



2017 ANNUAL REPORT

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

ANNUAL REPORT

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Overseas Securities Exchange

None

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I. Letter to Shareholders

Dear Shareholders,

The global economy has slowly recovered in 2017, leading to growth in global stock markets.

The United States has continued to attract investment in domestic manufacturing and provided tax incentives after President Trump assumed office. Although the Federal Reserve has increased interest rates and shrunk its balance sheet, U.S. stocks continued to rise in the wake of increasing oil prices, and due to advancement in artificial intelligence and the introduction of new Apple devices.

In Europe, the European Central Bank continued quantitative easing policies and the results of the French elections resolved the disintegration crisis of the European Union, which served to increase investor confidence.

China has continued to reduce its excess production capacity, rein in high-polluting industries, and strengthen its financial supervision. To prevent excessive disruptions, the People's Bank of China also lowered interest rates for small and medium-sized businesses to maintain financial stability and promote economic growth.

On the domestic front, according to statistics of the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, the economic growth rate increased from 1.41% to 2.86% in 2017, and the Taiwan Capitalization Weighted Stock Index also rose from 9,253 points to 10,642 points, marking an increase of 15%. With the continuous recovery of the domestic economy and the implementation of favorable tax rates for day trades, domestic funds have returned to the market.

Consequently, the stock daily average trading volume on TWSE and the Taipei Exchange grew by 39% from the previous year to NT\$138 billion.

With the increase in TWSE market prices and increased trading volume in 2017, total profits of all securities dealers reached NT\$39.7 billion, marking substantial growth from the previous year, and achieving record high profits relative to the past eight years.

The Company has achieved great results in business operations including brokerage, proprietary trading, and in its underwriting business. The annual revenue amounted to NT\$6,359,985 thousand; the operating cost was NT\$644,022 thousand; the operating expenses amounted to NT\$3,382,065 thousand; net non-operating income was NT\$474,303 thousand; net profit before tax was NT\$2,808,201 thousand; net profit after tax was NT\$2,618,769 thousand; and the earnings per share was NT\$1.88. These positive results allowed the Company to achieve its highest earnings per share after tax since its establishment.

Compared to its competitors, the Company's net profit after tax ranked 5th and its EPS ranked 2nd. The Company's profitability continues to be among the top in the industry.

For its brokerage operations, the Company's market share was 3.23% in 2017, which ranks it 8th among the top 10 securities dealers.

The lowered day trade tax introduced by the Ministry of Finance encouraged the return of domestic funds and contributed to profits for all brokerage businesses. As digital technologies continue to develop and the business environment for securities dealers continues to evolve, investors have gradually shifted to electronic transactions, and the demand for counter services has gradually decreased. Due to mounting pressure for business and branch integration, the Company continues to adjust its agency business model although we currently have 36 branches. We shall continue to keep abreast of trends in financial technologies and comply with open and relaxed regulations to formulate comprehensive business plans. The Company shall also expand its diverse wealth management services and services for unitary channels with the goal of integrating old and new resources to improve competitiveness and strengthen the value of the Company's marketing channels.

For its underwriting business, the Company served as lead underwriter or co-underwriter in a total of 36 cases in 2017; more specifically, the Company served as lead underwriter for 5 cases and co-underwriter for 31 cases. The total underwriting amount was NT\$2.273 billion, which ranked the Company 7th in the total number of cases for the industry.

The increase in TWSE market trading increased public companies' willingness to raise capital. According to FSC statistics, market capitalization in 2017 reached NT\$544.98 billion, a 59% increase from the previous year. The Company continues to attentively screen cases, carefully select industries, and focus on company credit risks. The refined management team continues to focus on high-quality customers and uses its extensive experience to provide high-quality consulting services to help companies complete their IPOs and achieve fund-raising goals while actively identifying high-quality start-up companies.

The proprietary trading performed by the professional proprietary trading team generated abundant profits for the Company. Revenue from overseas investments also grew steadily as sophisticated analysis and unique

transaction strategies contributed to nearly 50% of the Company's overall net profit after tax.

The Company's proprietary bond trading continues to integrate with global financial markets as we diversify our investments. The outstanding operating strategies also maximized our performance and contributed to a stable profit model.

For its warrant business, the issuance amount of call (put) warrants ranked 5th in the industry, and ranked 7th for the number of warrants issued. Our reputable market-making quality also won the hearts of our investors.

The Company's proprietary futures business continued to maintain a healthy balance between risks and profits with the goal of diversifying risks and maximizing profits. We seek to maximize profits while implementing strict risk management measures, and to increase diversity in our international products, which will collectively contribute to maintaining stable profits.

The management team is committed to performance, and to strengthening corporate governance systems while complying with amended regulations promulgated by competent authorities. We have strengthened money laundering prevention, our internal auditing procedures, and our internal controls to implement comprehensive corporate governance in all aspects of business.

In the 3th round of the Corporate Governance Evaluation scheduled in 2017, the Company was again awarded the highest honors and was the only securities dealer to receive the highest honors for three consecutive years. The award serves as a testament to the Company's continued commitment and dedication to corporate governance.

In addition, the Company also actively supports corporate social responsibilities and made contributions to the encouragement of enterprise commitment, social participation, and environmental protection. The Company received recognition from CommonWealth magazine, and was also awarded the "Excellence in Corporate Social Responsibility Award" for the fourth time in 2017; once again, we were the only securities dealer to receive this award.

Additionally, the Company fully implemented the competent authority's requirements for risk management and provided integrated management for risks confronted by the business model for all securities dealers. We have established comprehensive risk management mechanisms, and have received the highest honors in the Risk Management Evaluation for four consecutive years. As a result, the Company's financial structure received "twA" and "twA-1" long-term and short-term credit ratings from the Taiwan Ratings Corporation.

Looking ahead in 2018, the IMF has adjusted the global economic growth rate to 3.9% in January due to the continuous recovery of the global economy and economic stimulation expected from U.S. tax incentive policies.

In Taiwan, the forecast of the Directorate General of Budget, Accounting and Statistics placed the annual economic growth rate domestically at 2.42% due to the continuous expansion of the automobile electronics, IoT, artificial intelligence, and other technology applications.

In terms of the securities industry, the Ministry of Finance tentatively reduced the securities transaction tax for day trades by half for the brokerage business last year by establishing a one-year trial period. With support from the FSC, the transaction tax reduction could be extended to three years, and expanded proprietary businesses. This tax reduction is expected to increase market transaction volume and reduce transaction costs of proprietary businesses, which would prove favorable to the bottom-line performance of all securities dealers.

Shareholders have witnessed the outstanding performance of President Securities in the past. Faced with a future full of opportunities and challenges, the Company shall continue to work diligently to uphold our stable long-term business strategies and implement a multitude of mechanisms for risk and internal management as we actively enhance the Company's operations while simultaneously increasing business competitiveness. As we expand into niche markets overseas, we will continue to provide better domestic services with the goal of providing high value-added and comprehensive financial services for customers to maximize value for both the Company and our shareholders.

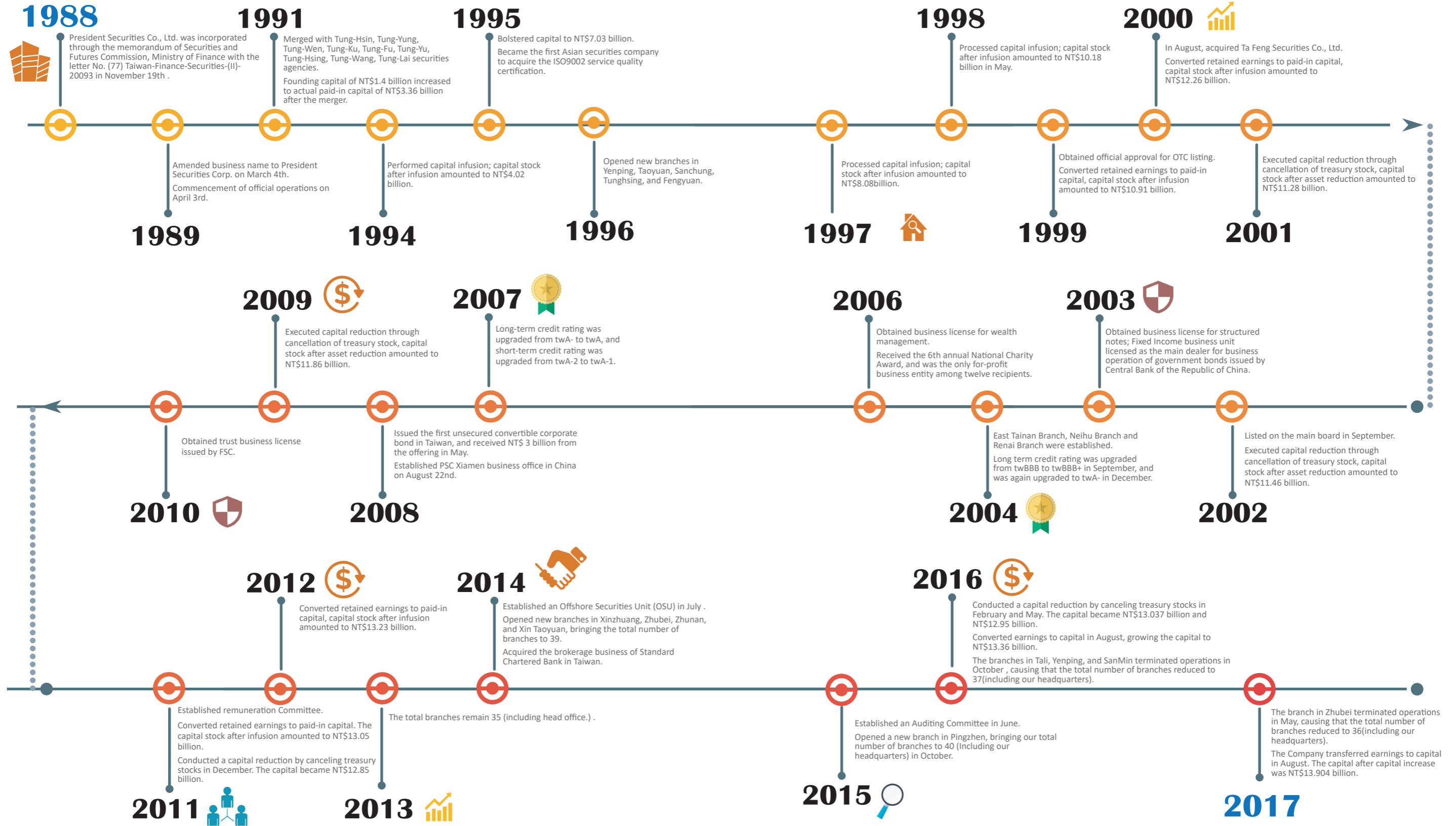
I hereby extend my most sincere gratitude to our shareholders for your long-term trust and support of President Securities. I wish you all good health and prosperity for the rest of 2018.

