PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2017 AND 2016

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

PWCR17000960

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 its subsidiaries (the “Group”) as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, and the 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 the Group 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 judgment, 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.

Impairment assessment of investments accounted for under equity method

Description

Please refer to Note 4(15) 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 assets impairment, and Note 6(13) for details of investments accounted for under equity method.

President Securities Group held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of June 30, 2017, the amount was $ 450,251 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 judgments 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 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.

Impairment assessment of goodwill

Description

Please refer to Note 4(19) for accounting policies on goodwill, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on goodwill, and Note 6(16) for details of goodwill.

The goodwill resulted from President Securities Group's acceptance of transfer of the retail banking security brokerage business of Standard Chartered (Taiwan) Bank amounting to $ 42,004 thousand New Taiwan Dollars as of June 2017. 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 judgments in relation to internal and external information, this significantly affected the result of the review for indications of significant impairment. Thus, we consider the goodwill impairment 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 of 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 of and for the six months ended June 30, 2017 and 2016.

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 Preparations of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", and the 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hsiao, Chin-Mu Chang, Ming-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

August 23, 2017

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

	Assets	Notes	June 30, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	June 30, 2016 AMOUNT	%
110000	**Current assets**							
111100	Cash and cash equivalents	6(1)	$ 6,152,337	7	$ 6,909,469	8	$ 5,138,625	6
112000	Financial assets at fair value through profit or loss - current	6(2)	34,825,824	41	41,521,141	48	33,453,567	41
113400	Available-for-sale financial assets - current	6(3)	1,076,772	1	1,332,776	2	915,437	1
114010	Bonds purchased under resale agreements	6(4)	1,170,945	1	2,093,498	3	735,986	1
114030	Margin loans receivable	6(5)	9,712,883	11	8,692,164	10	8,799,416	11
114040	Refinancing security deposits		9,908	-	18,694	-	11,345	-
114050	Receivables from refinance guaranty		10,412	-	33,381	-	14,076	-
114070	Customer margin account	6(6)	11,114,166	13	12,100,445	14	11,457,613	14
114090	Receivables from security lending		54,981	-	157,775	-	91,955	-
114100	Security lending deposits		401,790	1	261,136	-	93,337	-
114110	Notes receivable		730	-	1,080	-	1,270	-
114130	Accounts receivable	6(7)	14,645,433	17	6,104,874	7	13,345,357	17
114150	Prepayments		26,972	-	44,517	-	35,125	-
114170	Other receivables	6(8)	109,238	-	64,190	-	46,225	-
114600	Current tax assets		515	-	683	-	331	-
119000	Other current assets	6(9)	1,808,910	2	1,939,900	2	2,332,715	3
110000	**Total current assets**		81,121,816	94	81,275,723	94	76,472,380	94
120000	**Noncurrent assets**							
122000	Financial assets at fair value through profit or loss - noncurrent	6(2)	50,509	-	50,621	-	50,956	-
123100	Financial assets at cost - noncurrent	6(12)	40,173	-	41,581	-	41,581	-
123400	Available-for-sale financial assets - noncurrent	6(3)	76,196	-	74,401	-	62,871	-
124100	Investments accounted for under equity method	6(13)	450,251	1	440,676	1	402,840	1
125000	Property and equipment, net	6(14)	2,442,778	3	2,467,163	3	2,491,589	3
126000	Investment property	6(15)	277,853	-	278,903	-	279,953	-
127000	Intangible assets	6(16)	119,884	-	129,771	-	134,479	-
128000	Deferred tax assets	6(45)	91,527	-	64,681	-	57,231	-
129000	Other assets - noncurrent	6(17)	1,229,912	2	1,232,676	2	1,247,784	2
120000	**Total noncurrent assets**		4,779,083	6	4,780,473	6	4,769,284	6
906001	**Total Assets**		$ 85,900,899	100	$ 86,056,196	100	$ 81,241,664	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, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	June 30, 2016 AMOUNT	%
210000	**Current liabilities**							
211100	Short-term loans	6(18)	$ 1,879,372	2	$ 7,180,550	8	$ 3,928,761	5
211200	Commercial papers payable	6(19)	7,098,714	8	6,298,316	7	6,299,313	8
212000	Financial liabilities at fair value through profit or loss - current	6(20)	1,508,754	2	2,419,106	3	1,399,058	2
214010	Bonds sold under repurchase agreements	6(21)	19,838,769	23	23,085,262	27	17,715,535	22
214040	Deposits on short sales		875,279	1	1,286,589	2	742,444	1
214050	Short sale proceeds payable		1,037,322	1	1,516,795	2	860,900	1
214070	Guarantee deposit received on borrowed securities		158,988	-	59,196	-	112,819	-
214080	Futures traders' equity	6(6)	11,105,162	13	12,090,637	14	11,431,742	14
214130	Accounts payable	6(22)	14,533,780	17	6,305,245	7	12,473,199	15
214150	Advance receipts		1,241	-	1,417	-	1,749	-
214160	Collections on behalf of third parties		337,967	1	413,491	-	380,274	-
214170	Other payables	6(23)	910,886	1	742,505	1	905,134	1
214200	Other financial liabilities - current	6(24)	2,281,569	3	1,392,297	2	2,199,224	3
214600	Current tax liability		152,561	-	80,691	-	47,328	-
219000	Other current liabilities		9,794	-	5,537	-	10,382	-
210000	**Total current liabilities**		61,730,158	72	62,877,634	73	58,507,862	72
220000	**Noncurrent liabilities**							
228000	Deferred tax liability	6(45)	20,186	-	35,823	-	62,540	-
229000	Other liabilities-noncurrent	6(25)	12,399	-	13,110	-	12,026	-
220000	**Total noncurrent liabilities**		32,585	-	48,933	-	74,566	-
906003	**Total Liabilities**		61,762,743	72	62,926,567	73	58,582,428	72
300000	**Equity attributable to owners of the parent company**							
301000	**Capital**							
301010	Common stock	6(27)	13,356,658	16	13,356,658	16	12,952,481	16
301070	Stock dividend to be distributed	6(28)	547,623	1	-	-	404,177	1
302000	**Capital reserve**		142,702	-	142,702	-	142,702	-
304000	**Retained earnings**	6(27)						
304010	Legal reserve		2,503,765	3	2,423,914	3	2,423,914	3
304020	Special reserve		6,373,559	7	6,209,865	7	6,209,865	8
304040	Unappropriated earnings		1,126,329	1	798,507	1	318,186	-
305000	**Other equity interest**		41,462	-	149,284	-	162,005	-
300000	**Total**		24,092,098	28	23,080,930	27	22,613,330	28
306000	**Non-controlling interests**		46,058	-	48,699	-	45,906	-
906004	**Total Equity**		24,138,156	28	23,129,629	27	22,659,236	28
906002	**Total liabilities and equity**		$ 85,900,899	100	$ 86,056,196	100	$ 81,241,664	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 amounts)

	Items	Notes	Three months ended June 30				Six months ended June 30			
			2017		2016		2017		2016	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
400000	**Revenues**									
401000	Securities brokerage fees	6(29)	$ 495,608	35	$ 429,242	44	$ 974,347	29	$ 902,661	42
404000	Underwriting fees	6(30)	15,931	1	6,968	1	27,668	1	20,580	1
406000	Net income of wealth management		2,339	-	5,792	1	4,528	-	7,912	-
410000	Gains (loss) on trading of securities	6(31)	615,796	43	(96,035)	(10)	1,498,872	44	(173,318)	(8)
421100	Stock custodian income		20,990	1	20,003	2	37,909	1	36,357	2
421200	Interest income	6(32)	370,113	26	299,329	31	730,428	21	618,388	29
421300	Dividend income		42,698	3	72,989	7	45,770	1	74,404	4
421500	Gains (loss) on valuation of trading securities	6(33)	279,115	20	(64,330)	(7)	155,413	5	253,748	12
421600	Loss on short covering and trading securities - RS financing covering	6(34)	(19,537)	(1)	(30,252)	(3)	(90,085)	(3)	(19,938)	(1)
421610	Loss on valuation of borrowed securities and bonds with resale agreements	6(35)	(17,753)	(1)	(10,096)	(1)	(242)	-	(57,536)	(3)
422200	Gain on warrants issuance	6(36)	30,462	2	114,358	12	31,192	1	245,233	11
424400	Loss (gain) on derivative financial instruments	6(37)	(112,948)	(8)	128,580	13	85,259	3	144,612	7
428000	Other operating income	6(38)	(297,697)	(21)	100,448	10	(94,351)	(3)	93,525	4
	Total revenues		1,425,117	100	976,996	100	3,406,708	100	2,146,628	100
500000	**Expenses**									
501000	Handling charges	6(39)	(91,716)	(6)	(76,822)	(8)	(174,340)	(5)	(155,241)	(7)
521200	Interest expenses	6(40)	(93,850)	(7)	(41,765)	(4)	(199,504)	(6)	(107,538)	(5)
524100	Futures commission expense		(23,425)	(2)	(29,218)	(3)	(47,459)	(1)	(59,511)	(3)
524300	Clearing charges		(26,322)	(2)	(28,882)	(3)	(49,495)	(1)	(56,706)	(2)
528000	Other operating costs		(9)	-	(54)	-	(13)	-	(57)	-
531000	Employee benefits	6(41)	(551,653)	(39)	(435,787)	(45)	(1,143,352)	(34)	(916,027)	(43)
532000	Depreciation and amortization	6(42)	(27,369)	(2)	(31,102)	(3)	(54,992)	(2)	(62,520)	(3)
533000	Other operating expenses	6(43)	(377,847)	(26)	(303,577)	(31)	(728,059)	(21)	(625,674)	(29)
	Total expenditures and expenses		(1,192,191)	(84)	(947,207)	(97)	(2,397,214)	(70)	(1,983,274)	(92)

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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 amounts)

	Items	Notes	Three months ended June 30 2017 AMOUNT	%	Three months ended June 30 2016 AMOUNT	%	Six months ended June 30 2017 AMOUNT	%	Six months ended June 30 2016 AMOUNT	%
	Operating profit (loss)		$ 232,926	16	$ 29,789	3	$ 1,009,494	30	$ 163,354	8
601000	Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(13)	18,585	2	14,858	2	33,571	1	29,744	1
602000	Other gains and losses	6(44)	102,756	7	89,932	9	155,955	4	162,429	8
902001	**Profit before tax**		354,267	25	134,579	14	1,199,020	35	355,527	17
701000	Income tax benefit (expense)	6(45)	44,546	3	(13,630)	(2)	(78,364)	(2)	(42,464)	(2)
902005	**Net income**		398,813	28	120,949	12	1,120,656	33	313,063	15
	Other comprehensive income									
	Items may be reclassified to profit of loss subsequently									
805610	Translation gain (loss) on the financial statements of foreign operating entities		43,657	3	1,546	-	(148,419)	(4)	(50,468)	(2)
805620	Unrealized gain (loss) on financial instruments		15,237	1	(26,745)	(2)	40,656	1	11,571	-
	Current other comprehensive income (post-tax)		58,894	4	(25,199)	(2)	(107,763)	(3)	(38,897)	(2)
902006	**Total current comprehensive income**		$ 457,707	32	$ 95,750	10	$ 1,012,893	30	$ 274,166	13
	Income attributable to:									
913100	Parent company		$ 397,207	28	$ 119,003	12	$ 1,118,990	33	$ 309,184	14
913200	Non-controlling interests		$ 1,606	-	$ 1,946	-	$ 1,666	-	$ 3,879	-
	Current comprehensive income attributable to:									
914100	Parent company		$ 455,965	32	$ 93,770	10	$ 1,011,168	30	$ 270,175	13
914200	Non-controlling interests		$ 1,742	-	$ 1,980	-	$ 1,725	-	$ 3,991	-
	Earnings per share	6(46)								
975000	**Basic earnings per share (in dollars)**		$	0.28	$	0.09	$	0.80	$	0.22
985000	**Diluted earnings per share (in dollars)**		$	0.28	$	0.09	$	0.80	$	0.22

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent											
		Capital			Retained Earnings			Other equity interest					
	Notes	Common stock	Stock dividend to be distributed	Capital reserve	Legal reserve	Special reserve	Unappropriate d earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain or loss on financial instruments	Treasury shares	Total	Non-controlling interests	Total equity
For the six months ended June 30, 2016													
Balance at January 1, 2016		$ 13,231,191	$ -	$256,116	$ 2,328,253	$ 6,018,542	$ 960,922	$ 193,772	$ 7,242	($ 278,026)	$ 22,718,012	$ 46,039	$ 22,764,051
Appropriations of 2015 earnings:													
Legal reserve	6(27)	-	-	-	95,661	-	(95,661)	-	-	-	-	-	-
Special reserve	6(27)	-	-	-	-	191,323	(191,323)	-	-	-	-	-	-
Cash dividends	6(28)	-	-	-	-	-	(260,759)	-	-	-	(260,759)	-	(260,759)
Stock dividends		-	404,177	-	-	-	(404,177)	-	-	-	-	-	-
Net income for the six months ended June 30, 2016		-	-	-	-	-	309,184	-	-	-	309,184	3,879	313,063
Other comprehensive (loss) income for the six months ended June 30, 2016		-	-	-	-	-	-	(50,468)	11,459	-	(39,009)	112	(38,897)
Acquisition of treasury stocks	6(27)	-	-	-	-	-	-	-	-	(114,098)	(114,098)	-	(114,098)
Retirement of treasury shares	6(27)	(278,710)	-	(113,414)	-	-	-	-	-	392,124	-	-	-
Changes in non-controlling interests	6(27)	-	-	-	-	-	-	-	-	-	-	(4,124)	(4,124)
Balance at June 30, 2016		$ 12,952,481	$ 404,177	$142,702	$ 2,423,914	$ 6,209,865	$ 318,186	$ 143,304	$ 18,701	$ -	$ 22,613,330	$ 45,906	$ 22,659,236
For the six months ended June 30, 2017													
Balance at January 1, 2017		$ 13,356,658	$ -	$142,702	$ 2,423,914	$ 6,209,865	$ 798,507	$ 147,621	$ 1,663	$ -	$ 23,080,930	$ 48,699	$ 23,129,629
Appropriations of 2016 earnings:													
Legal reserve	6(27)	-	-	-	79,851	-	(79,851)	-	-	-	-	-	-
Special reserve	6(27)	-	-	-	-	163,694	(163,694)	-	-	-	-	-	-
Stock dividends	6(28)	-	547,623	-	-	-	(547,623)	-	-	-	-	-	-
Net income for the six months ended June 30, 2017		-	-	-	-	-	1,118,990	-	-	-	1,118,990	1,666	1,120,656
Other comprehensive (loss) income for the six months ended June 30, 2017		-	-	-	-	-	-	(148,419)	40,597	-	(107,822)	59	(107,763)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(4,366)	(4,366)
Balance at June 30, 2017		$ 13,356,658	$ 547,623	$142,702	$ 2,503,765	$ 6,373,559	$ 1,126,329	($ 798)	$ 42,260	$ -	$ 24,092,098	$ 46,058	$ 24,138,156

