonus | - | 1,535 | |
| | $ 933,172 | 1,391,963 | $ 0.67 |

| | Six months ended June 30, 2019 | | |
|---|---|---|---|
| | 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 | $ 1,107,352 | 1,374,543 | $ 0.81 |
| Dilutive effect of common stock equivalents | | | |
| Employee bonus | - | 1,758 | |
| | $ 1,107,352 | 1,376,301 | $ 0.80 |

| | Six months ended June 30, 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 | $ 1,045,886 | 1,390,428 | $ 0.75 |
| Dilutive effect of common stock equivalents | | | |
| Employee bonus | - | 1,708 | |
| | $ 1,045,886 | 1,392,136 | $ 0.75 |

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 |
| Uni-President Asset Management Corp. | Associate |
| Fund managed by Uni-President Asset Management Corp. | Security investment trust fund raised by the Uni-President Assets Management Corp. |
| 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 |
| President Life Sciences Cayman Co., Ltd. | Other related party |

2) Significant related party transactions and balances

A. Accounts receivable

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Entity having significant influence on the company: | | |
| Uni-President Enterprises Corp. | $ 602 | $ 288 |
| Associate: | | |
| Uni-President Assets Management Corp. | 11 | - |
| Other related party: | | |
| Others | 1,045 | 597 |
| Total | $ 1,658 | $ 885 |

| | June 30, 2018 |
|---|---|
| Entity having significant influence on the company: | |
| Uni-President Enterprises Corp. | $ 294 |
| Associate: | |
| Uni-President Assets Management Corp. | 10 |
| Other related party: | |
| Others | 867 |
| Total | $ 1,171 |

B. Other receivables

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Other related party: | | |
| Others | $ 3 | $ 9 |

| | June 30, 2018 |
|---|---|
| Associate: | |
| Uni-President Assets Management Corp. | $ 72,511 |
| Other related party: | |
| Others | 9 |
| Total | $ 72,520 |

C. Guarantee deposit received

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Associate: | | |
| Uni-President Assets Management Corp. | $ 1,044 | $ 530 |
| Other related party: | | |
| President Tokyo Co., Ltd. | 1,434 | 1,393 |
| Total | $ 2,478 | $ 1,923 |

| | June 30, 2018 |
|---|---|
| Associate: | |
| Uni-President Assets Management Corp. | $ 530 |
| Other related party: | |
| Others | 1,393 |
| Total | $ 1,923 |

D. Lease transactions－lessee

(A) The Group leases business vehicles and multifunction printers, etc., from President Tokyo Co., Ltd. Rental contracts periods are typically 1 to 5 years. Rents are paid monthly.

(B) Right-of-use assets:

a. Acquisition of right-of-use assets

| | June 30, 2019 |
|---|---|
| Other related party: | |
| President Tokyo Co., Ltd. ( Acquire of right-of-use assets of $1,366 thousands for the six months ended June 30, 2019) | $ 16,709 |
| Other | 629 |
| Total | $ 17,338 |

b. Accumulated depreciation－right-of-use assets

| | June 30, 2019 |
|---|---|
| Other related party: | |
| President Tokyo Co., Ltd. | $ 2,725 |
| Other | 539 |
| Total | $ 3,264 |

c. Depreciation expense

| | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Other related party: | | |
| President Tokyo Co., Ltd. | $ 1,221 | $ 3,212 |
| Other | 270 | 539 |
| Total | $ 1,491 | $ 3,751 |

(C) Lease liabilities

a. Lease liabilities－current

| | June 30, 2019 |
|---|---|
| Other related party: | |
| President Tokyo Co., Ltd. | $ 5,208 |
| Other | 90 |
| Total | $ 5,298 |

b. Lease liabilities－noncurrent

| | June 30, 2019 |
|---|---|
| Other related party: | |
| President Tokyo Co., Ltd. | $ 8,817 |

c. Interest expense

| | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Other related party: | | |
| President Tokyo Co., Ltd. | $ 26 | $ 55 |
| Other | - | 1 |
| Total | $ 26 | $ 56 |

E. Bonds sold under repurchase agreements

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Other related party: | | |
| Cayman President Holdings, Ltd. | $ - | $ 184,290 |
| President Life Sciences Cayman Co., Ltd | 25,029 | - |
| Total | $ 25,029 | $ 184,290 |

There were no transaction with related party as at June 30, 2018.

F. Handling fee revenue

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Security investment trust fund raised by the Uni-President Asset Management Corp.: | | |
| Uni-President Asset Management Corp. | $ 5,879 | $ 990 |
| Other related party: | | |
| Other | 488 | 89 |
| Total | $ 6,367 | $ 1,079 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Security investment trust fund raised by the Uni-President Asset Management Corp.: | | |
| Uni-President Asset Management Corp. | $ 10,611 | $ 10,763 |
| Other related party: | | |
| Other | 520 | 522 |
| Total | $ 11,131 | $ 11,285 |

Terms of handling fee revenue mentioned above are similar to those of transactions with third parties.

G. Gain on wealth management - trust income from sales of funds

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Associates: | | |
| Uni-President Assets Management Corp. | $ 1,697 | $ 4,471 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Associates: | | |
| Uni-President Assets Management Corp. | $ 3,032 | $ 6,488 |

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

H. Other operating revenue - handling fee revenues from underwriting funds

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Associates: | | |
| Uni-President Assets Management Corp. | $ 11,195 | $ 10,985 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Associates: | | |
| Uni-President Assets Management Corp. | $ 21,102 | $ 21,824 |

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

I. Rent income

| | Period | Deposit | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|---|---|
| Associates: | | | | |
| Uni-President Assets Management Corp. | 2016.01.01~2024.03.31 | $ 1,044 | $ 1,771 | $ 1,771 |
| Other related party: | | | | |
| President Tokyo Co., Ltd. | 2017.01.01~2024.03.31 | 1,434 | 2,356 | 2,356 |
| Others | | - | - | 117 |
| Total | | | $ 4,127 | $ 4,244 |

| | Period | Deposit | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|---|---|
| Associates: | | | | |
| Uni-President Assets Management Corp. | 2016.01.01~2024.03.31 | $ 1,044 | $ 3,541 | $ 3,542 |
| Other related party: | | | | |
| President Tokyo Co., Ltd. | 2017.01.01~2024.03.31 | 1,434 | 4,711 | 4,711 |
| Others | | - | - | 222 |
| Total | | | $ 8,252 | $ 8,475 |

Rental income mentioned above is derived from leasing part of the Group'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.

J. Stock custodian income

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Entity having significant influence on the company: | | |
| Uni-President Enterprises Corp. | $ 915 | $ 939 |
| Associate: | | |
| Uni-President Assets Management Corp. | 35 | 35 |
| Other related party: | | |
| Ton Yi Industrial Corp. | 310 | 311 |
| President Chain Store Corp. (PCSC) | 514 | 437 |
| Others | 836 | 858 |
| Total | $ 2,610 | $ 2,580 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Entity having significant influence on the company: | | |
| Uni-President Enterprises Corp. | $ 1,779 | $ 1,851 |
| Associate: | | |
| Uni-President Assets Management Corp. | 72 | 72 |
| Other related party: | | |
| Ton Yi Industrial Corp. | 619 | 619 |
| President Chain Store Corp. (PCSC) | 945 | 847 |
| Others | 1,532 | 1,544 |
| Total | $ 4,947 | $ 4,933 |

Terms of stock custodian income mentioned above are similar to third parties.