Lin Chung-Shen
Chung-Shen Lin / Chairman

Lin
Kuan-Chen Lin / President

II. Company Profile

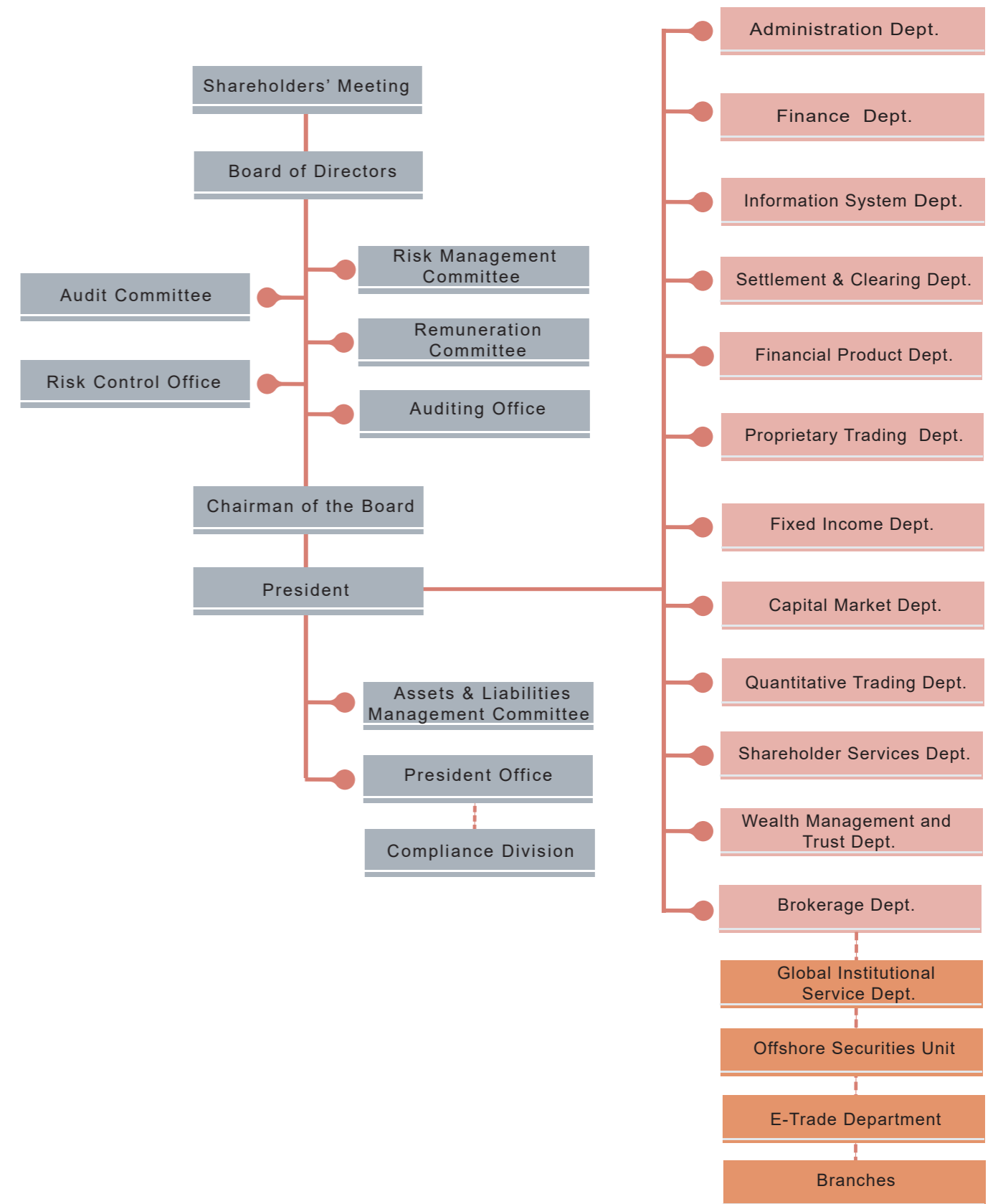
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III. Corporate Governance

Organization Chart



Major Corporate Functions

Brokerage

- Accept orders from clients to buy/sell listed securities and forward to TWSE for execution.
- Accept orders from clients to buy/sell listed securities and forward to TPEX for execution.
- Manage custodial services for clients.
- Provide margin financing for securities trading.
- Securities Borrowing and Lending Business.
- Borrowing or Lending Money in Connection with Securities Business
- Accepting orders to trade Foreign Securities.
- Futures Introducing Broker Business.
- Electronic transaction operations.
- Customer service coordination process.

Fixed Income Dealing

- Use own capital to buy and sell domestic and foreign corporate and government bonds over the TPEX market.
- Offer tendering services of Taiwan government bonds.
- Repo and Reverse-Repo transactions.
- Trade overseas and domestic convertible bonds.
- Assist with the sales of primary listings of corporate debt and financial debt issues.
- Provide securities market services and product selling to financial institutions and corporate clients.

Proprietary Trading

- Trading of publicly listed securities on the TWSE and TPEX, using President Securities' own funds.
- Hedge positions via futures and options markets as a futures trader.
- Expand international investment business involving legally-permitted overseas spot/futures market research and investments.

Quantitative Trading

- Market making and trading of futures and options contracts on the TAIFEX.
- Market making and trading of legally-permitted foreign futures and options contracts.
- ETF arbitrage, market making, hedging, and trading.
- Spot and futures arbitrage and trading.
- Structured products issuing and trading.
- Spread and volatility arbitrage of domestic and foreign futures/options products.

Capital Market (Underwriting)

- Assist corporations in application for public listing on TWSE or TPEX.
- Assess and advise clients with respect to capital increase plans and applications to convert private equity into publicly traded stocks.
- Underwrite bonds and foreign depository receipts.
- Assist in M&A activities; provide consulting services on corporate finance and other specialized areas.
- Other various types of underwriting business.

Wealth Management & Trust

- Provide customers with the most complete asset arrangement and finance service planning service.
- Conduct asset allocation for customers through trusts.
- Negotiable securities trust lending business.
- Provide Offshore Securities Unit (OSU) customers with service of international securities asset allocation, wealth consulting service, foreign securities or other authorized foreign financial products.

Financial Products

- Underwrite equity warrants and conduct hedging strategies.
- Develop and issue structured products.
- Convertible bond asset swap and options business.
- Trading of equity derivatives.
- New financial product design and development.
- Other derivatives financial products approved by the competent authority.

Shareholder Services

- Coordinate shareholder services on behalf of publicly listed companies.
- Assist in the coordination of shareholders' meetings.
- Coordinate the distribution of cash and/or stock dividends to shareholders.
- Manage the issuance and delivery of tax forms to shareholders.
- Respond to shareholder enquiries and legal issues.