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 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,199,020	$ 355,527
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(42)	38,328	46,856
Amortization	6(42)	16,664	15,664
Write-off of bad debts classified as income	6(17)	(3,464)	(5,955)
Provision for bad debts	6(7)(17)	56,858	22,149
Gain on valuation of trading securities	6(33)	(155,413)	(253,748)
Loss on valuation of borrowed securities and bonds with resale agreements	6(35)	242	57,536
Financial expense	6(40)	199,504	107,538
Interest income (include financial income)	6(32)(44)	(793,448)	(697,007)
Dividend income		(64,704)	(89,820)
Share of the profit of associates and joint ventures accounted for under the equity method	6(13)	(33,571)	(29,744)
Loss on disposal of property and equipment	6(14)	659	9
Loss on disposal of investments(financial assets measured at cost)		280	-
Gain on valuation of non-operating financial instrument	6(44)	(29,984)	(8,369)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss		6,881,767	(3,214,742)
Available-for-sale financial assets - current		294,865	(504,298)
Bonds purchased under resale agreements		922,553	34,367
Margin loans receivable		(1,073,538)	1,613,256
Refinancing security deposits		8,786	(9,186)
Receivables from refinance guaranty		22,969	(9,941)
Customer margin account		986,279	(3,771,059)
Receivables from security lending		102,794	(17,610)
Security lending deposits		(140,654)	(17,634)
Notes receivable		350	1,872
Accounts receivable		(8,411,546)	(6,815,887)
Prepayments		17,545	3,086
Other receivables		27,595	12,500
Other current assets		130,990	1,218,602
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		(910,594)	(98,559)
Bonds sold under repurchase agreements		(3,246,493)	2,112,975
Deposits on short sales		(411,310)	(766,814)
Short sale proceeds payable		(479,473)	(883,373)
Guarantee deposit received on borrowed securities		99,792	(235,751)
Futures traders’ equity		(985,475)	3,753,585
Accounts payable		8,092,699	6,210,152
Advance receipts		(176)	77
Collections on behalf of third parties		(75,524)	(706,753)
Other payables		165,154	(177,208)
Other financial liabilities - current		889,272	1,347,428
Other current liabilities		4,257	4,521

(Continued)

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

	Notes	Six months ended June 30 2017	Six months ended June 30 2016
Cash inflow (outflow) generated from operations		$ 3,343,855	($ 1,395,758)
Dividends received		16,570	98,851
Interest received		843,370	745,711
Income tax paid		(48,809)	(78,703)
Net cash flows from (used in) operating activities		4,154,986	(629,899)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at cost	6(12)	1,128	-
Acquisition of property and equipment	6(14)	(13,552)	(7,793)
Acquisition of intangible assets		(2,957)	(2,896)
Decrease in other non-current assets		670	58,850
Increase in prepayment for equipment		(1,726)	(13,345)
Acquisition of investments accounted for under equity method		(42,682)	-
Net cash flows (used in) from investing activities		(59,119)	34,816
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term loans		(5,301,178)	192,322
Increase in commercial papers payable		800,000	700,000
(Decrease) increase in other non-current liabilities		(711)	178
Acquisition of treasury stocks	6(27)	-	(114,098)
Interest paid		(202,691)	(109,843)
Net cash flows (used in) from financing activities		(4,704,580)	668,559
Effect of exchange rate changes		(148,419)	(50,468)
Net (decrease) increase in cash and cash equivalents		(757,132)	23,008
Cash and cash equivalents at beginning of period		6,909,469	5,115,617
Cash and cash equivalents at end of period		$ 6,152,337	$ 5,138,625

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

PRESIDENT SECURITIES CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(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, 2017, the Company had 36 operating branches (including the Head Office), and established Offshore Securities Unit in July 2014.

2) The Company and its 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 1,719 and 1,798 as of June 30, 2017 and 2016, respectively.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 23, 2017.

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 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9,'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, ' Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfer of investment property (amendments to IAS40)	January 1, 2018
IFRIC 22, ' Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRS 2014–2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, "Financial instruments"

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

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

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

B. Amendments to IAS 40, 'Transfers of investment property'

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions, in isolation, does not provide evidence of the change in use. In addition, the amendments added examples for the evidence of a change in use. The examples include assets under construction or development (not completed properties) transfer from investment property to owner-occupied property at commencement of development with a view to owner-occupation and transfer from inventories to investment property at inception of an operating lease to another party.

C. Annual improvements to IFRSs 2014-2016 cycle

(a) Amendments to IAS 28, "Investments in associates and joint ventures"

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds), IAS 28 allows the entity to elect measuring that investment at fair value through profit or loss in accordance with IFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 16, ‘Leases’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	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. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, “Leases”

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

B. IFRIC 23, ‘Uncertainty over income tax treatments’

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12, ‘Income taxes’ based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

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”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, and the International Accounting Standard No.34, ‘Interim financial reporting’ as 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) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognised 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) control 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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, 2017	Ownership (%) December 31, 2016
The Company	President Futures Corp. (President Futures)	Futures brokerage	96.69%	96.69%
〃	President Capital Management Corp. (President Capital Management)	Securities investment consulting	100%	100%
〃	President Securities (HK) Ltd.(President Securities (HK)) (Note 1)	Securities dealer, brokerage, underwriting and consulting	5.19%	5.19%
〃	President Securities (BVI) Ltd.(President Securities (BVI))	Securities investment and holding company	100%	100%
〃	President Insurance Agency Corp. (President Insurance Agency) (Note 2)	Insurance Agent	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%
President Securities (BVI)	President Securities (HK) Ltd. (Note 1)	Securities dealer, brokerage, underwriting and consulting	94.81%	94.81%
〃	President Wealth Management (HK) Ltd.(President Wealth Management (HK))	Wealth management	100%	100%
〃	President Securities (Nominee) Ltd. (President Securities (Nominee))	Nominee Service	100%	100%

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) June 30, 2016
The Company	President Futures Corp.	Futures brokerage	96.69%
〃	President Capital Management Corp.	Securities investment consulting	100%
〃	President Securities (HK) Ltd. (Note 1)	Securities dealer, brokerage, underwriting and consulting	5.19%
〃	President Securities (BVI) Ltd.	Securities investment and holding company	100%
〃	President Personal Insurance Agency Co., Ltd.	Insurance Agent	100%
〃	President Insurance Agency Corp.	Insurance Agent	100%
〃	PSC Venture Capital Investment Company Limited	Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit	100%
President Securities (BVI)	President Securities (HK) Ltd. (Note 1)	Securities dealer, brokerage, underwriting and consulting	94.81%
〃	President Wealth Management (HK) Ltd.	Wealth management	100%
〃	President Securities (Nominee)	Nominee Service	100%

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

Note 2: On April 27, 2016, the Board of Directors of President Insurance Agency Corp. and President Personal Insurance Agency Co., Ltd. resolved to merge the two companies. President Insurance Agency Corp. was the surviving company while President Personal Insurance Agency Co., Ltd. was the dissolved company. The effective date was set on July 1, 2016.

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) <u>Translation of foreign currency transactions</u>

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

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting.

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

8) Available-for-sale financial assets

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

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

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

D. If there has been objective evidence of impairment, the Group will account for impairment. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

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

A. Notes and accounts receivable and margin loans receivable are claims resulting from the sales of goods or services; other receivables are receivables other than the above. Notes and accounts receivable and margin loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment loss.

B. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of financial asset is established when there is objective evidence that it is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss being recognised in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not make the asset’s carrying amount greater than its amortised cost without impairment loss being recognised. The recoveries of amounts are recognised in profit or loss.

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 recognised 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 recognised in ‘bonds sold under repurchase agreements’ under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognised in interest income or interest expense.

11) Financial assets at cost – non-current

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

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

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

12) Impairment of financial assets

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

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

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

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

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

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

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

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

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

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

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

13) Derecognition of financial instruments

A. Derecognition of financial assets

The Group derecognises 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 derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

14) 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 recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

15) 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognised 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 recognises 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, as stated in Note 4 (12), at balance sheet date, the Group considers the whole invesment 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 recognised. 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.

16) <u>Property and equipment</u>

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 recognised 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 derecognised. 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.

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 recognised 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 recognised 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 amortised using the straight-line method over the useful lives based on acquisition cost, with an amortization period of 4 years.
B. Customer relationships is amortised evenly over its estimated useful life of 3.6 years.
C. 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 amortised, but is tested annually for impairment.
D. 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 recognised 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 recognised 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 amortised 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised 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) 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 recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

21) 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 recognised 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 recognised expense as it can no longer withdraw an offer of termination benefit or it recognises 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 recognised 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 recognises 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 recognised 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 recognised 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 recognised 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.

22) Revenues and expenses

The Group's revenues and expenses are recognised as incurred, which mainly include:

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

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

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

23) 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 recognised in other comprehensive income or equity, in which cases the related income taxes in the period are recognised in other comprehensive income or directly derecognised from equity, all the others should be recognised 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 recognised 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 10% 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 recognised 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.

24) 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 recognised 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.

25) 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”.

26) 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.

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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 recognises 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 recognised 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. 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 assess 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.

C. Impairment assessment of goodwill

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	June 30, 2017	December 31, 2016
Petty Cash	$ 1,995	$ 181
Checking deposits	511,450	621,365
Current deposits:		
Deposits denominated in NTD	460,505	348,409
Deposits denominated in foreign currencies	1,673,850	2,657,709
Time deposits	3,504,537	3,281,805
	$ 6,152,337	$ 6,909,469

	June 30, 2016
Petty Cash	$ 2,202
Checking deposits	595,182
Current deposits:	
Deposits denominated in NTD	693,531
Deposits denominated in foreign currencies	1,009,088
Time deposits	2,838,622
	$ 5,138,625

As of June 30, 2017, December 31, 2016, and June 30, 2016, the annual interest rates of time deposits, including foreign time deposits were 0.07% ~ 4.30%, 0.04% ~ 4. 80% and 0.10% ~ 4. 80%, respectively.

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2) Financial assets at fair value through profit or loss

	June 30, 2017	December 31, 2016
Current items:		
Open-ended funds and money market instruments and securities investment by brokers		
Open-ended mutual funds beneficiary certificates	$ 90,000	$ 90,000
Overseas stocks and funds	151,339	241,068
Listed (TSE and OTC) stocks	34,092	77,151
Subtotal	275,431	408,219
Adjustment of open-ended funds and money market instruments and securities investment by brokers	(26,205)	(59,317)
Total	249,226	348,902
Trading securities - dealer		
Listed (TSE and OTC) stocks	1,879,101	3,441,347
Government bonds	2,097,336	3,417,519
Corporate bonds	4,106,918	8,958,921
Convertible corporate bonds	658,186	845,892
Emerging stocks	126,550	151,026
Overseas stocks	18,409,000	19,146,988
Exchange-traded funds	2,192,610	623,026
Others	43,800	66,548
Subtotal	29,513,501	36,651,267
Adjustment of trading securities - dealer	75,544	117,895
Total	29,589,045	36,769,162
Trading securities - underwriter		
Listed (TSE and OTC) stocks	457,901	507,139
Convertible corporate bonds	225,069	236,415
Subtotal	682,970	743,554
Adjustment of trading securities - underwriter	107,822	66,010
Total	790,792	809,564
Trading securities - hedging		
Listed (TSE and OTC) stocks	1,869,675	1,489,455
Convertible corporate bonds	-	21,157
Warrants	29,694	4,859
Overseas stocks	1,164	5,678
Exchange traded funds	186,806	174,751
Subtotal	2,087,339	1,695,900
Adjustment of trading securities - hedging	(1,414)	(3,595)
Total	2,085,925	1,692,305

	June 30, 2017	December 31, 2016
Options bought - futures	$ 13,278	$ 3,272
Futures guarantee deposits receivable	2,091,832	1,833,511
Derivative financial instrument assets - OTC	5,726	64,425
Total	$ 34,825,824	$ 41,521,141
Non-current items:		
Trading securities - dealer - government bonds	$ 50,125	$ 50,173
Adjustment of trading securities	384	448
Total	$ 50,509	$ 50,621