K. Gain (loss) from derivatives

| | Three months ended June 30, 2018 |
|---|---|
| Other related party: | |
| Cayman President Holdings, Ltd. | $ 422 |

| | Six months ended June 30, 2018 |
|---|---|
| Other related party: | |
| Cayman President Holdings, Ltd. | ($ 1,584) |

There are no transaction with related party for the three months and six months ended June 30, 2019.

L. Other operating expenses - equipment rental and copy expense

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Other related party: | | |
| President Tokyo Co., Ltd. | $ 100 | $ 1,823 |
| Others | - | 297 |
| Total | $ 100 | $ 2,120 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Other related party: | | |
| President Tokyo Co., Ltd. | $ 107 | $ 3,670 |
| Others | - | 594 |
| Total | $ 107 | $ 4,264 |

M. Financial expense

| | Three months ended June 30, 2019 |
|---|---|
| Other related party: | |
| Cayman President Holdings, Ltd. | $ 8 |
| President Life Sciences Cayman Co., Ltd | 178 |
| Total | $ 186 |

| | Six months ended June 30, 2019 |
|---|---|
| Other related party: | |
| Cayman President Holdings, Ltd. | $ 1,472 |
| President Life Sciences Cayman Co., Ltd | 211 |
| Total | $ 1,683 |

There are no transaction with related party for the three months and six months ended June 30, 2018.

N. Purchases of trading securities – dealer

| | June 30, 2019 | | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|---|---|
| | Ending Shares (In thousands) | Ending Balance | Gain (loss) | |
| Entity having significant influence on the company: | | | | |
| Uni-President Enterprises Corp. | 1,442 | $ 119,253 | $ 250 | $ 506 |
| Security investment trust fund raised by the Uni-President Asset Management Corp.: | | | | |
| Uni-President Asset Management Corp. | - | 10,247 | - | - |
| Other related parties: | | | | |
| President Chain Store Corp. | - | - | ( 3) | ( 123) |
| Total | | $ 129,500 | $ 247 | $ 383 |

| | December 31, 2018 | | Year ended December 31, 2018 |
|---|---|---|---|
| | Ending Shares (In thousands) | Ending Balance | Gain (loss) |
| Entity having significant influence on the company: | | | |
| Uni-President Enterprises Corp. | - | $ - | $ 579 |
| Security investment trust fund raised by the Uni-President Asset Management Corp.: | | | |
| Uni-President Asset Management Corp. | - | 10,220 | - |
| Other related parties: | | | |
| Ton Yi Industrial Corp. | - | - | 16 |
| President Chain Store Corp. | - | - | ( 944) |
| Total | | $ 10,220 | ($ 349) |

| | June 30, 2018 | | Three months ended June 30, 2018 | Six months ended June 30, 2018 |
|---|---|---|---|---|
| | Ending Shares (In thousands) | Ending Balance | Gain (loss) | |
| Entity having significant influence on the company: | | | | |
| Uni-President Enterprises Corp. | 60 | $ 4,644 | $ 633 | $ 113 |
| Security investment trust fund raised by the Uni-President Asset Management Corp.: | | | | |
| Uni-President Asset Management Corp. | - | 10,197 | - | - |
| Other related parties: | | | | |
| Ton Yi Industrial Corp. | - | - | - | 12 |
| President Chain Store Corp. | - | - | ( 115) | ( 128) |
| Total | | $ 14,841 | $ 518 | ($ 3) |

O. Compensation of key management personnel

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

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| Salary and short-term employee benefits | $ 29,939 | $ 51,624 |
| Retirement benefits | 373 | 410 |
| Other long-term employee benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | - | - |
| Total | $ 30,312 | $ 52,034 |

| | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Salary and short-term employee benefits | $ 72,986 | $ 84,666 |
| Retirement benefits | 748 | 826 |
| Other long-term employee benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | - | - |
| Total | $ 73,734 | $ 85,492 |

(Blank below)

## 8. PLEDGED ASSETS

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

| Assets | June 30, 2019 | December 31, 2018 | Purposes |
|---|---|---|---|
| Financial assets at fair value through profit or loss - current: | | | |
| Trading securities (par value) | | | |
| - Corporate bonds | $ 1,400,000 | $ 1,300,000 | Securities for bonds sold under repurchase agreements |
| - Government bonds | 4,540,200 | 4,100,000 | Securities for bonds sold under repurchase agreements |
| - Bank debentures | 300,000 | - | Securities for bonds sold under repurchase agreements |
| - International bonds | 15,903,807 | 9,157,965 | Securities for bonds sold under repurchase agreements |
| - Overseas bonds | 2,515,047 | 977,874 | Securities for bonds sold under repurchase agreements |
| Financial assets at fair value through other comprehensive income - current | | | |
| - Overseas bonds (par value) | 310,600 | 307,150 | Securities for bonds sold under repurchase agreements |
| Restricted assets: | | | |
| - Demand deposits | 903 | 19,373 | Collections on behalf of third parties and reimbursement for wages and stocks |
| - Pledged time deposits | 629,302 | 635,263 | 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) | 1,109,807 | - | Securities for short-term loans and guarantees for issuance of commercial papers |
| Pledged time deposits | | | |
| - Operating guarantee deposits | 680,000 | 680,000 | Security deposits |
| - Refundable deposits | 2,000 | 2,000 | Security deposits |

| Assets | June 30, 2018 | Purposes |
|---|---|---|
| Financial assets at fair value through profit or loss - current: | | |
| Trading securities (par value) | | |
| - Corporate bonds | $ 1,450,000 | Securities for bonds sold under repurchase agreements |
| - Government bonds | 2,438,200 | Securities for bonds sold under repurchase agreements |
| - International bonds | 860,717 | Securities for bonds sold under repurchase agreements |
| - Overseas bonds | 11,430,337 | Securities for bonds sold under repurchase agreements |
| Financial assets at fair value through other comprehensive income - current | | |
| - Overseas bonds (par value) | 304,600 | Securities for bonds sold under repurchase agreements |
| Restricted assets: | | |
| - Demand deposits | 53,706 | Collections on behalf of third parties and reimbursement for wages and stocks |
| - Pledged time deposits | 644,539 | 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 | Trust fund deposit-out |
| Property and equipment | | |
| - Land and buildings (book value) | 1,254,628 | Securities for short-term loans and guarantees for issuance of commercial papers |
| Pledged time deposits | | |
| - Operating guarantee deposits | 682,000 | Security deposits |
| - Refundable deposits | 2,000 | 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 Group continually strengthens risk culture to every employee and makes sure that the Group 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 Group sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Group and enable every layer of the Group 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 Group's risk management system covers risks incurred from businesses on 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 Group 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 Group sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Group and enable every layer of the Group 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 Group has implemented risk management information system (Risk Manager) in relation to market risk control. All trading positions of the Group 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 Group'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

A. Source and definition of credit risk

The credit risk exposure of the Group 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 Group failing to repay its obligation due to the fact that the issuer breaches the contract resulting in the risk of financial loss to the Group.