Professional qualifications and independence analysis

For Directors and Supervisors

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lin, Chung-Shen Delegate of Kai Nan Investment Co., Ltd.	V			V		V	V	V	V	V	V	V	V	0
Lin, Kuan-Chen	V			V				V		V	V	V	V	0
Kao, Shioh-Ling	V			V						V	V	V	V	0
Teng, Wen-Hwi		V		V		V	V	V	V	V	V	V	V	0
Lee, Tong-Liang Delegate of Hui Tung Investment Co.,Ltd.	V			V		V	V	V	V	V	V	V	V	0
Chang, Ming-Chen Delegate of Leg Horn Investment Co.,Ltd.	V			V		V	V	V	V	V	V	V	V	0
Tu, Li-Yang Delegate of Ta Le Investment Holding Co., Ltd.	V			V		V	V	V	V	V	V	V	V	0
Lee, Shy-Lou	V			V		V	V	V	V	V	V	V	V	0
Duh, Bor-Tsang	V			V				V	V	V	V	V	V	0
Lee, Shu-Fen Delegate of China F.R.P. Corp.	V			V		V	V	V	V	V	V	V	V	0
Hsieh Hong, Hui-Tzu Delegate of Kai Nan Investment Co., Ltd.	V			V		V			V	V	V	V	V	0
Liu, Tsung-Yi Delegate of Kai Nan Investment Co., Ltd.	V			V		V	V		V	V	V	V	V	0
Lu, Li-An Delegate of Kai Nan Investment Co., Ltd.	V			V		V	V		V	V	V	V	V	0
Chen, Kuo-Hui Delegate of Kai Nan Investment Co., Ltd.		V		V		V	V			V	V	V	V	0
Wu, Tsai-Yi	V			V	V	V	V	V	V	V	V	V	V	0
Lee, Kwang-Chou	V			V	V	V	V	V	V	V	V	V	V	1
Fu, Kai-Yun	V			V	V	V	V	V	V	V	V	V	V	0
Liang, Yann-Ping	V			V	V	V	V	V	V	V	V	V	V	0

Compensation and Remuneration

For Directors

Unit: NT\$ thousands

title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)						
		PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC		PSC		PSC	Group					
Director	Kai Nan Investment Co., Ltd.	0	0	0	0	21,580	21,580	0	0	0.8240	0.8240	0	0	0	0	0	0	0	0	0	0	0.8240	0.8240	None

- Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.
- Not an employee of the Company or any of its affiliates.
 - Not a director of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
 - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
 - Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
 - Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
 - Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
 - Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
 - Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 - Not been a person of any conditions defined in Article 30 of the Company Law.
 - Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Unit: NT\$ thousands

title	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary					
	Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)									
	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC		PSC		PSC	Group								
Total Directors (Including Independent Directors)	18,385	18,385	0	0	34,861	34,861	1,535	1,535	2,0919	2,0919	28,789	28,789	185	185	490	0	490	0	0	0	0	0	0	3.2170	3.2170	None

- Note 1: 2017 After-tax profit: for President Securities and for President Securities on a consolidated basis: NT\$2.62 billion.
 Note 2: Compensation was calculated as of December 31, 2017; Compensation distribution proposal is based on said earnings.

For Remuneration Committee

Criteria	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience				Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company		1	2	3	4	5	6	7	8	
Independent Director	Wu, Tsai-Yi	V				V	V	V	V	V	V	V	V	0
Independent Director	Lee, Kwang-Chou			V		V	V	V	V	V	V	V	0	
Independent Director	Fu, Kai-Yun			V		V	V	V	V	V	V	V	0	
Independent Director	Liang, Yann-Ping	V				V	V	V	V	V	V	V	0	

- Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.
- Not an employee of the Company or any of its affiliates.
 - Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
 - Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
 - Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
 - Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
 - Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
 - Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
 - Not been a person of any conditions defined in Article 30 of the Company Law.

For President, Vice President and Chief Auditor

Unit: NT\$ thousands

Title/Name	Compensation								Ratio of total compensation (A+B+C+D) to net income (%)		Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Compensation (D)		Ratio of total compensation (A+B+C+D) to net income (%)		
	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	
President, Vice President, and Chief Auditor	21,531	21,531	1,028	1,028	87,557	87,557	2,300	2,300	4.2927	4.2927	None

- Note 1: 2017 After-tax profit: for President Securities and for President Securities on a consolidated basis: NT\$2.62 billion.
 Note 2: Compensation was calculated as of December 31, 2017; Employee Compensation was booked as of December 31, 2017.

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	0	0
NT\$2,000,000 ~ NT\$5,000,000(Note1)	3	3
NT\$5,000,000 ~ NT\$10,000,000(Note2)	3	3
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000(Note3)	3	3
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	9	9

- Note 1: Chen, Kai-Ching/ Kuo, Li-Yun/ Pan, Chun-Hsien
 Note 2: An, Chi-Li/ Lee, Wen-Sheng/ Huang, Jun-Jen
 Note 3: Lin, Kuan-Chen/ Yang, Kai-Chih/ Tsai, Sen-Bu

Comparison of Remuneration in the Most Recent Two Fiscal Years

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	To directors	To presidents and vice presidents
2016	3.54	8.69
2017	4.04	4.29

Information regarding directors, supervisors, management team and branch manager

As of April 23, 2018

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position
					Shares	%	Shares	%	Shares	%		
President	Republic Of China	Lin, Kuan -Chen	M	2005.01.21	3,250,000	0.23	0	0	0	0	1.Chairman of President Futures Corp. 2.Vice Chairman and President of President Securities Corp.	1. Director of President Futures Corp. 2. Director of President Securities (HK) Ltd. 3. Director of President Securities (BVI) Ltd. 4. Director of President Securities (Nominee) Ltd. 5. Director of President Wealth Management (HK) Ltd. 6. Chairman of PSC Venture Capital Investment Co., Ltd. 7. Director of Taiwan Futures Exchange 8. Director of Q-WARE Systems & Services Corp. 9. Chairman of Richness Cereal Trading Co., Ltd 10. Director and President of Fonmau Cereal Ind. Co., Ltd.
Capital Market Department Vice President	Republic Of China	Kuo, Li -Yun	F	2000.06.08	191,578	0.01	0	0	0	0	1.Vice President of Grand Asia Asset Management Ltd. 2. Assistant Vice President of Yuanta Securities Co., Ltd	1. Director of PSC Venture Capital Investment Co., Ltd.
Fixed Income Department Vice President	Republic Of China	Tsai, Sen -Bu	M	2003.06.18	313,261	0.02	0	0	0	0	1.Senior Deputy Manager of China Bills Finance Corp. 2.Project Manager of President Securities Corp.	N/A
Finance Department Vice President	Republic Of China	An, Chi -Li	F	2004.06.30	156,240	0.01	0	0	0	0	1.Assistant Vice President of MasterLink Securities Corp. 2.SVP of Ta Chong Bank LTD. 3.Head of Treasury of Barclays Bank PLC 4.Treasurer of Societe Generale	1. Director of President Securities (HK) Ltd. 2. Director of President Securities (BVI) Ltd. 3. Director of President Securities (Nominee) Ltd. 4. Director of President Wealth Management (HK) Ltd. 5. Supervisor of President Insurance Agency Co., Ltd
Proprietary Trading Department Vice President	Republic Of China	Yang , Kai - Chih	M	2006.03.21	136,423	0.01	0	0	0	0	1.Assistant Vice President of President Securities Corp. 2.Manager of President Securities Corp.	N/A
Quantitative Trading Department Vice President	Republic Of China	Huang, Jung -Jen	M	2009.03.26	107,356	0.01	0	0	0	0	1.Vice President of Oriental Securities Corp. 2.Assistant Vice President of MasterLink Securities Corp.	N/A
Financial Product Department Vice President	Republic Of China	Pan, Chun -Hsien	M	2011.09.01	6,763	0	0	0	0	0	1.Sales Assistant Vice President of MasterLink Securities Corp. 2.Manager of President Securities Corp.	N/A
Auditing Office Chief Auditor	Republic Of China	Huang, Sha -Mei	F	2018.03.14	817	0	0	0	0	0	1.Senior Manager of President Securities 2.Senior Project Manager of President Securities	N/A
Settlement & Clearing Department Assistant Vice President	Republic Of China	Cheng, Yao -Tung	M	2005.06.21	67,646	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Capital Market Department Sales Vice President	Republic Of China	Chueh, Chih - Chung	M	2014.06.01	0	0	0	0	0	0	1.Senior Vice President of Capital Securities 2.Assistant Manager of First Taiwan Securities Inc.	N/A
President Office Project Vice President	Republic Of China	Lin, Chung -Heng	M	2015.11.23	675,512	0.05	0	0	0	0	1.Vice President of President Securities Corp. 2.Special Assistant of Uni-President Asset Management Corp.	N/A
Compliance Division Assistant Vice President	Republic Of China	Hung, Ying -Che	M	2008.03.19	54,649	0	0	0	0	0	1.Manager, Deputy Manager of President Securities 2.Specialist of Sam Shin Trading Co. Ltd.	N/A
President Office Assistant Vice President	Republic Of China	Chen, Nai - Chen	F	2013.06.01	382	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	Director (Representative of President Securities) of Hua VI Venture Capital Co.,Ltd
Mainland China Business Division Assistant Vice President	Republic Of China	Chen, Long -Chien	M	2013.06.01	65,060	0	0	0	0	0	1.Project Assistant Vice President of President Securities 2.Branch Assistant Vice President of President Securities	N/A
Finance Department Assistant Vice President	Republic Of China	Lu, Chia -Chen	F	2013.06.01	2,343	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	1.Accountant In Charge of President Insurance Agency Co., Ltd 2.Accountant In Charge of PSC Venture Capital Investment Co., Ltd
Capital Market Department Assistant Vice President	Republic Of China	Chang, Chin -Yung	M	2013.06.01	0	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Capital Market Department Assistant Vice President	Republic Of China	Tsai, Pao-Sheng	M	2013.06.01	41,767	0	217	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Finance Department Assistant Vice President	Republic Of China	Su, Wei-Lun	M	2016.06.20	0	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Financial Product Department Assistant Vice President	Republic Of China	Chang, Chung-Lin	M	2016.08.01	0	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	Director of Shan Ben Engineering Co., Ltd
Administration Department Assistant Vice President	Republic Of China	Yu, Hung-Chieh	M	2016.09.01	5,725	0	0	0	0	0	1.Senior Manager of President Securities 2.Special Assistant of President Securities	Director of President Insurance Agency Co., Ltd
Shareholder Services Department Assistant Vice President	Republic Of China	ChangShao-Ping	M	2016.09.01	18,833	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Information System Department Assistant Vice President	Republic Of China	Lin, Jung-Hui	M	2016.09.01	85	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	Director of President Futures Corp.