Current items:	June 30, 2016
Open-ended funds and money market instruments and securities investment by brokers	
Open-ended mutual funds beneficiary certificates	$ 205,000
Overseas stocks and funds	241,255
Listed (TSE and OTC) stocks	11,243
Subtotal	457,498
Adjustment of open-ended funds and money market instruments and securities investment by brokers	(48,946)
Total	408,552
Trading securities - dealer	
Listed (TSE and OTC) stocks	2,561,922
Government bonds	2,448,044
Corporate bonds	7,328,075
Convertible corporate bonds	845,494
Emerging stocks	186,885
Overseas stocks	14,270,557
Exchange-traded funds	580,110
Others	54,155
Subtotal	28,275,242
Adjustment of trading securities - dealer	216,336
Total	28,491,578
Trading securities - underwriter	
Listed (TSE and OTC) stocks	177,970
Convertible corporate bonds	233,719
Subtotal	411,689
Adjustment of trading securities - underwriter	41,627
Total	453,316

	June 30, 2016
Trading securities - hedging	
Listed (TSE and OTC) stocks	$ 1,621,535
Convertible corporate bonds	14,736
Warrants	14,204
Exchange traded funds	250,706
Subtotal	1,901,181
Adjustment of trading securities - hedging	24,512
Total	1,925,693
Options bought - futures	36,453
Futures guarantee deposits receivable	1,950,171
Derivative financial instrument assets - OTC	187,804
Total	$ 33,453,567
Non-current items:	
Trading securities - dealer - government bonds	$ 50,222
Adjustment of trading securities	734
Total	$ 50,956

3) Available-for-sale financial assets

	June 30, 2017	December 31, 2016
Current items:		
Trading securities - dealer		
Listed (TSE and OTC) stocks	$ -	$ 538,757
Overseas bonds	1,064,405	820,389
Adjustment of trading securities - dealer	12,367	(26,370)
Total	$ 1,076,772	$ 1,332,776
Non-current items:		
Listed (TSE and OTC) stocks	$ 45,416	$ 45,416
Adjustment of trading securities	30,780	28,985
Total	$ 76,196	$ 74,401

		June 30, 2016
Current items:		
Trading securities - dealer		
Listed (TSE and OTC) stocks	$	801,217
Overseas bonds		100,526
Exchange-traded funds		11,930
Adjustment of trading securities - dealer		1,764
Total	$	915,437
Non-current items:		
Listed (TSE and OTC) stocks	$	45,416
Adjustment of trading securities		17,455
Total	$	62,871

4) Bonds purchased under resale agreements

	June 30, 2017	December 31, 2016
Overseas bonds	$ 1,170,945	$ 2,093,498

	June 30, 2016
Overseas bonds	$ 735,986

The above bonds purchased under resale agreements as of June 30, 2017, December 31, 2016 and June 30, 2016 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 $1,170,340, $2,088,567 and $736,447, respectively. The annual interest rates of every currency were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Foreign currencies (Note)	-1.25%~0.50%	-4.0625%~0.00%	0.25%

(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, 2017	December 31, 2016
Bank deposit	$ 8,464,320	$ 9,915,890
Futures clearing house	1,287,226	1,029,502
Other futures commission merchant	1,357,976	1,150,283
Securities	4,644	4,770
Total	$ 11,114,166	$ 12,100,445

	June 30, 2016
Bank deposit	$ 7,969,938
Futures clearing house	1,300,298
Other futures commission merchant	2,182,969
Securities	4,408
Total	$ 11,457,613

The difference between the customer margin deposits accounts and futures traders' equity as of June 30, 2017, December 31, 2016 and June 30, 2016 were outlined below:

	June 30, 2017	December 31, 2016
Customer margin deposits accounts	$ 11,114,166	$ 12,100,445
Futures trading margins receivable	64	$ -
Add: Early customer margin deposits	2,001	2,734
Less: Service fee income pending for transfer	(4,226)	(11,062)
Futures exchange tax pending for transfer	(577)	(473)
Net interest income pending for transfer	(482)	(22)
Temporary receipts	(5,784)	(985)
Futures traders' equity	$ 11,105,162	$ 12,090,637

	June 30, 2016
Customer margin deposits accounts	$ 11,457,613
Add: Early customer margin deposits	4,856
Less: Service fee income pending for transfer	(24,587)
Futures exchange tax pending for transfer	(485)
Net interest income pending for transfer	(1,085)
Temporary receipts	(4,570)
Futures traders' equity	$ 11,431,742

7) Accounts receivable

	June 30, 2017		December 31, 2016	
Accounts receivable - non related parties				
Settlement price receivable-brokers	$	5,728,373	$	4,120,802
Settlement price receivable-dealer		559,019		273,506
Accounts receivable-foreign bonds		7,123,123		93,400
Spot exchange receivable, foreign currencies		302,949		164,658
Interest receivable		357,723		402,851
Settlement price		487,075		989,094
Others		90,005		60,563
		14,648,267		6,104,874
Less: Allowance for uncollectable accounts	(	2,834)		-
	$	14,645,433	$	6,104,874

	June 30, 2016	
Accounts receivable - non related parties		
Settlement price receivable-brokers	$	5,016,189
Settlement price receivable-dealer		242,332
Accounts receivable-international bonds		471,480
Accounts receivable-foreign bonds		5,516,877
Spot exchange receivable, foreign currencies		995,229
Interest receivable		365,391
Settlement price		624,085
Others		113,774
	$	13,345,357

8) Other receivables

	June 30, 2017		December 31, 2016	
Dividends receivable	$	80,109	$	1,731
Interest receivable		13,935		19,670
Others		15,194		42,789
	$	109,238	$	64,190

	June 30, 2016	
Other receivables-FX Swap	$	3,944
Interest receivable		21,793
Others		20,488
	$	46,225

9) Other current assets

	June 30, 2017	December 31, 2016
Pending settlements	$ 841,749	$ 570,970
Pledged time deposits	818,918	1,256,835
Deposits-in for foreign currency securities	146,598	58,608
Underwriting share proceeds collected on behalf of customers	10	50,703
Others	1,635	2,784
	$ 1,808,910	$ 1,939,900

	June 30, 2016
Pending settlements	$ 739,719
Pledged time deposits	1,377,663
Deposits-in for foreign currency securities	112,769
Underwriting share proceeds collected on behalf of customers	22
Others	102,542
	$ 2,332,715

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 derecognised 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, 2017		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreement	$ 19,739,253	$ 18,778,693
Available-for-sale financial assets		
Repurchase agreement	1,076,772	1,060,076

December 31, 2016		
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	$ 23,788,419	$ 22,455,060
Available-for-sale financial assets		
Repurchase agreement	658,290	630,202

June 30, 2016		
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	$ 18,049,697	$ 17,616,653
Available-for-sale financial assets		
Repurchase agreement	100,526	98,882

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

(1) Financial assets

June 30, 2017

Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheet: Financial instruments	Not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial instruments	$ 5,720	$ -	$ 5,720	$ 5,332	$ -	$ 388
Bonds purchased under resale agreements	1,170,945	-	1,170,945	1,129,708	-	41,237
Total	$ 1,176,665	$ -	$ 1,176,665	$ 1,135,040	$ -	$ 41,625

December 31, 2016

Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheet: Financial instruments	Not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial instruments	$ 64,396	$ -	$ 64,396	$ 35,925	$ -	$ 28,471
Bonds purchased under resale agreements	2,093,498	-	2,093,498	2,017,512	-	75,986
Total	$ 2,157,894	$ -	$ 2,157,894	$ 2,053,437	$ -	$ 104,457

June 30, 2016

Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheet: Financial instruments	Not set off in the balance sheet: Cash collateral received	Net amount
Derivative financial instruments	$ 187,781	$ -	$ 187,781	$ 50,693	$ -	$ 137,088
Bonds purchased under resale agreements	735,986	-	735,986	709,849	-	26,137
Total	$ 923,767	$ -	$ 923,767	$ 760,542	$ -	$ 163,225

(2) Financial liabilities

June 30, 2017						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 94,718	$ -	$ 94,718	$ 5,332	$ -	$ 89,386
Bonds sold under repurchase agreements	16,416,979	-	16,416,979	16,416,979	-	-
Total	$ 16,511,697	$ -	$ 16,511,697	$ 16,422,311	$ -	$ 89,386

December 31, 2016						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 37,300	$ -	$ 37,300	$ 35,925	$ -	$ 1,375
Bonds sold under repurchase agreements	14,395,018	-	14,395,018	14,395,018	-	-
Total	$ 14,432,318	$ -	$ 14,432,318	$ 14,430,943	$ -	$ 1,375

June 30, 2016						
				Not set off in the balance sheet		
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	$ 55,713	$ -	$ 55,713	$ 50,693	$ -	$ 5,020
Bonds sold under repurchase agreements	11,666,809	-	11,666,809	11,666,809	-	-
Total	$ 11,722,522	$ -	$ 11,722,522	$ 11,717,502	$ -	$ 5,020

12) Financial assets at cost – non-current

	June 30, 2017	December 31, 2016
Taiwan Depository & Clearing Corp.	$ 2,450	$ 2,450
Taiwan Futures Exchange	35,115	35,115
Hua Liu Venture Capital Corporation	2,608	2,608
Cathay Venture Capital I	-	1,408
Total	$ 40,173	$ 41,581

	June 30, 2016
Taiwan Depository & Clearing Corp.	$ 2,450
Taiwan Futures Exchange	35,115
Hua Liu Venture Capital Corporation	2,608
Cathay Venture Capital I	1,408
Total	$ 41,581

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

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

13) Investments accounted for under the equity method

	June 30, 2017	December 31, 2016
Uni-President Asset Management Corp.	$ 450,251	$ 440,676

	June 30, 2016
Uni-President Asset Management Corp.	$ 402,840

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, 2017 and 2016 were $18,585, $14,858, $33,571 and $29,744, respectively.

B. On March 31, 2017, the Company acquired 1,333,800 shares of Uni-President Asset Management Corp. for a cash consideration of $42,682.

C. 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	Princial place of businesss	Shareholding ratio		Nature of relationship	Methods of measurement
		June 30, 2017	December 31, 2016		
Uni-President Asset Management Corp.	Taipei city	42.49%	38.69%	Associate	Equity method
			June 30, 2016		
Uni-President Asset Management Corp.	Taipei city		38.69%	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, 2017	December 31, 2016	June 30, 2016
Current assets	$ 448,528	$ 388,911	$ 269,131
Non-current assets	481,378	466,982	491,003
Current liabilities	(259,059)	(110,416)	(102,538)
Non-current liabilities	(33,721)	(33,837)	(43,803)
Total net assets	$ 637,126	$ 711,640	$ 613,793
Share in joint venture's net assets	$ 270,763	$ 275,387	$ 237,523
Goodwill and others	179,488	165,289	165,317
Carrying amount of the joint venture	$ 450,251	$ 440,676	$ 402,840

Statement of comprehensive income

	Uni-President Asset Management Corp.	
	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue	$ 300,116	$ 325,579
Profit for the period from continuing operations	$ 82,383	$ 76,334
Other comprehensive loss- net of tax	-	-
Total comprehensive income	$ 82,383	$ 76,334
Dividends received from associates	$ 66,678	$ 71,446

14) Property and equipment

January 1, 2017	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,680,129	$ 1,054,964	$ 221,249	$ 102,769	$ 3,059,111
Accumulated depreciation and impairment	-	(373,896)	(145,977)	(72,075)	(591,948)
Total	$ 1,680,129	$ 681,068	$ 75,272	$ 30,694	$ 2,467,163
For the six months ended June 30, 2017					
January 1, 2017	$ 1,680,129	$ 681,068	$ 75,272	$ 30,694	$ 2,467,163
Additions	-	-	13,552	-	13,552
Disposal	-	-	(659)	-	(659)
Depreciation	-	(11,684)	(18,096)	(7,498)	(37,278)
June 30, 2017	$ 1,680,129	$ 669,384	$ 70,069	$ 23,196	$ 2,442,778

June 30, 2017	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,680,129	$ 1,046,571	$ 216,855	$ 91,028	$ 3,034,583
Accumulated depreciation and impairment	-	(377,187)	(146,786)	(67,832)	(591,805)
Total	$ 1,680,129	$ 669,384	$ 70,069	$ 23,196	$ 2,442,778

January 1, 2016	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,680,129	$ 1,081,785	$ 249,195	$ 118,360	$ 3,129,469
Accumulated depreciation and impairment	-	(374,370)	(158,861)	(75,642)	(608,873)
Total	$ 1,680,129	$ 707,415	$ 90,334	$ 42,718	$ 2,520,596
For the six months ended June 30, 2016					
January 1, 2016	$ 1,680,129	$ 707,415	$ 90,334	$ 42,718	$ 2,520,596
Additions	-	210	6,392	1,191	7,793
Disposal	-	-	(9)	-	(9)
Reclassifications	-	1,420	4,705	2,890	9,015
Depreciation	-	(14,684)	(20,921)	(10,201)	(45,806)
June 30, 2016	$ 1,680,129	$ 694,361	$ 80,501	$ 36,598	$ 2,491,589

June 30, 2016	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,680,129	$ 1,082,789	$ 245,468	$ 113,295	$ 3,121,681
Accumulated depreciation and impairment	-	(388,428)	(164,967)	(76,697)	(630,092)
Total	$ 1,680,129	$ 694,361	$ 80,501	$ 36,598	$ 2,491,589

A. No interest was capitalized for property and equipment for the six months ended June 30, 2017 and 2016.

B. The information on property and equipment pledged or restricted as of June 30, 2017, December 31, 2016 and June 30, 2016 is described in Note 8.