(B) Credit risk of counterparty refers to risk of financial loss to the Group 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 Group 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 consolidated 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 Group 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 Group, 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 Group are bond funds. As the positions held are not significant, credit risk is deemed low.

b. Commercial papers

The commercial papers held by the Group 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. 33% of convertible corporate bond is guaranteed by banks. Details are as follows:

(a)Bonds

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

(b) Corporate bonds

The corporate bonds held by the Group 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 Group are mostly issued by the domestic legal entities. The Group 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 Group 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 Group are classified as debt instruments at fair value through other comprehensive income. In general, the bonds held by the Group are with lower credit risk.

(D) Derivatives- futures trade margin

When engaging in futures trades in stock exchange market, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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) Receivables of securities business money lending

Receivables of securities business money lending are the non-restricted purpose loan business and monetary financing business, pursuant to an agreement between a securities firm and a customer, using customer securities and other commodities as collateral. The Company regularly assesses its customer line of credit and implements appropriate credit control.

(I) Guaranteed price for securities lending

Guaranteed price for securities lending is the sale price of the Group'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.

(J) Refundable deposits for securities lending

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

(K) 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 Group'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.

(L) 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.

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

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

(N) 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 Group 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 Group considers reasonable and supporting information about past events, current conditions and future economic conditions. The Group 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 losses 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 Group 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 Group 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 Group 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 Group

(A) At June 30, 2019, December 31, 2018 and June 30, 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 Group 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 Group are as follows:

| | Six months ended June 30, 2019 | | | |
|---|---|---|---|---|
| | Marginal loan receivable | Accounts receivable | Other receivable - other | Other non-current assets-overdue receivables |
| At January 1 | $ 61,669 | $ 2,661 | $ 11,333 | $ 213,075 |
| Provision (reversal of provision) for impairment | 10,691 | 712 | ( 234) | ( 11,088) |
| Write-offs | - | - | ( 516) | - |
| Effect of foreign exchange | - | - | 5 | - |
| Transfers | ( 37,930) | ( 2,533) | - | 40,463 |
| At June 30 | $ 34,430 | $ 840 | $ 10,588 | $ 242,450 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Marginal loan receivable | Accounts receivable | Other receivable - other | Other non-current assets-overdue receivables |
| At January 1 | $ 84,093 | $ 4,359 | $ 495 | $ 136,443 |
| Provision (reversal of provision) for impairment | 27,996 | 2,648 | 11,467 | 21,866 |
| Write-offs | - | - | ( 645) | - |
| Effect of foreign exchange | - | - | 16 | - |
| Transfers | ( 50,420) | ( 4,346) | - | 54,766 |
| At December 31 | $ 61,669 | $ 2,661 | $ 11,333 | $ 213,075 |

| | Six months ended June 30, 2018 | | | |
|---|---|---|---|---|
| | Marginal loan receivable | Accounts receivable | Other receivable - other | Other non-current assets-overdue receivables |
| At January 1 | $ 84,093 | $ 4,359 | $ - | $ 136,443 |
| Provision (reversal of provision) for impairment | 36,578 | 679 | 10,805 | 27,214 |
| Transfers | ( 50,420) | ( 4,346) | - | 54,766 |
| At June 30 | $ 70,251 | $ 692 | $ 10,805 | $ 218,423 |

3) Liquidity risk

A. Definition and source of liquidity risk

Liquidity risk refers to possible financial losses arising from the inability to realize 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 Group'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 Group 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 Group 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 Group.

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 Group 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 Group should conduct a review to see whether the total minimized fund supply is more than maximized total fund demand. The Group 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 Group 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.

(Blank below)

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

| | June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Immediately | Less than 3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Short-term loans | $ 3,919,352 | $ 888,316 | $ - | $ - | $ - | $ 4,807,668 |
| Commercial papers payable | 600,000 | 2,650,000 | - | - | - | 3,250,000 |
| Financial liabilities at fair value through profit or loss-current | | | | | | |
| Non-derivative financial liabilities | 139,053 | - | - | - | - | 139,053 |
| Derivative financial liabilities | 276,733 | - | - | - | - | 276,733 |
| Bonds sold under repurchase agreements | - | 23,843,132 | - | - | - | 23,843,132 |
| Deposits on short sales | 1,039,354 | - | - | - | - | 1,039,354 |
| Deposits payable for securities financing | 1,197,385 | - | - | - | - | 1,197,385 |
| Securities lending refundable deposits | - | 37,954 | 395 | - | - | 38,349 |
| Futures traders' equity | 12,379,901 | - | - | - | - | 12,379,901 |
| Accounts payable (includes notes payable) | 16,114,676 | 63,860 | - | - | - | 16,178,536 |
| Collections on behalf of third parties | 305,199 | 7,748 | - | 87,217 | - | 400,164 |
| Other payables | 80 | 1,200,593 | 636,178 | - | - | 1,836,851 |
| Other financial liabilities -current | - | 2,035,776 | 1,161,819 | - | - | 3,197,595 |
| Lease liabilities | - | 27,942 | 68,906 | 94,538 | 75,568 | 266,954 |
| Total | $ 35,971,733 | $ 30,755,321 | $ 1,867,298 | $ 181,755 | $ 75,568 | $ 68,851,675 |

| | 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 | 267,640 | - | - | - | 267,640 |
| 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 |
| Futures traders' equity | 11,574,634 | - | - | - | 11,574,634 |
| Accounts payable (includes notes payable) | 8,241,191 | 47,924 | - | - | 8,289,115 |
| Collections on behalf of third parties | 268,589 | 6,209 | - | 87,780 | 362,578 |
| Other payables | 648 | 237,112 | 679,140 | - | 916,900 |
| Other financial liabilities -current | - | 1,378,506 | 1,308,503 | - | 2,687,009 |
| Total | $ 25,349,144 | $ 17,120,881 | $ 1,987,643 | $ 87,780 | $ 44,545,448 |

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Immediately | Less than 3 months | 3-12 months | 1-5 years | Total |
| Short-term loans | $ 1,759,608 | $ 1,893,612 | $ - | $ - | $ 3,653,220 |
| Commercial papers payable | 850,000 | 5,300,000 | - | - | 6,150,000 |
| Financial liabilities at fair value through profit or loss-current | | | | | |
| Non-derivative financial liabilities | 323,202 | - | - | - | 323,202 |
| Derivative financial liabilities | 847,869 | - | - | - | 847,869 |
| Bonds sold under repurchase agreements | - | 15,470,410 | - | - | 15,470,410 |
| Deposits on short sales | 984,415 | - | - | - | 984,415 |
| Deposits payable for securities financing | 1,123,838 | - | - | - | 1,123,838 |
| Securities lending refundable deposits | - | 26,526 | 6,041 | - | 32,567 |
| Futures traders' equity | 10,411,839 | - | - | - | 10,411,839 |
| Accounts payable (includes notes payable) | 13,800,187 | 41,400 | - | - | 13,841,587 |
| Collections on behalf of third parties | 320,230 | 10,105 | - | 90,570 | 420,905 |
| Other payables | 317 | 1,889,464 | 915,632 | - | 2,805,413 |
| Other financial liabilities -current | - | 1,723,486 | 924,267 | - | 2,647,753 |
| Total | $ 30,421,505 | $ 26,355,003 | $ 1,845,940 | $ 90,570 | $ 58,713,018 |