Title	Nationality/Country of Origin	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position
					Shares	%	Shares	%	Shares	%		
Fixed Income Department Assistant Vice President	Republic Of China	Yeh, Ming -Chieh	M	2017.01.01	0	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
President Office Senior Project Assistant Vice President	Republic Of China	Chen, Kai -Ching	M	2018.01.01	96,988	0.01	0	0	0	0	1.Senior Manager of President Securities 2.Chief Auditor of President Securities	N/A
Risk Control Office Senior Manager	Republic Of China	Chang, PingChuan	M	2015.11.09	15,091	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Brokerage Department Vice President	Republic Of China	Lee, Wen-Sheng	M	2016.09.01	61	0	15	0	0	0	1.Assistant Vice President of President Securities Corp. 2.Assistant Vice President of China Securities Co., Ltd.	1. Director of President Futures Corp. 2. Director of President Insurance Agency Corp.
Brokerage Department District Assistant Vice President	Republic Of China	Chang, Hung-Shuo	M	2003.05.21	1,405	0	0	0	0	0	1.Assistant Vice President of Hua Nan Securities 2.Assistant Vice President of Sino -Trade Securities	N/A
Brokerage Department District Assistant Vice President	Republic Of China	Chuang, Chi-Hung	M	2006.10.01	165,736	0.01	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Brokerage Department District Assistant Vice President	Republic Of China	Chiu, Shyh-Tyng	M	2008.01.01	1,073	0	3,219	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Brokerage Department District Assistant Vice President	Republic Of China	Lin, Li-Lin	F	2014.04.01	6,110	0	0	0	0	0	1.Assistant Vice President of President Securities 2.Manager of Dafeng Securities	N/A
Brokerage Department District Assistant Vice President	Republic Of China	Tu, Ching-Feng	M	2016.08.08	242,232	0.02	0	0	0	0	1.Manager of President Securities 2.Vice President of Shun Fu Tai Industrial Co.	1.Supervisor of Integrated Service Technology 2. Chairman of Sin Lin Investment Co. 3. Supervisor of Li Ling Investment Co. 4. Supervisor of Shun Fu Tai Industrial Co. 5. Director of Pin Win Co.
Customer Service Center Assistant Vice President	Republic Of China	Huang, Hsien-Yi	M	2007.05.01	0	0	0	0	0	0	1.Manager of President Securities 2.Manager of International Securities	N/A
Wealth Management and Trust Department Senior Manager	Republic Of China	Chu, Po-Lin	M	2016.08.08	0	0	0	0	0	0	1.Branch Assistant Vice President of President Securities 2.Manager of President Securities	N/A
Global Institutional Service Dept. Manager	Republic Of China	Chung, Chih-Hung	M	2016.05.05	0	0	0	0	0	0	1.Supervisor of Capital Securities 2.Analyst of China Asset Management Limited	N/A
Tunghsing Equity Department Manager	Republic Of China	Kao, Jung	M	2009.04.01	405	0	0	0	0	0	1.Manager of Taiwan Securities Co., Ltd. 2.Manager of Yuanta Securities	N/A
Tunghsing Equity Department Manager	Republic Of China	Hung, Yu-Ting	M	2014.07.01	0	0	0	0	0	0	1.Manager of President Futures Corp.	N/A
Tunghsing Equity Department Manager	Republic Of China	Tsai, Shu -Mei	F	2016.04.01	0	0	0	0	0	0	1. Manager of President Securities 2. Senior Manager of President Securities	N/A
Kaohsiung Branch Manager	Republic Of China	Wu, Huan - Chung	M	2013.04.01	0	0	0	0	0	0	1.Assistant Vice President of KGI Securities 2.Manager of Taiwan Securities Co., Ltd.	N/A
Kaohsiung Branch Manager	Republic Of China	Li, Yu - Min	M	2016.10.01	0	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Dunnan Branch Manager	Republic Of China	Liao, Shun -Ping	M	2013.12.01	0	0	0	0	0	0	1.Sales Vice President of KGI Securities 2.Sales Vice President of Taiwan Securities Co., Ltd.	N/A
Zhongli Branch Manager	Republic Of China	Chiang, Tsong -Shyan	M	2007.12.19	0	0	0	0	0	0	1.Manager of President Securities 2.Manager of Kurn Bern Machinery Company	N/A
Chengzhong Branch Manager	Republic Of China	Chen, Chih - Lung	M	2014.10.01	0	0	0	0	0	0	1.Manager of President Securities 2.Manager of President Futures Corp.	N/A
Chengzhong Branch Manager	Republic Of China	Huang, Chien -Hsin	M	2017.09.01	0	0	0	0	0	0	1.Senior Manager of KGI Securities 2.Manager of Taiwan Securities Co., Ltd.	N/A
Tainan Branch Manager	Republic Of China	Tu, Ching-Feng	M	2009.12.17	242,232	0.02	0	0	0	0	1.Manager of President Securities 2.Vice President of Shun Fu Tai Industrial Co.	1.Supervisor of Integrated Service Technology 2. Chairman of Sin Lin Investment Co. 3. Supervisor of Li Ling Investment Co. 4. Supervisor of Shun Fu Tai Industrial Co. 5. Director of Pin Win Co.
Taichung Branch Manager	Republic Of China	Liao, Chen-Yin	F	2001.11.12	67,511	0	0	0	0	0	1.President of Jiu Ding Securities Company 2.Vice President of Tian Fa Securities Company	N/A
Taichung Branch Manager	Republic Of China	Fang, Wu-Hsin	M	2016.10.01	280	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Hsinchu Branch Manager	Republic Of China	Lee, Chin-Yi	M	2014.09.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales Assistant Manager of Taiwan Securities Co., Ltd.	N/A
Chiayi Branch Manager	Republic Of China	Tai, Kuo - Chun	M	2005.06.01	0	0	0	0	0	0	1.Assistant Vice President of China Securities Co., Ltd. 2.Manager of Yuanta Securities	N/A

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position
					Shares	%	Shares	%	Shares	%		
Pingtung Branch Manager	Republic Of China	Wang, Chien-Min	M	2009.04.01	0	0	0	0	0	0	1.Sales Manager of President Securities 2.Deputy Manager of President Securities	N/A
Keelung Branch Manager	Republic Of China	Huang, Ming-Fa	M	2013.04.01	91	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of Yuanta Securities	N/A
Yonghe Branch Manager	Republic Of China	Tseng, Chien-Ming	M	2012.01.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Deputy Project Manager of SinoPac Bank	N/A
Xin Taichung Branch Manager	Republic Of China	Yang, Kuo-Chen	M	2011.01.01	0	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of SAMPO Securities	N/A
Hsinying Branch Manager	Republic Of China	Hsiao, Po-Ming	M	2016.04.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales of President Securities	N/A
Changhua Branch Manager	Republic Of China	Yu, Fu -Tsun	M	2017.05.22	0	0	0	0	0	0	1.Manager of Yuanta Core Pacific Securities 2.Sales of Yuanta Securities	N/A
Taoyuan Branch Manager	Republic Of China	Tung, Chiu-An	M	2013.04.01	204	0	0	0	0	0	1.Manager of Yuanta Core Pacific Securities 2.Assistant Manager of National Securities	N/A
Yuanlin Branch Manager	Republic Of China	Liu, Ming-Hsi	M	2018.01.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales Assistant Manager of Yuanta Core Pacific Securities	N/A
Sanchung Branch Manager	Republic Of China	Kao, Hao-Chen	M	2013.04.01	0	0	0	0	0	0	1.Deputy Manager of Ta Shin securities company 2.Deputy Manager of Yuanta Securities	N/A
Fengyuan Branch Manager	Republic Of China	Lin, ChengFeng	M	2011.01.01	43,121	0	0	0	0	0	1.Manager of President Securities 2.Manager of Tai Yu Securities	N/A
Shilin Branch Manager	Republic Of China	Hsu, Fu-Chiang	M	2014.10.01	0	0	0	0	0	0	1.Deputy Manager of Yuanta Securities Co., Ltd. 2.Senior Deputy Manager of KGI Securities	N/A
Panchiao Branch Manager	Republic Of China	Yu, Ping-Tse	M	2012.01.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales Executive of Hua Nan Securities	N/A
Sanduo Branch Manager	Republic Of China	Tsai, Yi-Chen	F	2006.03.21	0	0	0	0	0	0	1.Manager of President Securities 2.Sales Manager of SinoPac Holding	N/A
Xizhi Branch Manager	Republic Of China	Hu, Wen-Chieh	M	2013.04.01	0	0	0	0	0	0	1.Assistant Vice President of Concord Securities Co., Ltd. 2.Manager of Polaris Securities Co., Ltd.	N/A
Ilan Branch Manager	Republic Of China	Chiang, Jen-Chu	F	2014.12.01	0	0	0	0	0	0	1.Manager of KGI Securities 2.Manager of Capital Securities	N/A
Nanjing Branch Manager	Republic Of China	Chang, Wen-Lung	M	2009.04.01	0	0	0	0	0	0	1.Sales Deputy Manager of President Securities 2.Sales of President Securities	N/A
Kuting Branch Manager	Republic Of China	Chen, Te - Chang	M	2018.01.01	0	0	0	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Kinmen Branch Manager	Republic Of China	Chung, Hui-Ju	F	2016.07.01	0	0	0	0	0	0	1.Sales Manager of President Securities 2.Sales Deputy Manager of President Securities	N/A
Tucheng Branch Manager	Republic Of China	Chen, Chun-Ming	M	2017.03.23	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales Manager of President Securities	N/A
Songjiang Branch Manager	Republic Of China	Lin, Yu-Ju	F	2017.08.01	0	0	0	0	0	0	1. Senior Deputy Manager of KGI Securities 2. Sales Manager of Jih Sun Securities	N/A
Songjiang Branch Manager	Republic Of China	Yeh, Yun-Sheng	M	2017.04.05	0	0	0	0	0	0	1.Assistant Vice President of Hua Nan Securities 2.Assistant Vice President of Mega Securities Co., Ltd	N/A
Neihu Branch Manager	Republic Of China	Chen, Chi-Heng	M	2014.10.01	0	0	0	0	0	0	1.Manager of China Securities Co., Ltd. 2.Deputy Manager of China Securities	N/A
Renai Branch Manager	Republic Of China	Yang, Chun-Chen	M	2013.12.01	0	0	0	0	0	0	1.Manager of President Securities 2.Sales Deputy Manager of President	N/A
Xindian Branch Manager	Republic Of China	Chiu, Shyh-Tyng	M	2018.01.01	1,073	0	3,219	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	N/A
Xinzhuan Branch Manager	Republic Of China	Chen, I-Ju	F	2014.07.21	0	0	0	0	0	0	1.Deputy Manager of KGI Securities 2.Deputy Manager of Taiwan Securities Co., Ltd.	N/A
Pingzhen Branch Manager	Republic Of China	Li, Shu-Jung	F	2015.10.26	0	0	0	0	0	0	1.Manager of Retail Securities Brokerage Business of Standard Chartered Bank (Taiwan) Ltd. 2.Bank Teller of Hsinchu International Bank	N/A
Xin Taoyuan Branch Manager	Republic Of China	Wu, Shao-Kuang	M	2014.10.10	0	0	0	0	0	0	1.Manager of Retail Securities Brokerage Business of Standard Chartered Bank (Taiwan) Ltd. 2.Manager of Hsinchu International Bank	N/A
Zhunan Branch Manager	Republic Of China	Peng, Hsiu-Chin	F	2014.10.10	0	0	3	0	0	0	1.Manager of Retail Securities Brokerage Business of Standard Chartered Bank (Taiwan) Ltd. 2.Manager of Hsinchu International Bank	N/A
Zhunan Branch Manager	Republic Of China	Su, Yung-Sheng	M	2016.04.01	0	0	0	0	0	0	1.Deputy Manager of Jih Sun Securities 2 Sales Assistant Manager of Polaris Securities Co., Ltd.	N/A
Offshore Securities Unit Branch Manager	Republic Of China	Lai, Chung-Chih	M	2014.07.07	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Deputy Project Manager of President Securities	Chairman of Unlmoat Technology Co., Ltd