15) Investment property

January 1, 2017	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(26,272)	(26,272)
Total	$ 198,099	$ 80,804	$ 278,903

For the six months ended June 30, 2017			
January 1, 2017	$ 198,099	$ 80,804	$ 278,903
Depreciation	-	(1,050)	(1,050)
June 30, 2017	$ 198,099	$ 79,754	$ 277,853

June 30, 2017	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(27,322)	(27,322)
Total	$ 198,099	$ 79,754	$ 277,853

January 1, 2016	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(24,172)	(24,172)
Total	$ 198,099	$ 82,904	$ 281,003

For the six months ended June 30, 2016			
January 1, 2016	$ 198,099	$ 82,904	$ 281,003
Depreciation	-	(1,050)	(1,050)
June 30, 2016	$ 198,099	$ 81,854	$ 279,953

June 30, 2016	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(25,222)	(25,222)
Total	$ 198,099	$ 81,854	$ 279,953

A. For the three months and six months ended June 30, 2017 and 2016, rental income from the lease of the investment property were $4,475, $3,895, $8,826 and $7,686, respectively, and direct operating expenses arising from the investment property were $913, $862, $1,827 and $1,725, 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.

16) Intangible assets

January 1, 2017	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 122,313	$ 42,004	$ 89,829	$ 254,146
Accumulated depreciation and impairment	(90,367)	-	(34,008)	(124,375)
Total	$ 31,946	$ 42,004	$ 55,821	$ 129,771
For the six months ended June 30, 2017				
January 1, 2017	$ 31,946	$ 42,004	$ 55,821	$ 129,771
Additions	2,957	-	-	2,957
Reclassifications	3,461	-	-	3,461
Depreciation	(8,748)	-	(7,557)	(16,305)
June 30, 2017	$ 29,616	$ 42,004	$ 48,264	$ 119,884

June 30, 2017	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 123,210	$ 42,004	$ 89,829	$ 255,043
Accumulated depreciation and impairment	(93,594)	-	(41,565)	(135,159)
Total	$ 29,616	$ 42,004	$ 48,264	$ 119,884

January 1, 2016	Computer sofware	Goodwill	Customer relationships and others	Total
Cost	$ 105,707	$ 42,004	$ 89,829	$ 237,540
Accumulated depreciation and impairment	(73,988)	-	(18,893)	(92,881)
Total	$ 31,719	$ 42,004	$ 70,936	$ 144,659
For the six months ended June 30, 2016				
January 1, 2016	$ 31,719	$ 42,004	$ 70,936	$ 144,659
Additions	2,896	-	-	2,896
Reclassifications	2,470	-	-	2,470
Depreciation	(7,989)	-	(7,557)	(15,546)
June 30, 2016	$ 29,096	$ 42,004	$ 63,379	$ 134,479

June 30, 2016	Computer software	Goodwill	Customer relationships and others	Total
Cost	$ 111,073	$ 42,004	$ 89,829	$ 242,906
Accumulated depreciation and impairment	(81,977)	-	(26,450)	(108,427)
Total	$ 29,096	$ 42,004	$ 63,379	$ 134,479

A. No interest was capitalized for intangible assets for the six months ended June 30, 2017 and 2016.

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 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
	2016
Growth rate	0.00%
Discount rate	17.89%

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.

17) Other noncurrent assets

	June 30, 2017	December 31, 2016
Operation guaranteed deposits	$ 692,000	$ 692,000
Clearing and settlement fund	321,590	313,505
Refundable deposits	127,019	151,659
Deferred expenses	17,045	18,219
Prepaid pension expenses	61,560	44,860
Prepayment for equipment	10,518	12,253
Delinquent accounts	155,443	157,702
Others	180	180
	1,385,355	1,390,378
Less: Allowance for uncollectible accounts-overdue receivables	(155,443)	(157,702)
	$ 1,229,912	$ 1,232,676

	June 30, 2016
Operation guaranteed deposits	$ 722,000
Clearing and settlement fund	311,974
Refundable deposits	112,413
Deferred expenses	16,964
Prepaid pension expenses	75,080
Prepayment for equipment	9,173
Delinquent accounts	160,857
Others	180
	1,408,641
Less: Allowance for uncollectible accounts-overdue receivables	(160,857)
	$ 1,247,784

18) Short-term loans

	June 30, 2017	December 31, 2016
Secured loans	$ 208,455	$ 1,317,700
Unsecured loans	1,670,917	5,862,850
Total	$ 1,879,372	$ 7,180,550
Interest rates	0.70%~1.67%	0.70%~2.20%

	June 30, 2016
Secured loans	$ 1,606,293
Unsecured loans	2,322,468
Total	$ 3,928,761
Interest rates	0.720%~1.681%

19) Commercial papers payable

	June 30, 2017	December 31, 2016
Face value	$ 7,100,000	$ 6,300,000
Less: Discount on commercial papers payable	(1,286)	(1,684)
Total	$ 7,098,714	$ 6,298,316
Interest rates	0.35%~0.52%	0.38%~0.72%

	June 30, 2016
Face value	$ 6,300,000
Less: Discount on commercial papers payable	(687)
Total	$ 6,299,313
Interest rates	0.30%~0.46%

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

	June 30, 2017	December 31, 2016
Investments in bonds under resale agreements - short sales	$ 832,378	$ 1,845,632
Valuation adjustment of financial assets held for trading	(3,991)	8,849
Subtotal	828,387	1,854,481
Liabilities on sale of borrowed securities - hedged	90,543	250,298
Valuation adjustment on liabilities on sale of borrowed securities - hedged	(1,670)	(12,318)
Liabilities on sale of borrowed securities - non-hedged	33,010	28,884
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	(164)	746
Subtotal	121,719	267,610
Issuance of call (put) warrants	11,190,098	12,652,477
Gain on price fluctuation	(3,786,841)	(5,939,748)
Market value (A)	7,403,257	6,712,729
Warrants redeemed	(8,750,746)	(10,034,465)
Loss on price fluctuation	1,774,878	3,559,923
Market value (B)	(6,975,868)	(6,474,542)
Warrants - net (A+B)	427,389	238,187
Options sold - TAIFEX	10,027	3,695
Derivative financial liabilities - OTC	121,232	55,133
Total	$ 1,508,754	$ 2,419,106

(Blank below)

	June 30, 2016
Investments in bonds under resale agreements - short sales	$ 668,338
Valuation adjustment of financial assets held for trading	48,143
Subtotal	716,481
Liabilities on sale of borrowed securities - hedged	113,302
Valuation adjustment on liabilities on sale of borrowed securities - hedged	4,476
Liabilities on sale of borrowed securities - non-hedged	40,244
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	2,782
Subtotal	160,804
Issuance of call (put) warrants	11,124,255
Gain on price fluctuation	(3,571,890)
Market value (A)	7,552,365
Warrants redeemed	(8,670,650)
Loss on price fluctuation	1,564,865
Market value (B)	(7,105,785)
Warrants - net (A+B)	446,580
Options sold - TAIFEX	15,960
Derivative financial liabilities - OTC	59,233
Total	$ 1,399,058

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 sixteen months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

21) Bonds sold under repurchase agreements

	June 30, 2017	December 31, 2016
Government bonds	$ 2,021,219	$ 3,136,034
Corporate bonds	300,704	1,595,591
Bank debentures	-	1,102,701
International bonds	1,099,867	2,855,918
Foreign bonds	16,416,979	14,395,018
Total	$ 19,838,769	$ 23,085,262

	June 30, 2016
Government bonds	$ 2,549,013
Corporate bonds	900,000
Bank debentures	1,101,635
International bonds	1,498,078
Foreign bonds	11,666,809
Total	$ 17,715,535

The above bonds sold under repurchase agreements as of June 30, 2017, December 31, 2016 and June 30, 2016 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 $19,884,095, $23,117,190 and $17,749,692, respectively, and the annual interest rates in every currency were shown as follows:

Currency	June 30, 2017	December 31, 2016	June 30, 2016
NTD	0.31%~0.43%	0.20%~0.52%	0.1%~0.41%
Foreign currencies (Note)	-0.21%~4.60%	-0.20%~9.50%	-0.3%~-2.5882%

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

22) Accounts payable

	June 30, 2017	December 31, 2016
Settlement accounts payable - brokered trading	$ 6,086,969	$ 4,093,975
Settlement proceeds	701,790	922,064
Settlement accounts payable - operating	206,679	327,836
Accounts payable - foreign bonds	7,163,592	721,093
Spot exchange payable, foreign currencies	302,757	164,475
Others	71,993	75,802
Total	$ 14,533,780	$ 6,305,245

		June 30, 2016
Settlement accounts payable - brokered trading	$	4,734,782
Settlement proceeds		708,610
Settlement accounts payable - operating		584,017
Accounts payable - foreign bonds		4,907,523
Accounts payable - international bonds		471,480
Spot exchange payable, foreign currencies		995,294
Others		71,493
Total	$	12,473,199

23) Other payables

		June 30, 2017		December 31, 2016
Salary and bonus payable	$	509,655	$	381,528
Employees' and directors' remuneration payable		91,711		45,927
Dividends payable		4,366		-
Others		305,154		315,050
	$	910,886	$	742,505

		June 30, 2016
Salary and bonus payable	$	329,084
Employees' and directors' remuneration payable		64,143
Dividends payable		264,885
Others		247,022
	$	905,134

24) Other financial liabilities - current

		June 30, 2017		December 31, 2016
Equity-linked notes (ELN) - Options	$	1,000	$	3,600
Principal guaranteed notes (PGN) - fixed income		2,280,569		1,388,697
Total	$	2,281,569	$	1,392,297

		June 30, 2016
Equity-linked notes (ELN) - Options	$	3,000
Principal guaranteed notes (PGN) - fixed income		2,196,224
Total	$	2,199,224

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).

25) Other liabilities-non-current

	June 30, 2017		December 31, 2016	
Net defined benefit obligation	$	7,713	$	8,053
Guarantee deposits received		4,686		5,057
Total	$	12,399	$	13,110

	June 30, 2016	
Net defined benefit obligation	$	6,878
Guarantee deposits received		5,148
Total	$	12,026

26) 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 recognised the pension costs for the three months and six months ended June 30, 2017 and 2016 in the statement of comprehensive income in the amount of $1,159, $1,086, $2,317, and $2,171, respectively.

(C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to $38,360.

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, 2017 and 2016 were $14,665, $15,013, $29,000 and $30,383, 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 $554, $568, $1,171, and $1,279, respectively, for the three months and six months ended June 30, 2017 and 2016.

27) Equity

A. Common stock

(A) As of June 30, 2017, the Company's authorized capital was $15,000,000 with a par value of $10 (in dollars) per share. As of June 30, 2017, December 31, 2016 and June 30, 2016, the common stocks issued were 1,335,666, 1,335,666 and 1,295,248 thousand shares, respectively, and the outstanding common stocks were 1,335,666, 1,335,666 and 1,295,248 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, 2017	Six months ended June 30, 2016
January 1	1,335,666	1,303,796
Acquisition of treasury stocks	-	(8,548)
June 30	1,335,666	1,295,248

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

(B) Treasury shares

In order to maintain the Company's integrity and stockholders' interest, the Company's Board of Directors resolved to buy back outstanding shares totaling 30,000 thousand shares on January 27, 2016.

The movement of the number of treasury shares from the Group's buyback and its period-end amount is as follows:

(Expressed in thousands)

Six months ended June 30, 2017					
Reason for buy back	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 integrity and stockholders' equity	-	-	-	-	$ -

Six months ended June 30, 2016					
Reason for buy back	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 integrity and stockholders' equity	19,323	8,548	(27,871)	-	$ -

a. Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

b. Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

c. Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

d. On January 27 and May 5, 2016, the Board of Directors resolved to retire the treasury shares. On March 7 and May 20, 2016, the Company completed the registration of changes in capital. On March 8 and May 23, 2016, the Company obtained the Jing-Shou-Shang Zi. No. 10501036780 and No. 10501102910 issued by the Ministry of Economic Affairs as an approval for retirement of the treasury shares.

B. Capital reserve

	Share premium	Treasury share transactions	Expired stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
January 1, 2017	$ 24,986	$ 116,793	$ 483	$ 440	$ 142,702
June 30, 2017	$ 24,986	$ 116,793	$ 483	$ 440	$ 142,702
June 30, 2016	$ 24,986	$ 116,793	$ 483	$ 440	$ 142,702

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

C. Legal reserve

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. Special reserve

According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company had already accumulated a special reserve of at least 50% of its paid-in capital stock and only half of such special reserve may be capitalized.

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

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

28) <u>Unappropriated earnings and dividends policy</u>

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

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

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

D. The appropriation of 2016 and 2015 earnings was resolved by the shareholders on June 22, 2017 and June 14, 2016, respectively. Details are as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 79,851		$ 95,661	
Special reserve	159,701		191,323	
Special reserve (Note)	3,993			
Cash dividends	-	$ -	260,759	$ 0.20
Stock dividends	547,623	0.41	404,177	0.31
	$ 791,168		$ 951,920	

Note：Special reserve was provided for employees' transition for financial technology development according to Jin-Guan-Zheng-Chuan Letter No. 10500278285 and Jin-Guan-Zheng-Qi-Chuan Letter No. 1060005703, and can be reversed for employees' transition. The Board of Directors of the Company resolved to provide 0.5% as special reserve on March 23, 2017.