D. Maturity analysis for lease contracts and capital expenditures

Effective 2018

Operating lease commitment is the total minimum lease payments that the Group 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 Group:

| December 31, 2018 | Operating leases expenditures (Lessee) | Operating leases income (Lessor) |
|---|---|---|
| Not later than one year | $ 84,135 | $ 6,244 |
| Later than one year but not later than five years | 127,303 | 1,239 |
| Over five years | 2,808 | - |
| Total | $ 214,246 | $ 7,483 |

| June 30, 2018 | Operating leases expenditures (Lessee) | Operating leases income (Lessor) |
|---|---|---|
| Not later than one year | $ 85,727 | $ 14,969 |
| Later than one year but not later than five years | 112,910 | 1,686 |
| Over five years | 2,850 | - |
| Total | $ 201,487 | $ 16,655 |

4) Market risk

A. Definition of market risk

Market risk refers to the risk of decrease in the Group'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 Group 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 Group 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 Group. 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 | |
|---|---|---|---|
| Six months ended June 30, 2019 | Amount | Six months ended June 30, 2018 | Amount |
| June 30, 2019 | $ 98,140 | June 30, 2018 | $ 183,519 |
| VaR Maximum | 145,622 | VaR Maximum | 261,016 |
| VaR Average | 86,348 | VaR Average | 157,230 |
| VaR Minimum | 27,505 | VaR Minimum | 98,305 |

Statistical table for VaR of various risk indicators of transactions

| Six months ended June 30, 2019 | Foreign exchange | Interest | Share ownership |
|---|---|---|---|
| June 30, 2019 | $ 5,388 | $ 44,840 | $ 94,027 |
| VaR Maximum | 16,584 | 51,597 | 147,328 |
| VaR Average | 6,832 | 33,106 | 84,533 |
| VaR Minimum | 3,045 | 8,308 | 24,906 |

| Six months ended June 30, 2018 | Foreign exchange | Interest | Share ownership |
|---|---|---|---|
| June 30, 2018 | $ 7,070 | $ 11,967 | $ 185,949 |
| VaR Maximum | 39,655 | 33,483 | 266,250 |
| VaR Average | 14,376 | 17,187 | 157,919 |
| VaR Minimum | 5,578 | 8,826 | 93,398 |

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 June 30, 2019, December 31, 2018 and June 30, 2018：

| | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | EUR | AUD | RMB | HKD | Others | Total |
| Financial assets in foreign currencies | | | | | | | |
| Cash and cash equivalents | $ 1,348,978 | $ 2,090 | $ 3,070 | $ 501,702 | $ 746,294 | $ 174,708 | $ 2,776,842 |
| Financial assets at fair value through profit or loss | 15,734,496 | 4,071,311 | 794,375 | 1,713,263 | 459,292 | 73,047 | 22,845,784 |
| Financial assets at fair value through other comprehensive income - current | 306,475 | - | - | - | - | - | 306,475 |
| Others | 10,838,066 | 1,348,389 | 507,606 | 56,816 | 1,582,032 | 71,702 | 14,404,611 |
| Financial liabilities in foreign currencies | | | | | | | |
| Short-term loans | 3,037,668 | - | - | - | - | - | 3,037,668 |
| Financial liabilities at fair value through profit or loss | 8,639 | 3,888 | 1,926 | 11,142 | 1,125 | 834 | 27,554 |
| Bonds sold under repurchase agreements | 13,044,601 | 2,552,785 | 779,491 | 1,121,244 | - | - | 17,498,121 |
| Others | 11,590,801 | 2,384,897 | 82,045 | 409,002 | 1,116,743 | 140,487 | 15,723,975 |

Note: As of June 30, 2019, foreign exchange rates of the above currencies to TWD were 1 USD = 31.060 TWD; 1 EUR= 35.380 TWD; 1 AUD= 21.795 TWD; 1 RMB= 4.521 TWD; and 1 HKD= 3.977 TWD, respectively.

| | December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | EUR | AUD | RMB | HKD | Others | Total |
| Financial assets in foreign currencies | | | | | | | |
| Cash and cash equivalents | $ 1,271,343 | $ 1,818 | $ 2,859 | $ 196,244 | $ 562,346 | $ 187,005 | $ 2,221,615 |
| Financial assets at fair value through profit or loss | 7,413,891 | 1,368,025 | 755,860 | 1,830,128 | 68,767 | 4,071 | 11,440,742 |
| Financial assets at fair value through other comprehensive income - current | 296,304 | - | - | - | - | - | 296,304 |
| Bonds purchased under resale agreements | 93,193 | - | - | - | - | - | 93,193 |
| Others | 3,819,366 | 14,015 | 4,570 | 70,935 | 1,726,076 | 177,703 | 5,812,665 |
| 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 | 4,997,071 | 10,399 | 2,691 | 228,763 | 1,010,705 | 177,326 | 6,426,955 |

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.

| | June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | EUR | AUD | RMB | HKD | Others | Total |
| Financial assets in foreign currencies | | | | | | | |
| Cash and cash equivalents | $ 1,803,259 | $ 37,258 | $ 4,821 | $ 510,041 | $ 974,034 | $ 117,428 | $ 3,446,841 |
| Financial assets at fair value through profit or loss | 9,249,895 | 1,939,959 | 1,062,530 | 2,145,781 | 173,638 | 124,382 | 14,696,185 |
| Financial assets at fair value through other comprehensive income - current | 290,191 | - | - | - | - | - | 290,191 |
| Bonds purchased under resale agreements | 12,264 | - | - | - | - | - | 12,264 |
| Others | 7,273,839 | 394,475 | 363,982 | 79,122 | 1,963,360 | 134,725 | 10,209,503 |
| Financial liabilities in foreign currencies | | | | | | | |
| Short-term loans | 2,908,930 | - | - | - | 349,290 | - | 3,258,220 |
| Financial liabilities at fair value through profit or loss | 270,800 | 1,294 | 57 | 33,935 | 13 | - | 306,099 |
| Bonds sold under repurchase agreements | 8,292,174 | 1,468,350 | 1,339,455 | 402,711 | - | - | 11,502,690 |
| Others | 6,898,239 | 148,773 | 1,660 | 586,522 | 904,902 | 114,811 | 8,654,907 |

Note: As of June 30, 2018, foreign exchange rates of the above currencies to TWD were 1 USD = 30.460 TWD; 1 EUR= 35.400 TWD; 1 AUD= 22.495 TWD; 1 RMB= 4.593 TWD; and 1 HKD= 3.881 TWD, respectively.

D. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2019 and 2018, amounted to ($21,811), $115,165, ($6,095) and ($87,062) respectively.