Corporate Governance

4 pillars of corporate governance

Ownership Structure and Shareholders' Rights

Board Operation

Communicate with stakeholders

Risk Management

In an effort to implement prudent corporate governance measures in line with the "Principles for Corporate Governance for Securities Firms" and with relevant laws and regulations, President Securities adopted such guidelines by the 13th meeting of the 9th Board of the company held on August 7, 2014, and will abide by said principles.

Ownership Structure and Shareholders' Rights

The Company has a spokesperson and shareholder service personnel to process shareholders' suggestions, questions, and disputes. The Company has established an "Investor Area" and "Investor Mailbox" on the Company website, which are run by the spokesperson and dedicated personnel of the Administration Department. Shareholders' suggestions or disputes are forwarded to relevant departments for processing.

PSC maintains close relationships with key shareholders and assigns dedicated shareholder services personnel to continually monitor any changes in the shareholdings of these key shareholders.

The finance and business of our company and its subsidiaries are in separate operation. In term of management right/obligation there is a clear line between our company and its subsidiaries.

All the relations and trades are dealt with in accordance with law. "Surveillance governing internal-control system for affiliated companies" has also been set up as a controlling and governing mechanism for our affiliated companies. In an effort to prevent insider trading and to protect the interests of investors, we have adopted and implemented the "Important Event Internal Handling Procedures", which outlines clear division of responsibilities, adequate firewall and confidentiality procedures, the disclosure of important events, educational guidance rules, etc.

Corporate Governance

4 pillars of corporate governance

○ Ownership Structure and Shareholders' Rights

○ Board Operation

○ Communicate with stakeholders

○ Risk Management

Board Operation

Member of the board

Abiding by article 10 of our Principles for Corporate Governance, when selecting directors, President Securities uses a comprehensive approach so as to put together a professional yet independent team that can exercise its duties in an objective manner.

The Company currently has 18 Directors of which 8 are female (including 1 independent director); therefore, women account for 44% of all Directors. Directors with expertise in leadership, business decision-making, management, crisis management, industrial knowledge and decision-making capabilities include Kao, Shiow-Ling Lin, Chung-Shen, Lin, Kuan-Chen, and Lee, Tong-Liang. Directors with expertise in technology, warehousing, and education include Duh, Bor-Tsang, Lee, Shy-Lou, and Teng, Wen-Hwi. Directors with expertise and experience in finance and accounting include Chen, Kuo-Hui, Hsieh Hong, Hui-Tzu, Lu, Li-An, Chang, Ming-Chen, and Lee, Shu-Fen. Directors with expertise in financing, and investments include Liang, Yann-Ping, Fu, Kai-Yun, Lee, Kwang-Chou, Liu, Tsung-Yi, and Tu, Li-Yang. Independent Director Wu, Tsai-Yi specializes in economics and currently serves as the President of the Taiwan Research Institute.

Training for Directors

The Company's Directors shall conduct independent studies and the Company shall also organize related corporate governance courses periodically and invite all Directors to participate in the courses. In 2017, in addition to independent studies conducted by Directors themselves, the Company collaborated with the Taiwan Corporate Governance Association and jointly organized courses for all Directors and the management team of the Company.

The Company invited Mr. Peter Pu, the president of British Standards Institution (BSI) to speak on "The Opportunities and the Challenges of the Digitization of Finance, and Corporate Governance" in May, and invited Mr. Daniel Chu, the chairman of PricewaterhouseCoopers Sustainability Services Company Ltd to speak on "The Practices of Corporate Governance and Corporate Social Responsibilities' Trends" in August to provide Directors with a more profound understanding of corporate governance.

3 committees

President Securities has already added independent directors to its board, has established a remuneration committee, a risk management committee, and an audit committee.

- Based on the expertise, consistency, and time-based effectiveness of the Company's business, the Board of Directors has passed the Articles of Organization developed by the Risk Management Committee on June 26, 2008 and established the Risk Management Committee in the Board of Directors to implement supervision of day-to-day risk management. The Committee is charged with the following duties:
 - i) Establishment of Company risk management policies and organization and assignment of duties to related units.
 - ii) Establishment of the Company's risk measurement standards.
 - iii) Management of limits for the Company's overall and departmental risk.
- The Risk Management Committee consists of three members. At least one member shall be an Independent Director and the other two members shall be Directors (or Independent Directors) or supervisors determined by Board meeting resolutions. The Risk Management Committee shall convene meetings at least once every quarter to assist the Board of Directors in planning and supervising the Company's related risk management affairs. This committee shall report the implementation of risk management to the Board of Directors periodically and propose suggestions for necessary improvements.

Board Performance Evaluation

President Securities has yet to establish a "Board Performance Evaluation" procedure. The board conducts its business in accordance with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and in accordance with the companies own Rules of Procedure for Board of Directors Meetings.

Evaluating the independence of accountants

Based on regulation of corporate governance of securities dealers, the Board evaluates and assigns the appointment of independent accountants annually. According to article 46 and article 47 of Certified Public Accountant Act, "honesty, impartiality, objectivity and independence," the company sets up the independent items of declaration, which issued by the certified public detached accountants. Accountant Hsiao, Chin-Mu, Chang, Ming-Hui and Hsu, Chi-Chang from PricewaterhouseCoopers Taiwan proved to be qualified as CPA for company's financial and tax accountants.

The Purchase of Liability Insurance for Directors and Supervisors

President Securities has already purchased liability insurance from ACE insurance and AIG insurance for all of its directors, and key employees (Policy Value: US\$10 million; Policy Term: September 1, 2017, to September 1, 2018).

Audit Committee

The Company established its Audit Committee in June of 2015. Total of 6 meetings of the Audit Committee were held in the year of 2017. Independent Directors' attendance condition

Title	Name	Actually Number of Times Attended (B)	Number of Times Attended by Proxy	Actual Attendance Rate (%) (B/A)
Independent Director	Liang, Yann-Ping	6	0	100%
Independent Director	Lee, Kwang-Chou	6	0	100%
Independent Director	Fu, Kai-Yun	6	0	100%
Independent Director	Wu, Tsai-Yi	6	0	100%

Remuneration Committee

The committee is composed of four members. The tenure of the committee is effective from June 29th, 2015 to June 17th, 2018.