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

29) Brokerage handling fee revenue

	Three months ended June 30, 2017	Three months ended June 30, 2016
Revenues from brokered trading - TWSE	$ 223,821	$ 166,096
Revenues from brokered trading - OTC	94,604	75,572
Revenues from brokered trading - Futures	150,299	171,113
Others	26,884	16,461
Total	$ 495,608	$ 429,242

	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenues from brokered trading - TWSE	$ 435,872	$ 363,099
Revenues from brokered trading - OTC	187,004	163,187
Revenues from brokered trading - Futures	292,343	342,858
Others	59,128	33,517
Total	$ 974,347	$ 902,661

30) Revenues from underwriting business

	Three months ended June 30, 2017	Three months ended June 30, 2016
Revenues from underwriting securities on a firm	$ 5,349	$ 1,178
Others	10,582	5,790
Total	$ 15,931	$ 6,968

	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenues from underwriting securities on a firm	$ 12,204	$ 6,654
Others	15,464	13,926
Total	$ 27,668	$ 20,580

31) Gain (loss) on trading of securities

	Three months ended June 30, 2017	Three months ended June 30, 2016
Dealers:		
-TAIEX	$ 195,821	$ 42,494
-OTC	(17,983)	(128,090)
-Overseas trading	301,360	34,638
Subtotal	479,198	(50,958)
Underwriters:		
-TAIEX	9	1,813
-OTC	2,429	878
Subtotal	2,438	2,691
Hedging:		
-TAIEX	133,847	(37,917)
-OTC	1,372	(9,851)
-Overseas trading	(1,059)	-
Subtotal	134,160	(47,768)
Total	$ 615,796	($ 96,035)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Dealers:		
-TAIEX	$ 501,232	$ 20,570
-OTC	224,103	(159,583)
-Overseas trading	496,820	(49,575)
Subtotal	1,222,155	(188,588)
Underwriters:		
-TAIEX	4,898	32,758
-OTC	3,511	14,625
Subtotal	8,409	47,383
Hedging:		
-TAIEX	228,582	(32,387)
-OTC	42,653	274
-Overseas trading	(2,927)	-
Subtotal	268,308	(32,113)
Total	$ 1,498,872	($ 173,318)

With respect to information shown above, amounts recognised for trading of securities generated from available-for-sale financial assets for the three months and six months ended June 30, 2017 and 2016 were $7,575, $40,952, $9,448 and $44,523, respectively.

32) Interest income

	Three months ended June 30, 2017	Three months ended June 30, 2016
Interest income from margin loans	$ 150,038	$ 143,799
Interest income from bonds	219,527	154,939
Others	548	591
Total	$ 370,113	$ 299,329

	Six months ended June 30, 2017	Six months ended June 30, 2016
Interest income from margin loans	$ 291,159	$ 294,160
Interest income from bonds	438,007	323,186
Others	1,262	1,042
Total	$ 730,428	$ 618,388

33) Gain (loss) on valuation of securities

	Three months ended June 30, 2017	Three months ended June 30, 2016
Gain (loss) on sale of securities - dealer	$ 256,166	($ 76,369)
Gain (loss) on sale of securities - underwriting	18,199	(4,748)
Gain on sale of securities - hedging	4,750	16,787
Total	$ 279,115	($ 64,330)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Gain on sale of securities - dealer	$ 111,421	$ 204,948
Gain (loss) on sale of securities - underwriting	41,812	(4,465)
Gain on sale of securities - hedging	2,180	53,265
Total	$ 155,413	$ 253,748

34) Loss on covering of borrowed securities and bonds with resale agreements - short sales

	Three months ended June 30, 2017	Three months ended June 30, 2016
Loss from the bond investments under resale agreements	($ 38,819)	($ 15,894)
Loss from securities borrowing transactions - warrants	-	(2,246)
Loss from covering - warrants	(12,535)	(7,852)
Gain (loss) from securities borrowing transactions - dealer	31,817	(4,260)
Total	($ 19,537)	($ 30,252)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Loss from the bond investments under resale agreements	($ 96,813)	($ 28,587)
(Loss) gain from securities borrowing transactions - warrants	(479)	4,230
Loss from covering - warrants	(23,719)	(9,176)
Gain from securities borrowing transactions - dealer	30,926	13,595
Total	($ 90,085)	($ 19,938)

35) Valuation loss on borrowed securities and bonds with resale agreements - short sales

	Three months ended June 30, 2017	Three months ended June 30, 2016
Valuation gain (loss) from the bond investments under resale agreements	$ 3,665	($ 14,933)
Valuation loss from securities borrowing transactions - dealer	(34,021)	(1,933)
Valuation gain from securities borrowing transactions - warrants	-	114
Valuation gain from covering - warrants	12,603	6,656
Total	($ 17,753)	($ 10,096)

	Six months ended June 30, 2017	Six months ended June 30, 2016
Valuation gain (loss) from the bond investments under resale agreements	$ 11,300	($ 34,939)
Valuation loss from securities borrowing transactions - dealer	(3,667)	(9,533)
Valuation gain (loss) from securities borrowing transactions - warrants	422	(5,154)
Valuation loss from covering - warrants	(8,297)	(7,910)
Total	($ 242)	($ 57,536)

36) Gain on warrants issuance

	Three months ended June 30, 2017	Three months ended June 30, 2016
Gain on changes in fair value of call (put) warrant liabilities and redemption	$ 52,835	$ 134,139
Loss on exercise of call (put) warrants before maturity	(5,958)	(3,289)
Expenses arising out of issuance of call (put) warrants	(16,415)	(16,492)
Total	$ 30,462	$ 114,358

	Six months ended June 30, 2017	Six months ended June 30, 2016
Gain on changes in fair value of call (put) warrant liabilities and redemption	$ 82,193	$ 283,504
Loss on exercise of call (put) warrants before maturity	(18,674)	(9,650)
Expenses arising out of issuance of call (put) warrants	(32,327)	(28,621)
Total	$ 31,192	$ 245,233

37) (Loss) gain on derivative financial instruments

	Three months ended June 30, 2017	Three months ended June 30, 2016
Futures contract loss	($ 32,158)	($ 3,699)
Option trading gain	22,303	71,721
Gain from asset swap options	-	563
(Loss) gain on foreign exchange derivatives	(90,997)	65,315
Others	(12,096)	(5,320)
Total	($ 112,948)	$ 128,580

	Six months ended June 30, 2017	Six months ended June 30, 2016
Futures contract gain (loss)	$ 3,000	($ 6,132)
Option trading gain	68,470	127,327
Gain from asset swap options	-	72
Gain on foreign exchange derivatives	36,927	32,481
Others	(23,138)	(9,136)
Total	$ 85,259	$ 144,612

38) Other operating (loss) income

	Three months ended June 30, 2017	Three months ended June 30, 2016
Income from securities lending	$ 18,463	$ 2,472
Net currency exchange (loss) gain	(359,914)	53,537
Handling fee revenues from funds	10,056	9,540
Others	33,698	34,899
Total	($ 297,697)	$ 100,448

	Six months ended June 30, 2017	Six months ended June 30, 2016
Income from securities lending	$ 35,270	$ 4,635
Net currency exchange (loss) gain	(217,715)	2,212
Handling fee revenues from funds	19,480	18,818
Others	68,614	67,860
Total	($ 94,351)	$ 93,525

39) Handling charges

	Three months ended June 30, 2017	Three months ended June 30, 2016
Brokerage handling fee expense	$ 55,999	$ 49,800
Dealer handling fee expense	35,486	26,804
Refinancing processing fee expense	231	218
Total	$ 91,716	$ 76,822

	Six months ended June 30, 2017	Six months ended June 30, 2016
Brokerage handling fee expense	$ 108,442	$ 103,703
Dealer handling fee expense	65,383	50,929
Refinancing processing fee expense	515	609
Total	$ 174,340	$ 155,241

40) Financial expenses

	Three months ended June 30, 2017	Three months ended June 30, 2016
Interest expense from repurchase agreements	$ 67,131	$ 22,896
Loans interest expense	24,419	14,613
Other interest expense	2,300	4,256
Total	$ 93,850	$ 41,765

	Six months ended June 30, 2017	Six months ended June 30, 2016
Interest expense from repurchase agreements	$ 136,095	$ 63,635
Loans interest expense	58,272	36,963
Other interest expense	5,137	6,940
Total	$ 199,504	$ 107,538

41) Employee benefits

	Three months ended June 30, 2017	Three months ended June 30, 2016
Salaries	$ 480,262	$ 364,679
Labor and health insurance	28,335	27,487
Pension	16,378	16,667
Other employee benefits	26,678	26,954
Total	$ 551,653	$ 435,787

	Six months ended June 30, 2017	Six months ended June 30, 2016
Salaries	$ 997,451	$ 772,428
Labor and health insurance	58,351	58,837
Pension	32,488	33,833
Other employee benefits	55,062	50,929
Total	$ 1,143,352	$ 916,027

A. In accordance to the Company's Article of Incorporation, the remainder of the year-end income before taxes less income before appropriating employees' compensation and directors' remuneration, if any, shall appropriate an employees' compensation no less than 1.6% and directors' remuneration no more than 2%. However, when the Company has an accumulated deficit, earnings to cover the deficit shall first be retained before appropriating employees' compensation and directors' remuneration.
B. For the three months and six months ended June 30, 2017 and 2016, employees' compensation was accrued at $7,371, $2,544, $24,870 and $6,965, respectively; directors' remuneration was accrued at $7,371, $2,544, $24,870 and $6,965, respectively. The aforementioned amounts were recognised in salary expenses.
C. For the six months ended June 30, 2017, 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 2016 as resolved by the Board of Directors was in agreement with the estimates in the 2016

financial statements.

E. Information on the appropriation of the Company's earnings as resolved by the Board of Directors would be posted in the "Market Observation Post System" on the Taiwan Stock Exchange official website.

42) Depreciation and amortization

	Three months ended June 30, 2017	Three months ended June 30, 2016
Depreciation	$ 19,020	$ 23,231
Amortization	8,349	7,871
Total	$ 27,369	$ 31,102

	Six months ended June 30, 2017	Six months ended June 30, 2016
Depreciation	$ 38,328	$ 46,856
Amortization	16,664	15,664
Total	$ 54,992	$ 62,520

43) Other operating expenses

	Three months ended June 30, 2017	Three months ended June 30, 2016
Rentals	$ 30,052	$ 32,077
Taxes	146,183	132,532
Computer information expenses	37,882	42,190
Postage	16,169	17,632
Bad debt expenses	54,787	(1,492)
Others	92,774	80,638
Total	$ 377,847	$ 303,577

	Six months ended June 30, 2017	Six months ended June 30, 2016
Rentals	$ 60,079	$ 64,607
Taxes	312,187	261,010
Computer information expenses	77,324	84,095
Postage	33,562	34,888
Bad debt expenses	56,858	22,149
Others	188,049	158,925
Total	$ 728,059	$ 625,674

For the three months and six months ended June 30, 2017 and 2016, as a result of the principal being unable to pay off outstanding margin loans within the agreed term, the Group, after evaluating the risk of future defaults, for all margin loans receivables has recognised bad debt expenses of $54,459, $0, $54,459 and $0, respectively.

44) Other gains and losses

	Three months ended June 30, 2017	Three months ended June 30, 2016
Financial income	$ 31,221	$ 36,869
(Loss) gain on disposal of investments	(13,126)	713
Gain on valuation of open-ended funds and money-market instruments	29,258	3,150
Net currency exchange gain	1,137	434
Other non-operating revenues	54,266	48,766
Total	$ 102,756	$ 89,932

	Six months ended June 30, 2017	Six months ended June 30, 2016
Financial income	$ 63,042	$ 72,823
(Loss) gain on disposal of investments	(13,632)	729
Gain on valuation of open-ended funds and money-market instruments	29,984	8,369
Net currency exchange loss	(10,934)	(2,384)
Other non-operating revenues	87,495	82,892
Total	$ 155,955	$ 162,429

45) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended June 30, 2017	Three months ended June 30, 2016
Current tax:		
Current tax on profits for the periods	$ 43,247	$ 17,692
Over provision of prior year's income tax	(11,203)	(3,556)
Total current tax	32,044	14,136
Deferred taxes:		
Temporary differences	(76,590)	(506)
Total deferred taxes	(76,590)	(506)
Income tax (benefit) expense	($ 44,546)	$ 13,630

	Six months ended June 30, 2017	Six months ended June 30, 2016
Current tax:		
Current tax on profits for the periods	$ 132,050	$ 32,866
Over provision of prior year's income tax	(11,203)	(3,556)
Total current tax	120,847	29,310
Deferred taxes:		
Temporary differences	(42,483)	13,154
Total deferred taxes	(42,483)	13,154
Income tax expense	$ 78,364	$ 42,464

B. As of June 30, 2017, the Company's income tax returns through 2013 have been assessed by the National Tax Authority. The income tax returns through 2015 of President Futures, President Capital Management, President Venture Capital, President Personal Insurance Agency and President Insurance Agency have also been assessed.

C. Unappropriated earnings

	June 30, 2017	December 31, 2016
1998 and onwards	$ 1,126,329	$ 798,507

	June 30, 2016
1998 and onwards	$ 318,186

D. Imputation tax system

a) As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account and the creditable tax rate are $591,114, $540,187 and $614,220, respectively.

b) The imputation tax credit rate based on the appropriation of 2015 earnings is 20.66% in 2016; the imputation tax credit rate is 20.63% for 2016.

46) Earnings per share

	Three months ended June 30, 2017		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 397,207	1,390,428	$ 0.28
Dilutive effect of common stock equivalents			
Employee bonus	-	422	
	$ 397,207	1,390,850	$ 0.28

	Three months ended June 30, 2016		
	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	$ 119,003	1,393,639	$ 0.09
Dilutive effect of common stock equivalents			
Employee bonus	-	265	
	$ 119,003	1,393,904	$ 0.09

	Six months ended June 30, 2017		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 1,118,990	1,390,428	$ 0.80
Dilutive effect of common stock equivalents			
Employee bonus	-	1,733	
	$ 1,118,990	1,392,161	$ 0.80

	Six months ended June 30, 2016		
	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	$ 309,184	1,393,639	$ 0.22
Dilutive effect of common stock equivalents			
Employee bonus	-	588	
	$ 309,184	1,394,227	$ 0.22

The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of unappropriated earnings for the year ended December 31, 2016.