5) Fair values 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 Group'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, customer margin deposit account, 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.

| | 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 | | | | |
| June 30, 2019 | | | | |
| Investment property | $ 663,672 | $ - | $ 663,672 | $ - |
| December 31, 2018 | | | | |
| Investment property | 663,672 | - | 663,672 | - |
| June 30, 2018 | | | | |
| Investment property | 674,854 | - | 674,854 | - |

The fair value of investment property held by the Group was assessed by external valuation experts using comparison approach and income approach, or the fair value can be assessed based on the market price of the area adjacent to the location where the Group's investment property is located.

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 Group 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 Group. 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 Group 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 Group'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 Group 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 six months ended June 30, 2019 and 2018, 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 Group's investment in equity investment without active market is included in Level 3.

(B)Hierarchy of fair value estimation of financial instruments

| Financial instrument items measured at fair value | June 30, 2019 | | | |
|---|---|---|---|---|
| | 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 | $ 7,078,700 | $ 7,036,367 | $ 29,272 | $ 13,061 |
| Bond investments | 28,103,155 | 1,824,422 | 26,278,733 | - |
| Others | 2,924,286 | 2,924,286 | - | - |
| Financial assets at fair value through other comprehensive income-current | | | | |
| Bond investments | 306,475 | 306,475 | - | - |
| Financial assets at fair value through profit or loss - noncurrent | | | | |
| Stock investments | 18,472 | - | - | 18,472 |
| Bond investments | 50,091 | - | 50,091 | - |
| Financial assets at fair value through other comprehensive income-noncurrent | | | | |
| Stock investments | 752,810 | - | - | 752,810 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss -current | 139,053 | 139,053 | - | - |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss-current | 3,212,598 | 3,195,081 | 17,517 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss - current | 276,732 | 242,605 | 34,127 | - |

| 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 | $ 1,955,155 | $ 1,899,084 | $ 39,097 | $ 16,974 |
| Bond investments | 18,298,742 | 1,190,116 | 17,108,626 | - |
| Others | 4,647,088 | 4,647,088 | - | - |
| Financial assets at fair value through other 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 other comprehensive income-noncurrent | | | | |
| Stock investments | 604,579 | - | - | 604,579 |
| 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 | 2,779,488 | 2,776,188 | 3,300 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss - current | 267,640 | 242,950 | 24,690 | - |

| Financial instrument items measured at fair value | June 30, 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 | $ 7,213,005 | $ 7,130,437 | $ 58,022 | $ 24,546 |
| Bond investments | 18,625,359 | 864,486 | 17,760,873 | - |
| Others | 2,255,694 | 2,255,694 | - | - |
| Financial assets at fair value through other comprehensive income-current | | | | |
| Bond investments | 290,191 | 290,191 | - | - |
| Financial assets at fair value through profit or loss - noncurrent | | | | |
| Stock investments | 16,675 | - | - | 16,675 |
| Bond investments | 50,126 | - | 50,126 | - |
| Financial assets at fair value through other comprehensive income-noncurrent | | | | |
| Stock investments | 564,519 | - | - | 564,519 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss -current | 323,203 | 323,203 | - | - |
| Derivative financial instruments | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss-current | 2,866,101 | 2,802,582 | 63,519 | - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss - current | 847,870 | 749,829 | 98,041 | - |

(C) The following table is the movement of financial assets at Level 3:

| Six months ended June 30, 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 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 | June 30 |
| Financial assets at fair value through profit or loss- current | | | | | | | | |
| Unlisted stocks | $ 16,974 | ($ 3,913) | $ - | $ - | $ - | $ - | $ - | $ 13,061 |
| Financial assets at fair value through profit or loss - noncurrent | | | | | | | | |
| Equity investments | 16,445 | 2,027 | - | - | - | - | - | 18,472 |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | | | | |
| Unlisted stocks | 604,579 | - | 148,231 | - | - | - | - | 752,810 |

| 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- current | | | | | | | | |
| Unlisted stocks | $ - | ($ 1,776) | $ - | $ 18,750 | $ - | $ - | $ - | $ 16,974 |
| Financial assets at fair value through profit or loss - noncurrent | | | | | | | | |
| Equity investments | 20,147 | ( 3,702) | - | - | - | - | - | 16,445 |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | | | | |
| Unlisted stocks | 567,306 | - | 37,273 | - | - | - | - | 604,579 |

| | Six months ended June 30, 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 | June 30 |
| Financial assets at fair value through profit or loss- current | | | | | | | | |
| Unlisted stocks | $ - | $ 5,796 | $ - | $ 18,750 | $ - | $ - | $ - | $ 24,546 |
| Financial assets at fair value through profit or loss - noncurrent | | | | | | | | |
| Equity investments | 20,147 | ( 3,472) | - | - | - | - | - | 16,675 |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | | | | |
| Unlisted stocks | 567,307 | - | ( 2,788) | - | - | - | - | 564,519 |

(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:

| June 30, 2019 | Fair value | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss - current | | | | | |
| Unlisted stocks | $ 13,061 | Market approach | Price to earnings ratio multiple | 27.64 | The higher the multiple, the higher fair value |
| | | | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| Financial assets at fair value through profit or loss - noncurrent | | | | | |
| Equity investments | 18,472 | Net asset value | Not applicable | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | |
| Unlisted stocks | 752,810 | Market approach | Price to earnings ratio multiple | 1.97~2.11 | The higher the multiple, the higher fair value |
| | | | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |

| December 31, 2018 | Fair value | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss - current | | | | | |
| Unlisted stocks | $ 16,974 | Market approach | Price to earnings ratio multiple | 21.25 | The higher the multiple, the higher fair value |
| | | | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| Financial assets at fair value through profit or loss - noncurrent | | | | | |
| Equity investments | 16,445 | Net asset value | Not applicable | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | |
| Unlisted stocks | 604,579 | Market approach | Price to earnings ratio multiple | 1.91~2.05 | The higher the multiple, the higher fair value |
| | | | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value |

| June 30, 2018 | Fair value | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss - current | | | | | |
| Unlisted stocks | $ 24,546 | Market approach | Price to earnings ratio multiple | 27.24 | The higher the multiple, the higher fair value |
| | | | Discount for lack of marketability | 25% | The higher the discount for lack of marketability, the lower the fair value |
| Financial assets at fair value through profit or loss - noncurrent | | | | | |
| Equity investments | 16,675 | Net asset value | Not applicable | Not applicable | Not applicable |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | | |
| Unlisted stocks | 564,519 | Market approach | Price to earnings ratio multiple | 1.77~2.07 | Lack of marketability |
| | | | Discount for lack of marketability | 30% | The higher the discount, 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 Group 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 | |
|---|---|---|---|---|
| June 30, 2019 | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets at fair value through profit or loss - current | | | | |
| Unlisted stocks | $ 131 | ($ 131) | $ - | $ - |
| Financial assets at fair value through profit or loss - noncurrent | | | | |
| Venture capital shares | Not applicable | Not applicable | - | - |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | |
| Unlisted stocks | - | - | 7,528 | ( 7,528) |

| | 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 - current | | | | |
| Unlisted stocks | $ 170 | ($ 170) | $ - | $ - |
| Financial assets at fair value through profit or loss - noncurrent | | | | |
| Venture capital shares | Not applicable | Not applicable | - | - |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | |
| Unlisted stocks | - | - | 6,046 | ( 6,046) |

| June 30, 2018 | Recognised in profit or loss | | Recognised in other comprehensive income | |
|---|---|---|---|---|
| | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets at fair value through profit or loss - current | | | | |
| Unlisted stocks | $ 245 | ($ 245) | $ - | $ - |
| Financial assets at fair value through profit or loss - noncurrent | | | | |
| Venture capital shares | Not applicable | Not applicable | - | - |
| Financial assets at fair value through other comprehensive income - noncurrent | | | | |
| Unlisted stocks | - | - | 5,645 | ( 5,645) |

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 Group 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 Group 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 Group 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 Group should be agreed by the Board of Directors. The Group 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 Group is actively engaged in development of various businesses and continually increases profit, creates company value, and complies with the capital management objective.