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Convener	Wu, Tsai-Yi	3	0	100%	Reappointment 2015.6.29
Member	Lee, Kwang-Chou	3	0	100%	Reappointment 2015.6.29
Member	Fu, Kai-Yun	3	0	100%	Reappointment 2015.6.29
Member	Liang, Yann-Ping	3	0	100%	Newly appointed 2015.6.29

Board of Directors Meeting

Total of 6 meetings of the board of directors were held in the year of 2017. Directors' attendance condition

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
Chairman	Kai Nan Investment Co., Ltd. Rep. Lin, Chung-Shen	6	0	100%
Vice Chairman	Lin, Kuan-Chen	6	0	100%
Director	Cheng, Kao-Huei	0	3	0%
Director	Kao, Shiow-Ling	3	3	50%
Director	Teng, Wen-Hwi	2	4	33%
Director	Hui Tung Investment Co., Ltd. Rep. Lee, Tong-Liang	4	2	67%
Director	Leg Horn Investment Co., Ltd. Rep. Chang, Ming-Chen	5	1	83%
Director	Ta Le Investment Holding Co., Ltd. Rep. Tu, Li-Yang	5	1	83%
Director	Lee, Shy-Lou	5	1	83%
Director	Duh, Bor-Tsang	3	3	50%
Director	China F.R.P Corp. Rep. Lee, Shu-Fen	6	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh Hong, Hui-Tzu	6	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Liu, Tsung-Yi	4	2	67%
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Cheng-Te	4	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Lu, Li-An	5	1	83%
Director	Kai Nan Investment Co., Ltd. Rep. Chen, Kuo-Hui	2	0	100%
Independent Director	Wu, Tsai-Yi	6	0	100%
Independent Director	Lee, Kwang-Chou	5	1	83%
Independent Director	Fu, Kai-Yun	6	0	100%
Independent Director	Liang, Yann-Ping	6	0	100%

Corporate Governance

4 pillars of corporate governance

- Ownership Structure and Shareholders' Rights
- Board Operation
- Communicate with stakeholders
- Risk Management

We have also taken steps to address corporate responsibility concerns of our interested parties. We have established a platform with dedicated staff to handle feedback from investors, employees, clients, and other organizations so as to maintain strong lines of communication. This allows us to stay aware of the issues that are of importance to our interested parties, and to ensure that all of our actions are responding to the needs of our interested parties.

The Company has established a stakeholder section and corporate social responsibility section on the official website to explain the Company's corporate social responsibility (CSR) ideas and policies and describe the Company's accomplishments including the Company's economic, social, and environmental achievements. The Company has formulated the 'President Securities Corp. Corporate Social Responsibility Report' every year for publication on the Company's website (URL: www.pscnet.com.tw) and publication in the Market Observation Post System.

Shareholder	Employee
<ul style="list-style-type: none"> ● Corporate governance ● Information disclosure transparency ● Operations performance ● Shareholder interest 	<ul style="list-style-type: none"> ● Salary and benefits ● Ethical business operations ● Operating performance ● Talent development and cultivation ● Corporate governance ● Employee care ● Risk & Crisis management ● Brand image ● Social welfare
<p>i) Company information is provided through investor emails and announcements on the official website. The Company established "the investor section" on our website to provide investors with transparent and comprehensive information. The Company also established the investor relations contact window to respond to questions raised by shareholders.</p> <p>ii) Announcements of operations and financial performance periodically and the issuance of material information in Chinese and English on the Market Observation Post System.</p> <p>iii) Organization of one institutional investor conference every six months to report business status to shareholders.</p> <p>iv) On President Securities Corporation website, we have clearly stated our "Corporate Responsibility" values and policy, which details the company's economic, social, and environmental aspirations. President Securities has also published a report, entitled, "President Securities Corporate Responsibility Report" which can be viewed either on the company's corporate website (www.pscnet.com.tw) or on the MOPS website maintained by the TWSE.</p> <p>v) Our company has assigned a spokesperson to be responsible for providing information to shareholders and investors, and to post periodical and non-periodical financial and operational information on the government-operated MOPS website. On our website where investors and shareholders can obtain information on the following:</p> <ul style="list-style-type: none"> ○ Company introduction in English and Chinese. ○ Disclosure of company's financial and business information, and corporate governance. ○ Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments received. ○ The Company has disclosed the briefing and video files of institutional investor conference proceedings and other related information on the Company's website. 	<p>i) The employee suggestion mailbox and employee complaint mailbox are used for communication.</p> <p>ii) The Company organizes employee seminars every month. The Company also announces internal news reports and organizes large-scale family day events to reward employees and facilitate communication and employee exchanges.</p> <p>iii) To boost work efficiency and solidarity among our employees, we place particular emphasis on benefits programs and labor relations, and thus ensure employee welfare in a comprehensive manner.</p> <p>iv) General accident insurance has been purchased for each of our branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees.</p>

Clients	Supplier	Others
<ul style="list-style-type: none"> ● Customer interests ● Product innovation ● Service quality ● Customer complaint ● Mechanisms mobile services 	<ul style="list-style-type: none"> ● Ethical business operations ● Brand image ● Risk & Crisis management 	<ul style="list-style-type: none"> ● Charity ● Environmental conservation ● Sustainability
<p>i) The Company communicates with customers regularly through the customer service hot line and email and monthly statements are delivered every month.</p> <p>ii) The Company organizes investment and wealth management seminars periodically and organizes large-scale investment seminars to communicate and interact with customers.</p> <p>Our Policy: "3 Goods and 1 Fair" – "Good Quality", "Good Credibility", "Good Service", and "Fair Price". This is combined with "Professional Leadership, Kind Service", in providing all customers with comprehensive services.</p> <p>Implementation: We have established a Customer Services Department—The Customer Service Center, which offers customers an avenue through which to register complaints, which operates a customer service hotline which is manned by customer service specialists who help to solve customer problems, and which ensures that all account correspondence sent to clients includes clear product risk warnings.</p>	<p>i) President Securities operate financial services and, therefore, does not produce any environmental pollutants or waste.</p> <p>ii) The Company organizes periodic price negotiation meetings, announces information on the public tendering information section on the official website, and organizes public tendering briefings.</p> <p>iii) The Company has established the 'Supplier Evaluation and Management Regulations' to evaluate suppliers. The evaluations include preliminary, periodic, and unscheduled evaluations and classify suppliers into A, B, C, and D categories in accordance with the results of the evaluations, which are used as the basis for future cooperation.</p> <p>iv) The Company cooperates with suppliers to jointly commit to fulfilling corporate social responsibilities and sign the 'Corporate Social Responsibilities Commitment Letter.' The materials used in decoration construction and equipment procurement must be green building materials and equipment with environmental protection labels to increase the Company's dedication to environmental protection, energy conservation, and carbon emissions reduction.</p>	<p>i) The Company organizes charity events every year.</p> <p>ii) The Company participates in courses and seminars organized by the government.</p>

Corporate Governance

4 pillars of corporate governance

- Ownership Structure and Shareholders' Rights
- Board Operation
- Communicate with stakeholders
- Risk Management

Risk Management Categories

Our risk management takes into account market risk, credit risk, liquidity risk, operational risk, legal risk, etc., for both on-balance sheet business and off-balance sheet businesses. Each day, every level of operations, every manager, and every trader is given fresh figures on position risk and key sensitivity values. Through this, the company's risk controls and trading strategies can be properly analyzed and necessary alerts can be initiated. Setting risk control guidelines for each level of operations allows for comprehensive monitoring of risk.

Risk Management

Risk Evaluation Standards

The company has set risk management principles. In order to ensure that all of our organization's businesses adhere to our operating policies, operating goals, and capital levels, we have set suitability evaluation policies that can react to changes in our business and in the market:

● Market Risk

- i) We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis so as to supplement missing risk values.
- ii) We evaluate the completeness of our evaluation models on various business mareas, and review the assumptions, parameters, and data used for various product models, and then test that the models for the various products are reasonable.
- iii) We evaluate the effectiveness of risk control models: regularly perform backtesting to ensure the effectiveness of the models used.

● Credit Risk

- i) Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp.
- ii) Trading counterparty credit risk: we assess our company's maximum exposure in the event that a trading counterparty defaults, and then use maximum exposure limits set by the board of directors, in determining the credit risk of a trading counterparty.
- iii) Issuer's Credit Risk: we use KMV model to perform internal evaluations, and combine that with financial data and stock price data, to calculate the probability of a default. Then, based on these measurements, we developed "Z-Score", an in-depth internal evaluation of the company, and then use this to protect ourselves from potential credit risks and potential capital shortfalls.

● Operational Risk

- i) Operational risk is risk that is created when internal processes, employees, or systems, are inappropriate or cause errors; or risk that is caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.
- ii) We create operations risk policy handbooks that entail every level of operations.
- iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled.

Risk Management Policy

Ensure that we can operate various types of business from a position of solid risk management. Using reasonable risk tolerance levels, continue to enhance profitability, create shareholder value, and achieve return on capital targets. Set well-defined risk controls for every business area, implement risk management checks and balances, set clear obligations for each department so as to enhance risk management effectiveness by breaking it down into manageable pieces. Our risk management operations take into accounts all key forms of risk: market risk, credit risk, liquidity risk, operational risk, legal risk, model risk.