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
President Chain Store Corp. (PCSC)	Other related party
President Pharmaceutical Corporation	Other related party
Ton Yi Industrial Corp.	Other related party
President Tokyo Co., LTD	Other related party

2) Significant related party transactions and balances

A. Accounts Receivable

	June 30, 2017	December 31, 2016
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	$ 326	$ 286
Associate:		
Uni-President Assets Management Corp.	11	-
Other related party:		
Others	1,103	726
	$ 1,440	$ 1,012

	June 30, 2016
Entity having significant influence on the company:	
Uni-President Enterprises Corp.	$ 290
Associate:	
Uni-President Assets Management Corp.	10
Other related party:	
Others	805
	$ 1,105

B. Other receivables

	June 30, 2017	December 31, 2016
Associate:		
Uni-President Assets Management Corp.	$ 66,624	$ -
Other related party:		
Others	18	9
	$ 66,642	$ 9

	June 30, 2016
Other related party:	
Others	$ 9
	$ 9

C. Guarantee deposit received

	June 30, 2017	December 31, 2016
Associate:		
Uni-President Assets Management Corp.	$ 531	$ 531
Other related party:		
President Tokyo Co., Ltd.	1,393	1,393
	$ 1,924	$ 1,924

	June 30, 2016
Associate:	
Uni-President Assets Management Corp.	$ 531
Other related party:	
Others	1,393
	$ 1,924

D. Income of wealth management - trust income from sales of funds

	Three months ended June 30, 2017	Three months ended June 30, 2016
Associates:		
Uni-President Assets Management Corp.	$ 763	$ 637

	Six months ended June 30, 2017	Six months ended June 30, 2016
Associates:		
Uni-President Assets Management Corp.	$ 1,749	$ 1,335

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

E. Other operating revenue - handling charge revenue

	Three months ended June 30, 2017	Three months ended June 30, 2016
Associates:		
Uni-President Assets Management Corp.	$ 9,816	$ 9,211

	Six months ended June 30, 2017	Six months ended June 30, 2016
Associates:		
Uni-President Assets Management Corp.	$ 19,008	$ 18,223

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

F. Rent income

	Period	Deposit	Three months ended June 30,	Three months ended June 30,
Associates:				
Uni-President Assets Management Corp.	2016.05.01~2019.04.30	$ 531	$ 1,780	$ 1,769
Other related party:				
President Tokyo Co., Ltd.	2015.04.01~2019.03.31	1,393	2,418	2,293
Others		-	99	90
			$ 4,297	$ 4,152

	Period	Deposit	Six months ended June 30, 2017	Six months ended June 30, 2016
Associates:				
Uni-President Assets Management Corp.	2016.05.01~2019.04.30	$ 531	$ 3,560	$ 3,519
Other related party:				
President Tokyo Co., Ltd.	2015.04.01~2019.03.31	1,393	4,711	4,531
Others		-	198	180
			$ 8,469	$ 8,230

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.

G. Stock custodian income

	Three months ended June 30, 2017	Three months ended June 30, 2016
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	$ 930	$ 892
Associate:		
Uni-President Assets Management Corp.	31	31
Other related party:		
Ton Yi Industrial Corp.	309	312
President Chain Store Corp. (PCSC)	395	399
Others	831	813
	$ 2,496	$ 2,447

	Six months ended June 30, 2017	Six months ended June 30, 2016
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	$ 1,788	$ 1,786
Associate:		
Uni-President Assets Management Corp.	69	68
Other related party:		
Ton Yi Industrial Corp.	617	621
President Chain Store Corp. (PCSC)	784	809
Others	1,497	1,436
	$ 4,755	$ 4,720

H. Other operating expenses - equipment rental and copy expense

	Three months ended June 30, 2017	Three months ended June 30, 2016
Other related party:		
President Tokyo Co., Ltd.	$ 1,664	$ 1,593
Others	345	345
	$ 2,009	$ 1,938

	Six months ended June 30, 2017	Six months ended June 30, 2016
Other related party:		
President Tokyo Co., Ltd.	$ 3,348	$ 3,278
Others	691	691
	$ 4,039	$ 3,969

I. Purchases of trading securities – dealer

	June 30, 2017		Three months ended June 30, 2017	Six months ended June 30, 2017
	Ending Shares	Ending Balance	Gain (loss)	
Entity having significant influence on the company:				
Uni-President Enterprises Corp.	-	$ -	$ 427	$ 427
Other related parties:				
President Chain Store Corp.	4	1,094	191	222
		$ 1,094	$ 618	$ 649

	June 30, 2016		Three months ended June 30, 2016	Six months ended June 30, 2016
	Ending Shares	Ending Balance	Gain (loss)	
Entity having significant influence on the company:				
Uni-President Enterprises Corp.	889	$ 56,452	($ 2)	($ 781)
Other related parties:				
Ton Yi Industrial Corp.	-	-	(85)	(142)
President Chain Store Corp.	56	14,056	11	31
		$ 70,508	($ 76)	($ 892)

J. 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, 2017	Three months ended June 30, 2016
Salary and short-term employee benefits	$ 20,923	$ 25,396
Retirement benefits	439	494
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$ 21,362	$ 25,890

	Six months ended June 30, 2017	Six months ended June 30, 2016
Salary and short-term employee benefits	$ 46,746	$ 51,406
Retirement benefits	881	987
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$ 47,627	$ 52,393

8. PLEDGED ASSETS

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

Assets	June 30, 2017	December 31, 2016	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	$ 300,000	$ 1,600,000	Securities for bonds sold under repurchase agreements
- Government bonds	2,020,800	3,105,400	Securities for bonds sold under repurchase agreements
- Overseas bonds	16,723,988	1,500,383	Securities for bonds sold under repurchase agreements
- International bonds	1,127,879	2,972,075	Securities for bonds sold under repurchase agreements
- Bank debentures	-	1,100,000	Securities for bonds sold under repurchase agreements
Available-for-sale financial assets - current			
- Overseas bonds (par value)	1,095,120	677,250	Securities for bonds sold under repurchase agreements
Restricted assets:			
- Demand deposits	877	51,537	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	818,918	1,256,835	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)	1,264,732	1,298,303	Securities for short-term loans and guarantees for issuance of commercial papers
Investment property			
- Land and buildings (book value)	-	37,209	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	692,000	692,000	Security deposits
- Refundable deposits	400	400	Security deposits

Assets	June 30, 2016	Purposes
Financial assets at fair value through profit or loss - current:		
Trading securities (par value)		
- Corporate bonds	$ 900,000	Securities for bonds sold under repurchase agreements
- Government bonds	2,488,900	Securities for bonds sold under repurchase agreements
- Overseas bonds	12,568,321	Securities for bonds sold under repurchase agreements
- International bonds	1,581,475	Securities for bonds sold under repurchase agreements
- Bank debentures	1,100,000	Securities for bonds sold under repurchase agreements
Available-for-sale financial assets - current		
- Overseas bonds (par value)	96,825	Securities for bonds sold under repurchase agreements
Restricted assets:		
- Demand deposits	871	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	1,377,663	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)	1,303,644	Securities for short-term loans and guarantees for issuance of commercial papers
Investment property		
- Land and buildings (book value)	37,330	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits		
- Operating guarantee deposits	722,000	Security deposits
- Refundable deposits	800	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 in and off the balance sheet, such as market risk, credit risk, liquidity risk, operating risk, legal risk, model risk which are all included in the risk management.

C. Risk management organization

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

(A) The Board of Directors should ensure the effectiveness of risk management and be responsible for the ultimate result and the following duties:
   a. To establish proper risk management system, operating process, and risk management culture in the 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

(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.

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. 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. 55% 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) Available-for-sale financial assets-current

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

(D) Derivatives- futures trade margin

When engaging in futures trades in stock exchange market, the 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 interest rate swap and swap transaction. The counterparties are all from financial service industry and mainly located in Taiwan.

(F) Bonds investment under a resale agreement

Bonds sold under a resale agreement are the bonds that the client sold to the 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) 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.

(I) 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.

(J) Receivables

Receivables are the credit rights arising from the securities business including settlement receivables of consignment trading, settlement receivables of operating securities sold, financing interest receivables of self-operating credit transaction, receivables of consignment trading for securities, and receivables from banks' underwriting on foreign exchange transactions and foreign fund demand. As the majority of the 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.

(K) Other current assets

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

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

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

(M) Other non-current assets

Other non-current assets mainly comprise operating guarantee deposits, settlement funds, and refundable deposits. Operating guarantee deposits are mainly deposited in domestic banks with good credit rating. Settlement funds are deposited in securities exchange. Settlement funds are used as compensation when a party to a marketable securities transaction fails to fulfil the settlement obligation. The credit risks from the institutions where these two assets are deposited are extremely low. The refundable deposits refer to cash or other assets which are deposited externally by the 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. Credit quality rating

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

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

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

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

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

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

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

The Group has classified financial assets into three categories based on the credit quality including normal asset, assets overdue but not impaired and impaired assets:

The table of the credit quality of financial assets

As of June 30, 2017

Financial assets	Normal assets Low risk	Medium risk	High risk	Impaired	Provisions	Total	Recognised losses	Net
Cash and cash equivalents	$ 6,152,067	$ 270	$ -	$ -	$ -	$ 6,152,337	$ -	$ 6,152,337
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	50,225	-	-	-	-	50,225	-	50,225
Debt security investments	24,350,421	835,066	69,527	-	-	25,255,014	-	25,255,014
Buy Option-TAIFEX	13,278	-	-	-	-	13,278	-	13,278
Derivative instruments-Futures Margin	2,091,832	-	-	-	-	2,091,832	-	2,091,832
Derivative instruments-OTC	5,726	-	-	-	-	5,726	-	5,726
Available-for-sale financial assets-current		-	-					
Debt security investments	1,076,772	-	-	-	-	1,076,772	-	1,076,772
Bonds purchased under resale agreements	1,170,945	-	-	-	-	1,170,945	-	1,170,945
Margin loans receivable	9,741,533	-	-	-	50,420	9,791,953	79,070	9,712,883
Refinancing security deposits	9,908	-	-	-	-	9,908	-	9,908
Receivables from refinance guaranty	10,412	-	-	-	-	10,412	-	10,412
Customer margin account	11,114,166	-	-	-	-	11,114,166	-	11,114,166
Receivables from security lending	54,981	-	-	-	-	54,981	-	54,981
Security lending deposits	401,790	-	-	-	-	401,790	-	401,790
Notes receivable	730	-	-	-	-	730	-	730
Accounts receivable	14,645,433	-	-	-	2,834	14,648,267	2,834	14,645,433
Other receivables	109,238	-	-	-	-	109,238	-	109,238
Other current assets	1,808,910	-	-	-	-	1,808,910	-	1,808,910
Financial assets at fair value through profit or loss-non current	50,509	-	-	-	-	50,509	-	50,509
Other assets-non current	1,140,789	-	-	-	155,443	1,296,232	155,443	1,140,789
Total	$ 73,999,665	$ 835,336	$ 69,527	$ -	$ 208,697	$ 75,113,225	$ 237,347	$ 74,875,878

The table of the credit quality of financial assets

As of December 31, 2016

Financial assets	Normal assets: Low risk	Normal assets: Medium risk	Normal assets: High risk	Impaired	Provisions	Total	Recognised losses	Net
Cash and cash equivalents	$ 6,909,209	$ 260	$ -	$ -	$ -	$ 6,909,469	$ -	$ 6,909,469
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	84,158	-	-	-	-	84,158	-	84,158
Debt security investments	30,957,471	781,488	-	-	-	31,738,959	-	31,738,959
Buy Option-TAIFEX	3,272	-	-	-	-	3,272	-	3,272
Derivative instruments-Futures Margin	1,833,511	-	-	-	-	1,833,511	-	1,833,511
Derivative instruments-OTC	64,425	-	-	-	-	64,425	-	64,425
Available-for-sale financial assets-current		-	-					
Debt security investments	821,042	-	-	-	-	821,042	-	821,042
Bonds purchased under resale agreements	2,093,498	-	-	-	-	2,093,498	-	2,093,498
Margin loans receivable	8,718,415	-	-	-	-	8,718,415	26,251	8,692,164
Refinancing security deposits	18,694	-	-	-	-	18,694	-	18,694
Receivables from refinance guaranty	33,381	-	-	-	-	33,381	-	33,381
Customer margin account	12,100,445	-	-	-	-	12,100,445	-	12,100,445
Receivables from security lending	157,775	-	-	-	-	157,775	-	157,775
Security lending deposits	261,136	-	-	-	-	261,136	-	261,136
Notes receivable	1,080	-	-	-	-	1,080	-	1,080
Accounts receivable	6,104,874	-	-	-	-	6,104,874	-	6,104,874
Other receivables	64,190	-	-	-	-	64,190	-	64,190
Other current assets	1,939,900	-	-	-	-	1,939,900	-	1,939,900
Financial assets at fair value through profit or loss-non current	50,621	-	-	-	-	50,621	-	50,621
Other assets-non current	1,157,344	-	-	-	157,702	1,315,046	157,702	1,157,344
Total	$ 73,374,441	$ 781,748	$ -	$ -	$ 157,702	$ 74,313,891	$ 183,953	$ 74,129,938

The table of the credit quality of financial assets

As of June 30, 2016

Financial assets	Normal assets: Low risk	Normal assets: Medium risk	Normal assets: High risk	Impaired	Provisions	Total	Recognised losses	Net
Cash and cash equivalents	$ 5,138,193	$ 432	$ -	$ -	$ -	$ 5,138,625	$ -	$ 5,138,625
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	111,476	-	-	-	-	111,476	-	111,476
Debt security investments	23,627,329	853,925	79,331	-	-	24,560,585	-	24,560,585
Buy Option-TAIFEX	36,453	-	-	-	-	36,453	-	36,453
Derivative instruments-Futures Margin	1,950,171	-	-	-	-	1,950,171	-	1,950,171
Derivative instruments-OTC	187,804	-	-	-	-	187,804	-	187,804
Available-for-sale financial assets-current								
Debt security investments	103,482	-	-	-	-	103,482	-	103,482
Bonds purchased under resale agreements	735,986	-	-	-	-	735,986	-	735,986
Margin loans receivable	8,825,991	-	-	-	-	8,825,991	26,575	8,799,416
Refinancing security deposits	11,345	-	-	-	-	11,345	-	11,345
Receivables from refinance guaranty	14,076	-	-	-	-	14,076	-	14,076
Customer margin account	11,457,613	-	-	-	-	11,457,613	-	11,457,613
Receivables from security lending	91,955	-	-	-	-	91,955	-	91,955
Security lending deposits	93,337	-	-	-	-	93,337	-	93,337
Notes receivable	1,270	-	-	-	-	1,270	-	1,270
Accounts receivable	13,345,357	-	-	-	-	13,345,357	-	13,345,357
Other receivables	46,225	-	-	-	-	46,225	-	46,225
Other current assets	2,332,715	-	-	-	-	2,332,715	-	2,332,715
Financial assets at fair value through profit or loss-non current	50,956	-	-	-	-	50,956	-	50,956
Other assets-non current	1,146,567	-	-	-	160,857	1,307,424	160,857	1,146,567
Total	$ 69,308,301	$ 854,357	$ 79,331	$ -	$ 160,857	$ 70,402,846	$ 187,432	$ 70,215,414

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.