The Group calculates and reports the capital adequacy ratio according to "Rules Governing Securities Firms". As of June 30, 2019, December 31, 2018

and June 30, 2018, the capital adequacy ratios were 367%, 567% and 407%, 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 consolidated financial statements on a semiannual basis.

A. Balance sheet of trust accounts

| Trust assets | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Bank savings | $ 221,953 | $ 172,278 |
| Structured notes | 427,103 | 317,763 |
| Stock | 162,702 | 339,362 |
| Bond | 367,169 | 164,631 |
| Repurchase bond | 19,775 | - |
| Fund | 2,229,710 | 2,365,061 |
| Securities lending | 107,037 | 660,816 |
| Accounts receivable | 13,130 | 34,286 |
| Total of trust assets | $ 3,548,579 | $ 4,054,197 |

| Service fee | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Accounts payable | $ 17,766 | $ 1,360 |
| Trust capital | 3,607,987 | 4,034,867 |
| Retained earnings | ( 77,174) | 17,970 |
| Total of trust liabilities | $ 3,548,579 | $ 4,054,197 |

B. Income statement of trust accounts

| Item | Six months ended June 30, 2019 | Six months ended June 30, 2018 |
|---|---|---|
| Trust income | | |
| Interest income | $ 7,631 | $ 1,877 |
| Cash dividends received | 342 | 2,474 |
| Income from stock lending | 2,627 | 8,097 |
| Investment (losses) gains-realised | ( 6,124) | 16,052 |
| Investment losses-unrealised | ( 77,406) | ( 21,844) |
| Subtotal | ( 72,930) | 6,656 |
| Trust expenses | | |
| Service fee | ( 22) | ( 15) |
| Borrowing costs | ( 467) | ( 1,847) |
| (Loss) income before income tax | ( 73,419) | 4,794 |
| Income tax expense | ( 6) | ( 2) |
| Net (loss) income | ($ 73,425) | $ 4,792 |

C. Property list of trust accounts

| Items | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Bank savings | $ 221,953 | $ 172,278 |
| Structured notes | 427,103 | 317,763 |
| Fund | 2,229,710 | 2,365,061 |
| Bond | 367,169 | 164,631 |
| Repurchase bond | 19,775 | - |
| Stock | 162,702 | 339,362 |
| Securities lending | 107,037 | 660,816 |
| Others | 13,130 | 34,286 |
| Total | $ 3,548,579 | $ 4,054,197 |

(Blank below)

8) Status of the company in the limitations on financial ratios imposed by futures trading act, and the related implementation

The table below is prepared according to "Regulations Governing Futures Commission Merchants".

| Article | Calculation formula | June 30, 2019 | | June 30, 2018 | | Standard | Enforcement |
|---|---|---|---|---|---|---|---|
| | | Calculation | Ratio | Calculation | Ratio | | |
| 17 | Stockholders' equity / (Total liability－futures trader's equity) | 3,397,179 / 119,506 | 28.43 | 3,449,695 / 119,979 | 28.75 | ≧1 | Met the requirement |
| 17 | Current assets / Current liabilities | 4,283,714 / 119,506 | 35.85 | 4,005,679 / 119,979 | 33.39 | ≧1 | Met the requirement |
| 22 | Stockholders' equity / Minimum paid-in capital | 3,397,179 / 400,000 | 849.29% | 3,449,695 / 400,000 | 862.42% | ≧60%<br>≧40% | Met the requirement |
| 22 | Adjusted net capital / Total amount of customer margins required for the open positions of futures traders | 3,175,823 / 346,281 | 917.12% | 3,261,734 / 259,432 | 1257.26% | ≧20%<br>≧15% | Met the requirement |

9) Status of the subsidiary in the limitations on financial ratios imposed by the futures trading act and the related implementation

The table below is prepared according to "Regulations Governing Futures Commission Merchants".

| Article | Calculation formula | June 30, 2019 | | June 30, 2018 | | Standard | Enforcement |
|---|---|---|---|---|---|---|---|
| | | Calculation | Ratio | Calculation | Ratio | | |
| 17 | Stockholders' equity / (Total liability－futures trader's equity) | 2,068,115 / 328,614 | 6.29 | 1,877,312 / 322,685 | 5.82 | ≧1 | Met the requirement |
| 17 | Current assets / Current liabilities | 15,753,886 / 14,708,379 | 1.07 | 13,559,550 / 12,536,493 | 1.08 | ≧1 | Met the requirement |
| 22 | Stockholders' equity / Minimum paid-in capital | 2,068,115 / 645,000 | 320.64% | 1,877,312 / 645,000 | 291.06% | ≧60%<br>≧40% | Met the requirement |
| 22 | Adjusted net capital / Total amount of customer margins required for the open positions of futures traders | 1,694,977 / 2,648,586 | 64.00% | 1,540,153 / 1,727,407 | 89.16% | ≧20%<br>≧15% | Met the requirement |

10) Prospective risk for futures trading

The main risk for futures merchants engaging in futures trading is credit risk, which could happen if the margin call cannot be made when it should have been made. While being consigned to conduct the futures trading, the Group pays attention to the individual margin account on a daily basis and request additional margin call or reduction in trading volume when necessary according to the condition of individual customer transactions in order to control the credit risk accordingly. The main risk faced by the Group while engaging in self-operating businesses is market price risk- that is risk of changes in market prices of futures or options contracts as a result of fluctuation in underlying investment index. Losses may occur if the market index price and underlying investment move adversely. However, the Group has set up stop-loss point to control such risk for reasons of risk management.

(Blank below)

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 $300,000 or 20 percent of contributed capital：None.