Our Risk Management

As part of our risk control measures, we have created an independent risk control department and constructed an integrated risk control architecture that encompasses all facets of the organization, including the Board of Directors, the Risk Control Committee, the Office of the CEO, the Assets/liabilities Committee, the Risk Control Office, the Auditing office, the Legal Compliance and Legal Matters Department, the Finance Department, and all business units. Each segment of the company has clearly spelled-out obligations and every level of the company has clearly defined authorities.

Our Risk Management Organization

- **Board of Directors**
Audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, is ultimately responsible for risk management.
- **Risk Management Committee**
Is a committee established by the Board of Directors tasked with integrating all risk management operations, with supervising and assisting all the various risk management and related operations. The committee is also tasked with setting the various risk authorities, limits, and targets, for a centralized supervision of the status of all of the company's risk management efforts.
- **President Office**
Supervises the daily implementation of all of the company's risk management operations and authorizes any exceptions to the risk management protocols.
- **Assets/Liabilities Management Committee**
Controls the company's overall asset structure, collects and analyzes domestic and international interest rates, exchange rates, and economic changes.
- **Risk Control Office**
Is responsible for the drafting of risk policies and regulations, for monitoring market and credit risks, for monitoring liquidity risks, for compiling data on operational risk control and management, for constructing and maintaining the risk management system, for implementation of risk management systems and for ensuring company-wide regulatory compliance.
- **Auditing Office**
Sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, and implements daily check routines.
- **Compliance Division**
Implements legal risk controls and ensures that all businesses and risk management operations are in compliance with relevant laws and regulations.
- **Finance Department**
Monitors capital adequacy rates and liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios.
- **Business units**
Based on the company's risk management policies and regulations sets risk management guidelines for various businesses, and produces a report on abnormal risk items for the Risk Control Office.
- **Settlement & Clearing Department**
Implementation of risk control and management for settlement, clearing, and short-sale business operations. Implementation of risk management and business department risk management for transactions.

How can PSC make a contribution to the UN Sustainable Development Goals (SDGs)?

Our 3 CSR Targets	What we have done?	Relevance to SDGs
Exercising Corporate Governance	<ul style="list-style-type: none"> ○ Engraining CSR concept into our our corporate operations and development plans. ○ Holding corporate governance training classes. ○ Organizing corporate responsibility events. 	
Fostering a Sustainable Environment	<ul style="list-style-type: none"> ○ Posting water conservation reminders and installing automatic sensing faucet. ○ The use of eco-friendly equipment and supplies. ○ Increasing the usage of E-trading & E-processing of administrative affairs. ○ Removing and replacing outdated equipment with more energy-efficient models, followed-up by regular inspections. 	
Preserving Public Welfare	<ul style="list-style-type: none"> ○ Setting up an "Investor Area" on our website for easily obtain more information. ○ Establishing a complaint hotline for customer to seek assistance. ○ Requesting our main suppliers to sign the "Supplier Social Responsibility Commitment Letter". ○ Setting up a supplier approval process and regularly review our suppliers. ○ Annual employee blood donation drive. ○ Working with the Taiwan Fund for Children and Families to provide scholarships for underprivileged primary school students. ○ Setting up a complaints review access handling sexual harassment. ○ Having employee Complaint Window and a smooth communication system. ○ Holding professional training courses for individual needs. ○ Providing a series of health-care services and a clear salary and bonus policy. 	

Corporate Social Responsibility

3 pillars of Corporate Social Responsibility

- Exercising Corporate Governance
- Fostering a Sustainable Environment
- Preserving Public Welfare

For the implementation of the corporate governance, the Company's Board of Directors approved the "President Securities Corporate Social Responsibility Best practice Principles" on July 2nd, 2012. Our company has worked out "President Securities Social Responsibility Report", which indicates the related performance and has been put on our website. Implemental reports of "President Securities Corporate Responsibility Principles" were proposed in board meeting every year, and report of the year 2017 was proposed in the 17th meeting of the 10th Board of the company.

The Corporate Governance Evaluation System

The Company's final score in the Corporate Governance Evaluation System in 2016 was 94.85, which was among the top 5% of all listed companies. The Company was also the only listed securities company that received such recognition in three consecutive years and it received an award from the competent authority for the achievement.

However, the Company will not slow down after such impressive achievements. The Company is now actively seeking improvement measures for the few items where it failed to score such as lowering energy consumption and carbon emissions, lowering greenhouse gas, reducing water consumption, and other waste management. The Company is now planning and strengthening improvement measures.

In addition, the Company has organized institutional investor conferences in March 2017 and August 2017 to allow general investors to learn about the Company's operations and performance. With regard to 1. Whether the Company voluntarily establishes more Independent Director seats than required by regulations; 2. Periodic board performance evaluations; and 3. Voluntarily disclosure of remuneration to individual Directors and Supervisors -- the Company is currently actively studying these issues.

The Implementation of the Corporate Governance

Our Company uses multiple avenues by which to promote corporate responsibility education, including holding corporate governance training classes (May 9th, 2017, and August 23rd, 2017, for 6 hours in total); another such class is scheduled for May and August of 2018. We will continue to imbue the concepts of corporate responsibility into all Company activities and future development and thereby achieve real corporate governance. Corporate responsibility and corporate governance concepts have already been engrained in our corporate operations and development plans. Every year, our administration department plans CSR strategy and promotion projects, organizes corporate responsibility events, such as charity events, and, by April of every year, puts together a report for the board of directors on the activities implemented by each department.

Corporate Social Responsibility


3 pillars of
Corporate Social Responsibility


○ Exercising Corporate Governance


○ **Fostering a Sustainable Environment**

○ Preserving Public Welfare

In 2017, the Company's headquarters consumed :

 21,848 cubic meters of water which accounts for 1,573kg carbon emissions.

 1,507,797 kilowatt-hours of electricity which accounts for 797,625kg emissions.

 After deducting 100,000 kWh of Green Power Purchase, the annual carbon emissions were reduced by approximately **6.84%** from 2016.

The Company shall continue to promote environmental protection awareness among colleagues and it has established a goal of reducing carbon emissions by **1-2% in 2018** to build a greener enterprise.

In 2011, the Company published its first ever "President Securities 2010 Securities Corporate Responsibility Report", and has produced subsequent annual reports ever since. The reports are available online for download at the Company's corporate website, www.pscnet.com.tw. Our corporate social responsibility report for 2016 was published in November, 2017 and was certified by a third party (PwC Taiwan), using the "Non-Financial Information Auditing and Certification Letter" format that is in compliance with the Good Reporting Initiative (GRI) G4 guidelines and that covers all items required by GRI G4 reporting policies.

Environmental Protection Measures

Although the Company is a securities firm that does not produce any environmental pollutants, we still care deeply about protecting the environment, about reducing our impact on the environment, and about our responsibility for sustainability. The Company is also committed to green energy, environmental protection, and reducing waste in a sustainable manner. To this end, the Company place waste sorting receptacles on all floors of its facilities and is strict about adhering to recycling principles. All maintenance performed and all equipment purchased must be certified as environmentally friendly. The aim is to reduce the Company's overall environmental impact as the Company strives to reduce its overall carbon footprint.

President Securities operate financial services and, therefore, does not produce any environmental pollutants or waste. The main source of greenhouse gases that we produce is from our power consumption. In an effort to be increasingly environmentally friendly and to reduce our carbon footprint, we have implemented many initiatives aimed at replacing company equipment with low power consumption equipment. We have also implemented an electronic internal document management system and electronic account statements for our customers, so as to reduce our consumption of paper products. We also send out regular emails to all employees that discuss key environmental concepts.

In an effort to reduce our carbon footprint, the Company adheres to government policies on indoor climate controls, as well as removing and replacing outdated equipment with more energy-efficient models, followed-up by regular inspections. Every year a table is generating showing monthly water and electricity usage by department and any department that has exceeded its pre-determined limits must submit an explanation for the abnormality and its plan for corrective action. Plus, all departments are encouraged to keep environmental concerns and conservation in mind when making purchasing decisions so as to select and use equipment that is most energy-efficient. Another way that we help to lower our carbon footprint and greenhouse gas emissions is to regularly encourage employees to take elevators less and opt for taking the stairs as this is a very effective way to reduce carbon emissions. In all employee washrooms and kitchens, we have placed water conservation reminders and all taps have been outfitted with water stream reduction devices. Indeed, we have implemented environmentally friendly policies at all levels of the Company, by encouraging a high level of online trading, electronic processing of administrative affairs, all offices outfitted with environmentally friendly equipment and materials, water and electricity conservation initiatives, waste paper reduction policies, etc.

Corporate Social Responsibility

3 pillars of
Corporate Social Responsibility

○ Exercising Corporate Governance

○ Fostering a Sustainable Environment

○ **Preserving Public Welfare**

To boost work efficiency and solidarity among our employees, we place particular emphasis on benefits programs and labor relations, and thus ensure employee welfare in a comprehensive manner. General accident insurance has been purchased for each of our branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees. In taking care of our employees, besides setting up internal regulations in accordance with the Labor Law, we also conduct regular checks on the differences between our internal regulations and the Labor Law. We also provide opinion boxes for employees as communication channel in order to protect employee's legal rights.

Employee Rights and Hiring Concerns

● Established Employee Complaint Window

The company has established a complaint window where employees can register complaints regarding the Labor Standards Act, Labor Safety and Health Law, the Employee Welfare Fund Regulations, the Labor Insurance Regulations, the Labor Inspection Act, the Employment Welfare Act, etc., and, thereby diffuse potential management-labor disputes. Complaints can be submitted via email at: hr@uni-psg.com

● Setting Up a Complaints Review Access

In accordance with sexual harassment protection bill and sex equality in work place bill, our company has worked out measures of preventing, grievance-airing, investigating and handling sexual harassment. A committee is also set up to take charge of the related matters in order to prevent sexual harassment and protect victim's rights, including providing sexual harassment free environment.