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

(Blank below)

	June 30, 2017					
	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 150,000	$ 1,729,372	$ -	$ -	$ -	$ 1,879,372
Commercial papers payable	-	7,100,000	-	-	-	7,100,000
Financial liabilities at fair value through profit or loss-current						
Non-derivative financial liabilities	950,106	-	-	-	-	950,106
Derivative financial liabilities	558,219	429	-	-	-	558,648
Bonds sold under repurchase agreements	-	19,884,095	-	-	-	19,884,095
Deposits on short sales	875,279	-	-	-	-	875,279
Deposits payable for securities financing	1,037,322	-	-	-	-	1,037,322
Securities lending refundable deposits	-	158,988	-	-	-	158,988
Futures traders' equity	11,105,162	-	-	-	-	11,105,162
Accounts payable	14,494,000	39,780	-	-	-	14,533,780
Collections on behalf of third parties	242,218	7,845	-	87,904	-	337,967
Other payables	-	198,552	712,334	-	-	910,886
Other financial liabilities -current	-	1,418,115	507,325	356,129	-	2,281,569
	$ 29,412,306	$ 30,537,176	$ 1,219,659	$ 444,033	$ -	$ 61,613,174

	December 31, 2016					
	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 1,160,000	$ 6,020,550	$ -	$ -	$ -	$ 7,180,550
Commercial papers payable	-	6,300,000	-	-	-	6,300,000
Financial liabilities at fair value through profit or loss-current						
Non-derivative financial liabilities	2,122,091	-	-	-	-	2,122,091
Derivative financial liabilities	294,528	1,347	1,144	-	-	297,019
Bonds sold under repurchase agreements	-	23,117,190	-	-	-	23,117,190
Deposits on short sales	1,286,589	-	-	-	-	1,286,589
Deposits payable for securities financing	1,516,795	-	-	-	-	1,516,795
Securities lending refundable deposits	-	2,819	56,377	-	-	59,196
Futures traders' equity	12,090,637	-	-	-	-	12,090,637
Accounts payable	6,263,062	42,183	-	-	-	6,305,245
Collections on behalf of third parties	319,044	5,601	-	88,846	-	413,491
Other payables	334	204,125	538,046	-	-	742,505
Other financial liabilities -current	-	1,392,297	-	-	-	1,392,297
	$ 25,053,080	$ 37,086,112	$ 595,567	$ 88,846	$ -	$ 62,823,605

	June 30, 2016					
	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 1,393,236	$ 2,535,525	$ -	$ -	$ -	$ 3,928,761
Commercial papers payable	-	6,300,000	-	-	-	6,300,000
Financial liabilities at fair value through profit or loss-current						
Non-derivative financial liabilities	877,285	-	-	-	-	877,285
Derivative financial liabilities	513,927	1,170	4,481	2,246	-	521,824
Bonds sold under repurchase agreements	-	17,749,692	-	-	-	17,749,692
Deposits on short sales	742,444	-	-	-	-	742,444
Deposits payable for securities financing	860,900	-	-	-	-	860,900
Securities lending refundable deposits	-	96,100	16,719	-	-	112,819
Futures traders' equity	11,431,742	-	-	-	-	11,431,742
Accounts payable	12,430,960	42,239	-	-	-	12,473,199
Collections on behalf of third parties	282,876	6,448	-	90,950	-	380,274
Other payables	170	455,814	449,150	-	-	905,134
Other financial liabilities -current	-	2,199,224	-	-	-	2,199,224
	$ 28,533,540	$ 29,386,212	$ 470,350	$ 93,196	$ -	$ 58,483,298

D. Maturity analysis for lease contracts and capital expenditures

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:

June 30, 2017	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	$ 106,314	$ 21,173
Later than one year but not later than five years	177,423	14,930
Over five years	4,200	-
Total	$ 287,937	$ 36,103

December 31, 2016	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	$ 111,323	$ 11,396
Later than one year but not later than five years	206,673	12,195
Over five years	5,569	-
Total	$ 323,565	$ 23,591

June 30, 2016	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	$ 101,535	$ 14,385
Later than one year but not later than five years	174,867	15,426
Over five years	7,174	-
Total	$ 283,576	$ 29,811

4) Market risk

A. Definition of market risk

Market risk refers refer 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, 2017	Amount	Six months ended June 30, 2016	Amount
June 30, 2017	$ 45,059	June 30, 2016	$ 74,121
VaR Maximum	131,308	VaR Maximum	129,399
VaR Average	80,318	VaR Average	83,999
VaR Minimum	39,915	VaR Minimum	37,793

Statistical table for VaR of various risk indicators of transactions

Six months ended June 30, 2017	Foreign exchange	Interest	Share ownership
June 30, 2017	$ 8,792	$ 25,712	$ 35,874
VaR Maximum	47,229	64,343	127,788
VaR Average	20,028	35,872	67,748
VaR Minimum	4,643	13,656	28,158

Six months ended June 30, 2016	Foreign exchange	Interest	Share ownership
June 30, 2016	$ 12,359	$ 68,406	$ 84,382
VaR Maximum	58,276	75,637	128,256
VaR Average	20,438	36,140	75,646
VaR Minimum	8,504	22,130	24,266

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, 2017, December 31, 2016 and June 30, 2016：

	June 30, 2017						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 1,731,081	$ 37,125	$ 2,723	$ 218,247	$ 994,877	$ 54,676	$ 3,038,729
Financial assets at fair value through profit or loss	12,649,436	5,069,629	561,167	3,857,106	337,233	18,373	22,492,944
Available-for-sale financial assets - current	1,076,772	-	-	-	-	-	1,076,772
Bonds purchased under resale agreements	698,194	472,751	-	-	-	-	1,170,945
Available-for-sale financial assets - non current	76,196	-	-	-	-	-	76,196
Others	9,974,258	2,053,629	164,122	71,746	1,655,225	183,093	14,102,073
Financial liabilities in foreign currencies							
Short-term loans	1,444,891	-	-	-	284,481	-	1,729,372
Financial liabilities at fair value through profit or loss	440,818	460,365	553	79,011	-	518	981,265
Bonds sold under repurchase agreements	12,410,001	4,142,882	445,118	518,845	-	-	17,516,846
Others	10,503,183	2,207,923	235,001	710,266	891,906	159,088	14,707,367

Note: As of June 30, 2017, foreign exchange rates of the above currencies to TWD were 1 USD =30.42 TWD; 1 EUR=34.72 TWD; 1 AUD=23.345 TWD; 1 RMB=4.486TWD; and 1 HKD=3.897 TWD, respectively.

	December 31, 2016						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 1,378,962	$ 26,326	$ 2,513	$ 752,266	$ 1,920,542	$ 829	$ 4,081,438
Financial assets at fair value through profit or loss	18,140,043	2,904,133	146,011	4,331,706	460,894	115	25,982,902
Available-for-sale financial assets - current	821,042	-	-	-	-	-	821,042
Bonds purchased under resale agreements	2,023,201	70,297	-	-	-	-	2,093,498
Available-for-sale financial assets - non current	74,401	-	-	-	-	-	74,401
Others	5,482,147	43,442	703	128,949	1,355,878	72,427	7,083,546
Financial liabilities in foreign currencies							
Short-term loans	3,481,050	-	-	-	1,039,498	-	4,520,548
Financial liabilities at fair value through profit or loss	1,882,531	69,609	-	21,083	8,090	-	1,981,313
Bonds sold under repurchase agreements	14,218,532	2,372,405	139,207	520,792	-	-	17,250,936
Others	6,066,295	59,566	439	723,216	683,996	68,926	7,602,438

Note: As of December 31, 2016, foreign exchange rates of the above currencies to TWD were 1 USD =32.25 TWD; 1 EUR=33.9 TWD; 1 AUD=23.285 TWD; 1 RMB=4.617TWD; and 1 HKD=4.158 TWD, respectively.

	June 30, 2016													
	USD		EUR		AUD		RMB		HKD		Others		Total	
Financial assets in foreign currencies														
Cash and cash equivalents	$	1,040,509	$	2,512	$	2,481	$	517,542	$	773,061	$	134,433	$	2,470,538
Financial assets at fair value through profit or loss		12,771,752		2,694,199		150,167		4,365,295		479,351		3,533		20,464,297
Available-for-sale financial assets - current		103,482		-		-		-		-		-		103,482
Bonds purchased under resale agreements		735,986		-		-		-		-		-		735,986
Available-for-sale financial assets - non current		62,871		-		-		-		-		-		62,871
Others		10,873,231		675,798		41,797		166,490		2,432,016		242,156		14,431,488
Financial liabilities in foreign currencies														
Short-term loans		833,978		77,522		-		-		582,260		-		1,493,760
Financial liabilities at fair value through profit or loss		765,360		-		-		2,237		-		-		767,597
Bonds sold under repurchase agreements		10,886,023		2,136,813		142,051		-		-		-		13,164,887
Others		11,249,989		634,539		41,331		430,078		768,686		159,001		13,283,624

Note: As of June 30, 2016, foreign exchange rates of the above currencies to TWD were 1 USD =32.275 TWD; 1 EUR=35.890TWD; 1 AUD=23.975TWD; 1 RMB=4.845TWD; and 1 HKD=4.159 TWD, respectively.

D. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2017 and 2016, amounted to ($358,777), $53,971, ($228,649) and ($172), respectively.

5) Information on the fair values and hierarchy of the financial instruments

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.

	June 30, 2017			
Asset items	Total	Quoted prices of the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
Non-financial assets				
Investment property	$660,327	$ -	$ 660,327	$ -

	December 31, 2016			
Asset items	Total	Quoted prices of the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
Non-financial assets				
Investment property	$674,884	$ -	$ 674,884	$ -

	June 30, 2016			
Asset items	Total	Quoted prices of the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
Non-financial assets				
Investment property	$612,481	$ -	$ 612,481	$ -

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 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, 2017 and 2016, there was no significant transfer of financial instruments between Level 1 and Level 2.

c. Level 3

There is no financial instrument in level 3.

(B) Hierarchy of fair value estimation of financial instruments

Financial instrument items measured at fair value	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 4,920,022	$ 4,794,842	$ 125,180	$ -
Bond investments	25,255,014	1,160,583	24,094,431	-
Others	2,539,952	2,539,952	-	-
Available-for-sale financial assets-current				
Bond investments	1,076,772	1,076,772	-	-
Financial assets at fair value through profit or loss - noncurrent	50,509	-	50,509	-
Available-for-sale financial assets-noncurrent				
Stock investments	76,196	76,196	-	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	950,106	950,106	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	2,110,836	2,105,110	5,726	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	558,648	437,416	121,232	-

Financial instrument items measured at fair value	December 31, 2016			
	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	$ 6,865,969	$ 6,704,176	$ 161,793	$ -
Bond investments	31,738,959	1,676,426	30,062,533	-
Others	1,015,005	1,015,005	-	-
Available-for-sale financial assets-current				
Stock investments	511,734	511,734	-	-
Bond investments	821,042	821,042	-	-
Financial assets at fair value through profit or loss - noncurrent	50,621	-	50,621	-
Available-for-sale financial assets-noncurrent				
Stock investments	74,401	74,401	-	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	2,122,091	2,122,091	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	1,901,208	1,836,783	64,425	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	297,015	241,882	55,133	-

Financial instrument items measured at fair value	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 5,572,345	$ 5,366,552	$ 205,793	$ -
Bond investments	24,560,585	1,159,099	23,401,486	-
Others	1,146,209	1,146,209	-	-
Available-for-sale financial assets-current				
Stock investments	811,955	811,955	-	-
Bond investments	103,482	103,482	-	-
Financial assets at fair value through profit or loss - noncurrent	50,956	-	50,956	-
Available-for-sale financial assets-noncurrent				
Stock investments	62,871	62,871	-	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	877,285	877,285	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	2,174,428	1,986,624	187,804	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	521,773	462,540	59,233	-