D. Disposals of real estate exceeding $300,000 or 20 percent of contributed capital：None.

E. Purchases or sales transactions discount on brokers' charges with related parties in excess of $5,000：None.

F. Receivables from related parties exceeding $100,000 or 20 percent of contributed capital：None.

G. Significant transactions between parent company and subsidiaries

| No.(Note1) | Company | Counterparty | Relationship (Note 2) | Details of transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Conditions | Percentage (%) of total consolidated net revenues or |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Futures Margin - Own Funds | $ 2,052,169 | Note 4 | 2.17% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Deposit-out | 38,000 | Note 4 | 0.04% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Accounts receivable | 3,229 | Note 4 | 0.00% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Deposit-in | 16,000 | Note 4 | 0.02% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Other receivables | 149,832 | Note 4 | 0.16% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Future commission revenue | 19,835 | Note 4 | 0.60% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Clearing charges | 7,174 | Note 4 | 0.22% |
| 0 | President Securities Corp. | President Futures Corp. | 1 | Other non-operating revenues | 5,001 | Note 4 | 0.15% |
| 0 | President Securities Corp. | President Capital Management Corp. | 1 | Expense from investment advisory | 23,600 | Note 4 | 0.72% |
| 0 | President Securities Corp. | President Capital Management Corp. | 1 | Other non-operating revenues | 2,099 | Note 4 | 0.06% |

Note 1：The numbers in the No. column are represented as follows:

1. The number zero is for parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2：There are three kinds of transactions between related parties and numbered from 1 to 3 were shown as follows (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.)

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 3：The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets if it is attributed to the balance sheet accounts, and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.

Note 4：All the prices of the service revenues and consulting service provided between related parties were traded by contracts.

Note 5：Based on materiality, only the amounts of the transactions that were above $1 million would be shown in the table.

## 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 June 30, 2019 | Original investment: Balance on December 31, 2018 | 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% | $ 1,999,721 | $ 349,164 | $ 95,787 | $ 92,618 | $ 146,142 | 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% | 193,569 | 26,324 | ( 1,278) | ( 1,262) | - | 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% | 74,202 | 73,130 | 7,112 | 369 | - | 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% | 2,349,609 | - | 21,203 | 21,203 | - | 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% | 539,532 | 388,276 | 122,110 | 52,036 | 93,631 | Associates |
| | President Insurance Agency Corp. | Taipei | 2008.04.29 | (Note2) | Insurance Agent | 10,000 | 10,000 | 1,000,000 | 100.00% | 25,829 | 28,355 | 6,551 | 6,553 | 12,644 | Subsidiary of the Company |
| | 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% | 243,209 | ( 1,281) | ( 1,864) | ( 1,863) | - | 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 June 30, 2019 | Original investment: Balance on December 31, 2018 | 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 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% | 439 | 388,276 | 122,110 | 41 | 75 | 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% | 1,355,518 | 73,130 | 7,112 | 6,743 | - | 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% | 59,862 | - | 311 | 311 | - | 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% | 1,957 | - | ( 7) | ( 7) | - | 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 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 Group 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 June 30, 2019 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 | Note |
| Investments in associates | | | | | | | |
| President Securities (HK) Ltd. | STOCK | 182,600,000 | $ 0.239 | $ 43,641,912 | $ 0.239 | $ 43,641,912 | |
| President Wealth Management (HK) Ltd. | STOCK | 23,400,000 | 0.082 | 1,927,315 | 0.082 | 1,927,315 | |
| President Securities (Nominee) Ltd. | STOCK | 1,000,000 | 0.063 | 62,993 | 0.063 | 62,993 | |
| Total | | | | $ 45,632,220 | | $ 45,632,220 | |

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
JUNE 30, 2019 AND 2018

Expressed in U.S. dollars

| | June 30, 2019 | | June 30, 2018 | | | June 30, 2019 | | June 30, 2018 | |
|---|---|---|---|---|---|---|---|---|---|
| Assets | Amount | % | Amount | % | Liabilities and shareholders'equity | Amount | % | Amount | % |
| Current assets | | | | | Current liabilties | | | | |
| Cash and cash equivalents | $ 25,627,976 | 34 | $ 25,008,932 | 34 | Other payables | $ - | - | $ 3,837 | - |
| Other receivables | 4,387,210 | 6 | 4,201,375 | 6 | Total liabilities | - | - | 3,837 | - |
| Total current assets | 30,015,186 | 40 | 29,210,307 | 40 | Shareholders'equity | | | | |
| Investment in associates | 45,632,220 | 60 | 44,892,794 | 60 | Share capital | 67,746,000 | 89 | 67,746,000 | 92 |
| | | | | | Capital reserve | 757,813 | 1 | 757,813 | 1 |
| | | | | | Retained earnings | | | | |
| | | | | | Retained earnings | 6,700,440 | 9 | 5,376,112 | 7 |
| | | | | | Other equity | | | | |
| | | | | | Exchange differences on translation of foreign financial statements | 443,153 | 1 | 219,339 | - |
| | | | | | Total shareholders' equity | 75,647,406 | 100 | 74,099,264 | 100 |
| Total assets | $ 75,647,406 | 100 | $ 74,103,101 | 100 | Total liabilities and shareholders' equity | $ 75,647,406 | 100 | $ 74,103,101 | 100 |

PRESIDENT WEALTH MANAGEMENT (HK) LTD.
BALANCE SHEETS
JUNE 30, 2019 AND 2018

Expressed in HK dollars

| | June 30, 2019 | | June 30, 2018 | | | June 30, 2019 | | June 30, 2018 | |
|---|---|---|---|---|---|---|---|---|---|
| Assets | Amount | % | Amount | % | Liabilities and shareholders'equity | Amount | % | Amount | % |
| Current assets | | | | | Current liabilities | | | | |
| Cash and cash equivalents | $ 14,999,139 | 100 | $ 14,850,138 | 100 | Other payables | $ - | - | $ - | - |
| Other receivables | 46,015 | - | 32,178 | - | Total liabilities | - | - | - | - |
| Prepayments | 6,996 | - | 6,996 | - | | | | | |
| Total current assets | 15,052,150 | 100 | 14,889,312 | 100 | Shareholders' equity | | | | |
| | | | | | Share capital | 23,400,000 | 155 | 23,400,000 | 157 |
| | | | | | Retained earnings (accumulated deficit) | ( 8,347,850) | ( 55) | ( 8,510,688) | ( 57) |
| | | | | | Total shareholders' equity | 15,052,150 | 100 | 14,889,312 | 100 |
| Total assets | $ 15,052,150 | 100 | $ 14,889,312 | 100 | Total liabilities and shareholders' equity | $ 15,052,150 | 100 | $ 14,889,312 | 100 |

PRESIDENT SECURITIES (NOMINEE) LTD.
BALANCE SHEETS
JUNE 30, 2019 AND 2018

Expressed in HK dollars

| Assets | June 30, 2019 Amount | June 30, 2019 % | June 30, 2018 Amount | June 30, 2018 % |
|---|---|---|---|---|
| Current assets | | | | |
| Cash and cash equivalents | $ 491,854 | 100 | $ 513,170 | 100 |
| Other receivables | 117 | - | 976 | - |
| Total current assets | 491,971 | 100 | 514,146 | 100 |
| Total assets | $ 491,971 | 100 | $ 514,146 | 100 |

| Liabilities and shareholders'equity | June 30, 2019 Amount | June 30, 2019 % | June 30, 2018 Amount | June 30, 2018 % |
|---|---|---|---|---|
| Current liabilities | | | | |
| Other payables | $ - | - | $ - | - |
| Total liabilities | - | - | - | - |
| Shareholders' equity | | | | |
| Share capital | 1,000,000 | 203 | 1,000,000 | 194 |
| Retained earnings (accumulated deficit) | ( 508,029) | ( 103) | ( 485,854) | ( 94) |
| Total shareholders' equity | 491,971 | 100 | 514,146 | 100 |
| Total liabilities and shareholders' equity | $ 491,971 | 100 | $ 514,146 | 100 |

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Expressed in U.S. dollars

| Accounts | June 30, 2019 Amount | June 30, 2019 % | June 30, 2018 Amount | June 30, 2018 % |
|---|---|---|---|---|
| Expenditures | | | | |
| Employee benefits | ($ 23,035) | ( 3) | ($ 23,055) | ( 2) |
| Other operating expenses | ( 9,027) | ( 1) | ( 8,776) | ( 1) |
| Total expenditures and expenses | ( 32,062) | ( 4) | ( 31,831) | ( 3) |
| Non-operating gains and losses | | | | |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | 227,372 | 33 | 885,826 | 80 |
| Other gains and losses | 488,862 | 71 | 261,640 | 23 |
| Total non-operating gains and losses | 716,234 | 104 | 1,147,466 | 103 |
| Profit before tax | 684,172 | 100 | 1,115,635 | 100 |
| Income tax expense | - | - | - | - |
| Net income | $ 684,172 | 100 | $ 1,115,635 | 100 |

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Expressed in HK dollars

| Accounts | June 30, 2019 | | June 30, 2018 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Expenditures | | | | |
| Other operating expenses | ($ 16,459) | ( 21) | ($ 14,599) | ( 27) |
| Total expenditures and expenses | ( 16,459) | ( 21) | ( 14,599) | ( 27) |
| Non-operating gains and losses | | | | |
| Other gains and losses | 95,126 | 121 | 68,743 | 127 |
| Profit before tax | 78,667 | 100 | 54,144 | 100 |
| Income tax expense | - | - | - | - |
| Net income | $ 78,667 | 100 | $ 54,144 | 100 |

PRESIDENT SECURITIES (NOMINEE) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Expressed in HK dollars

| Accounts | June 30, 2019 Amount | June 30, 2019 % | June 30, 2018 Amount | June 30, 2018 % |
|---|---|---|---|---|
| Expenditures | | | | |
| Other operating expenses | ($ 3,451) | 182 | ($ 970) | ( 85) |
| Total expenditures and expenses | ( 3,451) | 182 | ( 970) | ( 85) |
| Non-operating gains and losses | | | | |
| Other gains and losses | 1,557 | ( 82) | 2,108 | 185 |
| Profit (loss) before tax | ( 1,894) | 100 | 1,138 | 100 |
| Income tax expense | - | - | - | - |
| Net income (loss) | ($ 1,894) | 100 | $ 1,138 | 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, 2019 | Increase of working capital | Deduction of working capital | Balance on June 30, 2019 | | |
| 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 | - | ($ 2,902) | - | - | - | - | - | - |

Note 1: Operating expenses generated by the representative office.

4) Disclosure of investment in Mainland China：Not applicable

## 14. SEGMENTS INFORMATION

### 1) General information

Financial information by the Group's segments is disclosed in accordance with IFRS 8. Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker (CODM) that are used to make strategic decisions. The Group's operating segments are classified into Brokerage, Quantitative Trading, Proprietary Trading, Fixed Income and Reinvestment according to the sources of income. The remaining operating results which have not reached the threshold requirements are consolidated in 'other operating segments'. Sources of income from products and services rendered by each segment are as follows:

A. Brokerage segment: consigned trading of the listed securities, margin trading and short sale, assistance in futures trading and other instruments trading as approved by the regulations.

B. Quantitative Trading segment: trading of domestic/overseas futures and options, ETF arbitrage, market maker, liquidity provider, hedging, spot/futures arbitrage as approved by Law.

C. Proprietary Trading segment: using the self-owned equity to conduct securities trading such as stocks and bonds trading, and futures and options hedging in Stock Exchange and OTC.

D. Fixed Income segment: bonds segment is engaged in central government bonds, ordinary corporate bonds, convertible corporate bonds, and bills and bonds under repurchase or resale agreements transactions in OTC.

E. Reinvestment segment: companies reinvested by the consolidated entities.

F. Other operating segments include Capital Market segment, Financial Product segment, and Shareholder Services segment.

### 2) Segments information

The accounting policies applied to the Group's operating segments and summary of accounting policies disclosed in the notes to the financial statements are consistent and identical. The operating gains and losses are measured by the amount before tax and used as basis for performance appraisal. Income and expense attributable to each operating segment are attributed to the segmental gains and losses. Non-attributable indirect expenses and expenses from logistic support segment are amortised to each operating segment based on reasonable calculation standards and the expense nature. Those that cannot be reasonably amortised are listed under "Others".

3) Profit or loss of segments information

| | Three months ended June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Brokerage segment | Quantitative Trading segment | Proprietary Trading segment | Fixed income segment | Reinvestment segment | Other operating segments | Others | Total |
| Segment revenues | $ 547,659 | $ 135,560 | ($ 352,118) | $ 492,924 | $ 245,450 | $ 121,987 | ($ 10,041) | $ 1,181,421 |
| Segment profit or loss | $ 99,198 | $ 38,358 | ($ 435,454) | $ 316,041 | $ 76,757 | $ 7,131 | $ 106,778 | $ 208,809 |

| | Three months ended June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Brokerage segment | Quantitative Trading segment | Proprietary Trading segment | Fixed income segment | Reinvestment segment | Other operating segments | Others | Total |
| Segment revenues | $ 631,690 | $ 150,445 | $ 1,190,114 | $ 18,944 | $ 274,744 | $ 170,479 | ($ 61,661) | $ 2,374,755 |
| Segment profit or loss | $ 116,315 | $ 53,592 | $ 1,025,920 | ($ 62,136) | $ 87,835 | $ 38,821 | ($ 149,266) | $ 1,111,081 |

| | Six months ended June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Brokerage segment | Quantitative Trading segment | Proprietary Trading segment | Fixed income segment | Reinvestment segment | Other operating segments | Others | Total |
| Segment revenues | $ 991,586 | $ 317,895 | $ 219,800 | $ 1,047,980 | $ 474,083 | $ 265,633 | ($ 26,263) | $ 3,290,714 |
| Segment profit or loss | $ 110,364 | $ 73,346 | $ 45,236 | $ 740,808 | $ 136,226 | $ 78,130 | ($ 9,214) | $ 1,174,896 |

| | Six months ended June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Brokerage segment | Quantitative Trading segment | Proprietary Trading segment | Fixed income segment | Reinvestment segment | Other operating segments | Others | Total |
| Segment revenues | $ 1,273,088 | $ 411,907 | $ 1,118,247 | ($ 3,577) | $ 625,623 | $ 281,144 | ($ 55,831) | $ 3,650,601 |
| Segment profit or loss | $ 283,927 | $ 191,538 | $ 834,181 | ($ 158,849) | $ 195,365 | $ 38,912 | ($ 137,986) | $ 1,247,088 |

Note 1: As operating income (loss) in total is consistent with consolidated statement of comprehensive income, there is no need for adjustment.

Note 2: The Company measures the performance of reportable operating segment based on specific performance indicators instead of assets and liabilities. The performance of reportable operating segment is regularly reviewed and assessed by the CODM as a reference for making resources allocation decision.