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". According to Jin-Guan-Zeng-Chuan Letter No. 1010016685, from July 2012, advanced calculation method applied to capital adequacy ratio for securities firms is applicable to non-financial-holdings securities firms who file the report about information on capital adequacy ratio for June 2012. As of June 30,2017, December 31, 2016 and June 30, 2016, the capital adequacy ratios were 462%, 442% and 436%, 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, 2017	June 30, 2016
Bank savings	$ 191,951	$ 173,384
Structured notes	446,544	200,425
Stock	511,823	467,359
Fund	2,509,943	2,742,916
Securities lending	385,815	674,732
Accounts receivable	35,328	19,476
Total of trust assets	$ 4,081,404	$ 4,278,292

Trust liabilities	June 30, 2017	June 30, 2016
Accounts payable	$ 4,106	$ 6,289
Trust capital	4,029,978	4,343,192
Retained earnings	47,320	(71,189)
Total of trust liabilities	$ 4,081,404	$ 4,278,292

B. Income statement of trust accounts

Items	Six months ended June 30, 2017	Six months ended June 30, 2016
Trust income		
Interest income	$ 16	$ 46
Cash dividends received	2,581	3,268
Income from stocks lending	5,633	13,698
Investment gains (losses)- realized	8,945	(3,094)
Investment gains (losses)- unrealized	21,108	(107,288)
Subtotal	38,283	(93,370)
Trust expenses		
Management fee	1	(21)
Service fee	(1)	(1)
Borrowing costs	(1,188)	(2,559)
Income (loss) before income tax	37,095	(95,951)
Income tax expense	-	(5)
Net income (loss)	$ 37,095	($ 95,956)

C. Property list of trust accounts

Items	June 30, 2017	June 30, 2016
Bank savings	$ 191,951	$ 173,384
Structured notes	446,544	200,425
Funds	2,509,943	2,742,916
Stock	511,823	467,359
Securities lending	385,815	674,732
Others	35,328	19,476
Total	$ 4,081,404	$ 4,278,292

(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, 2017		June 30, 2016		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders’ equity / (Total liability－futures trader’s equity)	3,182,517 / 221,386	14.38	3,112,199 / 234,899	13.25	≧1	Met the requirement
17	Current assets / Current liabilities	3,384,964 / 46,464	72.85	3,327,320 / 42,094	79.04	≧1	Met the requirement
22	Stockholders’ equity / Minimum paid-in capital	3,182,517 / 400,000	795.63%	3,112,199 / 400,000	778.05%	≧60% ≧40%	Met the requirement
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	3,034,434 / 221,164	1372.03%	2,876,469 / 188,235	1528.13%	≧20% ≧15%	Met the requirement

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

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

Article	Calculation formula	June 30, 2017		June 30, 2016		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity / (Total liability－futures trader's equity)	1,384,424 / 289,670	4.78	1,379,159 / 303,192	4.55	≧1	Met the requirement
17	Current assets / Current liabilities	13,662,213 / 12,805,528	1.07	13,919,978 / 13,037,160	1.07	≧1	Met the requirement
22	Stockholders' equity / Minimum paid-in capital	1,384,424 / 645,000	214.64%	1,379,159 / 645,000	213.82%	≧60% ≧40%	Met the requirement
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	1,053,310 / 1,757,730	59.92%	960,118 / 2,311,372	41.54%	≧20% ≧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.

11) Presentation of the financial report

In line with the amendment to the “foreign exchange gains (losses)” disclosure as required by Tai-Zheng-Fu-Zi Letter No.1060500122, issued by the Taiwan Stock Exchange (TWSE) on January 10, 2017, for the three months and six months ended June 30, 2016, the effect of the above regulation on the accounts and amounts is as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2016
Statement of Comprehensive Income	After Reclassification	Before Reclassification
Others operating income		
Net currency exchange loss	$ 53,537	$ -
Others gains and losses	434	53,971

	Six months ended June 30, 2016	Six months ended June 30, 2016
Statement of Comprehensive Income	After Reclassification	Before Reclassification
Others operating income		
Net currency exchange loss	$ 2,212	$ -
Others gains and losses	(2,384)	(172)

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	Condi-tions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	President Securities Corp.	President Futures Corp.	1	Futures Margin - Own Funds	$ 1,457,832	Note 4	1.70%
0	President Securities Corp.	President Futures Corp.	1	Deposit-out	39,000	Note 4	0.05%
0	President Securities Corp.	President Futures Corp.	1	Accounts receivable	4,596	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Settlement accounts receivable	11,054	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Other receivables	130,628	Note 4	0.15%
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 payables	2,056	Note 4	0.00%
0	President Securities Corp.	President Futures Corp.	1	Future commission revenue	23,047	Note 4	0.68%
0	President Securities Corp.	President Futures Corp.	1	Clearing charges	8,362	Note 4	0.25%
0	President Securities Corp.	President Futures Corp.	1	Other non-operating revenues	6,954	Note 4	0.20%
0	President Securities Corp.	President Capital Management Corp.	1	Expense from investment advisory	18,000	Note 4	0.53%
0	President Securities Corp.	President Capital Management Corp.	1	Other non-operating revenues	1,734	Note 4	0.05%

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, 2017	Original investment: Balance on January 1,2017	Ending Balance: Shares	Ending Balance: Percentage	Ending Balance: Book vlaue	Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
President Securities Corp.	President Futures Corp.	Taipei	1994.03.01	1994.03.01 Jing-Tou-Shen (83) Gong-Shang Letter No.1114 (Note 1)	Futures brokerage	$ 644,650	$ 644,650	63,817,303	96.69%	$ 1,338,642	$ 318,482	$ 50,361	$ 48,696	$ 127,634	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	150,000	150,000	12,400,000	100.00%	146,265	20,306	151	151	49	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%	68,327	110,112	36,919	1,916	-	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%	2,172,665	-	54,250	54,250	-	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	624,940	14,904,630	42.46%	449,918	300,116	82,383	33,546	66,624	Associates
	President Insurance Agency Corp.	Taipei	2008.04.29	(Note2)	Insurance Agent	10,000	10,000	1,000,000	100.00%	27,177	39,935	10,924	10,924	42,608	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%	275,954	(20,650)	(28,204)	(28,204)	9,218	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, 2017	Original investment: Balance on January 1,2017	Ending Balance: Shares	Ending Balance: Percentage	Ending Balance: Book vlaue	Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
President 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%	333	300,116	82,383	25	54	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%	1,248,199	110,112	36,919	35,003	-	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%	57,786	-	95	95	-	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%	2,085	-	(2)	(2)	-	Indirect subsidiary of the Company

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

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

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

C. Endorsements and guarantees for others：None.

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

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

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

G. Receivables from related parties exceeding $100,000 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, 2017 of President Securities (BVI) Ltd：

Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value Unit price	Carrying value Amount	Fair value Unit price	Fair value Amount
Financial assets at fair value through profit or loss - current						
Open-end mutual funds beneficiary certificates and money market instruments						
FL.R ARES VIR	STRUCTURED NOTE	5,000,000	$ 0.995	$ 4,975,000	$ 0.811	$ 4,056,207
Less：impairment				(918,793)		-
Total				$ 4,056,207		$ 4,056,207
Investments in associates						
President Securities (HK) Ltd.	STOCK	182,600,000	$ 0.225	$ 41,032,179	$ 0.225	$ 41,032,179
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.081	1,899,618	0.081	1,899,618
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.069	68,539	0.069	68,539
Total				$ 43,000,336		$ 43,000,336

b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd.：
As of June 30, 2017, the carrying value of USD4,056,207 of asset securitization for derivatives was undertaken with the Company's own capital of USD4,975,000.

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, 2017 AND 2016

Expressed in U.S. dollars

Assets	June 30, 2017 Amount	%	June 30, 2016 Amount	%	Liabilities and shareholders' equity	June 30, 2017 Amount	%	June 30, 2016 Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	$ 24,694,181	34	$ 22,017,205	31	Other payables	$ 402,474	1	$ -	-
Financial assets at fair value					Total liabilities	402,474	1	-	-
through profit or loss - current	4,056,207	6	5,790,058	8	Shareholders' equity				
Other receivables	74,024	-	56,067	-	Share capital	67,746,000	94	67,746,000	97
Total current assets	28,824,412	40	27,863,330	40	Capital reserve	757,813	1	757,813	1
Investment in associates	43,000,336	60	42,366,263	60	Retained earnings				
					Retained earnings	2,459,544	3	1,015,913	1
					Other equity				
					Translation gain or loss on the financial statements of foreign	458,917	1	709,867	1
					Total shareholders' equity	71,422,274	99	70,229,593	100
Total assets	$ 71,824,748	100	$ 70,229,593	100	Total liabilities and shareholders' equity	$ 71,824,748	100	$ 70,229,593	100

PRESIDENT WEALTH MANAGEMENT (HK) LTD.
BALANCE SHEETS
JUNE 30, 2017 AND 2016

Expressed in HK dollars

	June 30, 2017		June 30, 2016			June 30, 2017		June 30, 2016	
Assets	Amount	%	Amount	%	Liabilities and shareholders' equity	Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	$ 14,811,156	100	$ 14,752,455	100	Other payables	$ -	-	$ -	-
Other receivables	10,275	-	18,974	-	Total liabilities	-	-	-	-
Prepayments	6,996	-	6,996	-					
Total current assets	14,828,427	100	14,778,425	100	Shareholders' equity				
					Share capital	23,400,000	158	23,400,000	158
					Retained earnings (accumulated deficit)	(8,571,573)	(58)	(8,621,575)	(58)
					Total shareholders' equity	14,828,427	100	14,778,425	100
Total assets	$ 14,828,427	100	$ 14,778,425	100	Total liabilities and shareholders' equity	$ 14,828,427	100	$ 14,778,425	100

PRESIDENT SECURITIES (NOMINEE) LTD.

BALANCE SHEETS

JUNE 30, 2017 AND 2016

Expressed in HK dollars

	June 30, 2017		June 30, 2016	
Assets	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	$ 534,731	100	$ 549,383	100
Other receivables	289	-	499	-
Total current assets	535,020	100	549,882	100
Total assets	$ 535,020	100	$ 549,882	100

	June 30, 2017		June 30, 2016	
Liabilities and shareholders' equity	Amount	%	Amount	%
Current liabilities				
Other payables	$ -	-	$ -	-
Total liabilities	-	-	-	-
Shareholders' equity				
Share capital	1,000,000	187	1,000,000	182
Retained earnings (accumulated deficit)	(464,980)	(87)	(450,118)	(82)
Total shareholders' equity	535,020	100	549,882	100
Total liabilities and shareholders' equity	$ 535,020	100	$ 549,882	100

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

Expressed in U.S. dollars

	Six months ended June 30, 2017		Six months ended June 30, 2016	
Accounts	Amount	%	Amount	%
Expenditures				
Employee benefits	($ 23,243)	-	($ 23,266)	-
Other operating expenses	(7,724)	-	(7,509)	-
Total expenditures and expenses	(30,967)	-	(30,775)	-
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,145,144	-	(475,411)	-
Other gains and losses	655,927	-	422,922	-
Total non-operating gains and losses	1,801,071	-	(52,489)	-
Profit (loss) before tax	1,770,104	-	(83,264)	-
Income tax expense	-	-	-	-
Net income (loss)	$ 1,770,104	-	($ 83,264)	-

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

Expressed in HK dollars

Accounts	Six months ended June 30, 2017 Amount	%	Six months ended June 30, 2016 Amount	%
Expenditures				
Other operating expenses	($ 13,314)	-	($ 14,784)	-
Total expenditures and expenses	(13,314)	-	(14,784)	-
Non-operating gains and losses				
Other gains and losses	37,477	-	36,025	-
Profit before tax	24,163	-	21,241	-
Income tax expense	-	-	-	-
Net income	$ 24,163	-	$ 21,241	-

PRESIDENT SECURITIES (NOMINEE) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

Expressed in HK dollars

Accounts	Six months ended June 30, 2017 Amount	%	Six months ended June 30, 2016 Amount	%
Expenditures				
Other operating expenses	($ 1,610)	-	($ 5,135)	-
Total expenditures and expenses	(1,610)	-	(5,135)	-
Non-operating gains and losses				
Other gains and losses	1,113	-	1,132	-
Loss before tax	(497)	-	(4,003)	-
Income tax expense	-	-	-	-
Net loss	($ 497)	-	($ 4,003)	-

f) Transactions between related parties and foreign business：

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: Balance on January 1, 2017	Increase of working capital	Deduction of working capital	Balance on June 30, 2017	Material transaction account with head office	Note
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	-	($ 2,796)	-	-	-	-	-	-

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, 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. 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.

C. 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.

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

E. Other operating segments include Capital Market segment, Quantitative Trading 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, 2017	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	$ 493,907	$ 123,892	$ 263,566	$ 240,908	$ 316,934	($ 14,090)	$ 1,425,117
Segment profit or loss	$ 11,121	$ 30,225	$ 150,657	$ 84,688	$ 101,187	($ 23,611)	$ 354,267

Three months ended June 30, 2016	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	$ 399,375	($ 170,315)	$ 334,965	$ 298,563	$ 134,198	($ 19,790)	$ 976,996
Segment profit or loss	($ 3,691)	($ 245,508)	$ 287,678	$ 95,862	$ 1,519	($ 1,281)	$ 134,579

Six months ended June 30, 2017	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	$ 964,082	$ 838,057	$ 670,835	$ 463,722	$ 503,955	($ 33,943)	$ 3,406,708
Segment profit or loss	$ 49,327	$ 608,164	$ 453,261	$ 92,981	$ 114,238	($ 118,951)	$ 1,199,020

Six months ended June 30, 2016	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	$ 845,775	($ 214,695)	$ 562,843	$ 602,530	$ 388,177	($ 38,002)	$ 2,146,628
Segment profit or loss	$ 16,409	($ 374,200)	$ 440,781	$ 183,761	$ 145,270	($ 56,494)	$ 355,527

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.