Sexual harassment Tel.: (02)2746-3637

Fax: (02)2746-3799

E-mail: PSC.HEAR@uni-psg.com

● Safety Workplace

We focuses on the safety and health of the employees' working environment. Aside from improving the dangerous factors within the environment, we also hire a health management specialist, establish health consulting room, and offer employee health inspections on annual basis, with hope to let employee understand and manage their own health status in advance. President Securities provides health counseling, followed by follow-up health assessments. We organize regular health seminars and an online health and sanitation guidance system that provides preventative health information; we offer an employee activity center, gym, table tennis and billiards room, and we actively encourage employee clubs and groups, all to promote the physical and emotional wellbeing of our employees.

● Communication System

We have a system in place to enable smooth communication, it also provides its employees with the relevant information and application channels, thus ensuring that their working environment is a good and fair one.

i) The company has labor and employer representatives, who regularly hold labor-employer meetings to ensure sufficient communications between the two sides.

ii) Each department holds regular department meetings, employees' views and needs are sounded out during manager-level meetings and appropriate measures are taken thereafter.

iii)The company could achieve transparency through internal Official Document Post System.

● Career Planing and Career Development for Emolyees

The company provides a series of employee training about the Finance 3.0 and Internet in response to the trends of financial market. We create career planning and career development base on individual needs of staff's positions, such as the project of cross-selling for diversified products, human capacity building, strengthening occupational management and so on.

Corporate Social Responsibility

3 pillars of Corporate Social Responsibility

- Exercising Corporate Governance
- Fostering a Sustainable Environment
- Preserving Public Welfare

Participation in Public Service

The Company has taken concrete actions to cooperate with the Taiwan Fund for Children and Families from 2007 to 2017 to help children from financially challenged families with their studies. The Company also mobilized all employees and customers for joint participation and invested actual funds and various equipment to social welfare activities to fulfill corporate social responsibilities. The Company raised a total of NT\$2.1 million from 1,194 participants in 2017.

Since 2001, the Company has organized all employees in securities, futures, investment trusts, investment consulting, insurance brokerage, and President Securities Venture Capital as well as allowing customers to participate in the 'Love Delivery Activities' that provide children from financially challenged families with scholarships. A total of approximately 7,600 elementary school, junior high school, and senior high school students were beneficiaries. The activities have provided school children from poor families with opportunities to explore different academic disciplines for their own development and growth.

The Company organized the first employee blood donation event in 2006 and received a passionate response. Starting in 2007, the Company has organized two employee blood donation events every year and expanded the event to include community residents who have provided strong support. Starting in 2010, the Company organized three blood donation activities every year and a total of 223 bags of blood were donated in 2017. A total of 2,515 bags of blood have been donated from 2006 to 2017 and the Company has become a permanent partner of the Blood Center. The Company receives a letter of gratitude and commendation from the Blood Center every year.

President Securities Corp. upholds the spirit of 'giving back to the community what we take,' and we continue to dedicate ourselves to helping disadvantaged groups and to promote social welfare activities.

Customer Rights

We pay close attention to the protection of customer information so as to protect the rights of our customers. We adhere to all relevant laws and regulations with regard to product marketing and product disclaimers.

In keeping with the laws and regulations laid out by the regulators, and in an effort to protect the rights of our customers, we have established a complaint hotline where customers may seek assistance. We have put in place processes that protect the personal information and rights of the customers. Also, President Securities has received BSI and BS-10012 certification for its new account application process. We dedicated ourselves in rising professional ability of personal information protection, and will cautiously processing client information in order to protect customer rights.

We have assigned a spokesperson to be responsible for providing information to shareholders and investors, and for posting periodical and non-periodical financial and operating information on the government-operated MOPS website. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following:

- President Securities' design and sale of financial products adheres to all relevant laws and regulations.
- Company introduction in Chinese and English.
- Company financial statements.
- Board of Director meeting Minutes.
- Investor Suggestion Box, which is manned by Public Affairs personnel who are responsible for replying to all comments received.

Our Service (and production) Policy

● A Supplier Approval Process

We have put into place a supplier approval process, and also conduct regular reviews of those suppliers so as to ensure that they are all partners in good standing that are worthy of our continued business.

● Sign with Main Suppliers

The Company has requested main suppliers to sign the "Supplier Social Responsibility Commitment Letter" that requests suppliers to commit to the International Bill of Human Rights, follow labor regulations, provide employees with a fair, healthy, and safe work environment, abolish discrimination and unfair treatment, and follow related environmental protection regulations. Suppliers who violate the Commitment Letter may be requested to terminate contracts or suspend cooperation relations.

President Securities Group has been a long-standing supporter of important social charitable activities and, for its efforts, has been recognized with the 7th annual Wenxin Award and the 6th National Civic Service Award, and Top 50 by the Commonwealth magazine in 2013, 2015, 2016, and 2017.



Indeed, over the last several years, President Securities Corp. has planned and run a number of activities with groups such as the Taiwan Fund for Children and Families, the Taiwan Foundation for Rare Disorders, and the United Way of Taiwan. We assist these organizations by mobilizing all of our group's extensive resources, employees, and customers. We contribute real money and resources to causes that we believe in and, in doing so, meet our responsibilities as a good corporate citizen.



Integrity Application

Integrity Policies

Our company has always applied the principle of “integrity and sustainable management,” to serve our customers sincerely. We also inherit the spirit of “3 Goods and 1 Fair.” We protect clients’ rights with flawless service. We pursue long-term, steady and balanced growth in the spirit of integrity management.

Our Commitment

The company has established “Ethical Corporate Management Best Practices Principles” and “Fair Client Treatment Principles”, and strives to adhere to these concepts.

- The Company makes its corporate management and financial data publically available in a transparent manner as is required by the competent authority and underwent the authority’s 3rd annual corporate governance evaluation in 2016, scoring in the top-5 percent among listed company in Taiwan.
- Insure company directors, supervisors, and managers’ liability insurance, also employees’ credit insurance.
- The Company is active in participating in community activities, and in fostering sustainable development sustainable development.

Policies

- On August 23, 2012, the Board of Directors issued “Ethical Corporate Management Best Practice Principles” and revealed the principle in 2013 shareholders’ meeting. This proves the management’s commitment to Integrity management.
- To execute integrity management and prevent dishonesty, the company adds related rules to corporate governess (Chapter 10 article 48), which authorized by the Ministry of Labor and publicly announced. To prevent dishonest behaviors, the rules are clearly set in the company’s Work Rules and publicly announced.

The Company has established “Guidelines for Handling Reports of Unlawful or Unethical Behavior”.

- We have established a clear window for receiving complaints:
 - i) Complaint Hotline: (02) 2747-3637
 - ii) Complaint Email: hr@uni-psg.com
 - iii) Written Complaints: Complaints can be mailed or faxed to administration department.
- Clear protocols for handling complaints have been established as have confidentiality measures.
- Clear measures have been put in place to protect those who register complaints.

Enhanced Information Disclosure

In keeping with the company’s honest operation principles, we endeavor to disclose procedures for ethical corporate management both via our internal corporate network and via our corporate website (www.pscnet.com.tw).

Integrity Management Execution

- Before engaging in any business relationship with any agent, supplier, customer, or any other enterprise, we conduct a thorough examination of that party’s creditworthiness, so as to avoid entering into any transactions with non-creditworthy parties. Included in all agreements with third parties are provisions which allow for the early termination of such agreement in the event of any deceitful acts by that party.
- President Securities designates clear divisions of responsibilities among its employees, and, in 2012, the Management Department established the “President Securities Principles for Honest Operations,” whereby a special auditing office under the Board of Directors would periodically assesses whether the principles have been properly implemented, and then provides a report on the same to the Board of Directors.
- President Securities’ board is subject to a high degree of self-regulation, whereby any board motion that is suspected of having the potential to create any conflict of interest with the board or with any of its representatives or proxies must undergo evaluation and may not be included in the board agenda or voted upon by such party, and also may not be voted on by any representative or proxy of such party. Board members should exercise self-regulation and should not conspire to support one another’s improper actions.
- In order to ensure healthy and honest operations, the auditing office is required to submit a report on the adoption of the company’s principles for honest operation in its annual audit report, and should ensure that such principles are included in the company’s Work Rules. The Committee should also publish on the company website procedures for reporting problems and the corresponding punishments for such offenses.
- The company regularly publishes honest operation standards, and implements training courses on these standards for all new employees.

Other Disclosure

Information Regarding the Company’s Audit Fee and Independent Auditor

Accounting Firm	Name of CPA	Period Covered by CPA’s Audit	Remarks
PwC Taiwan	Hsiao, Chin-Mu Chang, Ming-Hui	2017.01.01- 2017.12.31	Attestation of Financial Statements
PwC Taiwan	Hsu, Chi-Chang		Attestation of Tax Returns

Independent Auditor Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA’s Audit	Remarks
			System of Design	Company Registration	Human Resource	Other	Subtotal		
PwC Taiwan	Hsiao, Chin-Mu	5,590	-	40	-	430 (Note)	470	2017	Attestation of Financial Statements
	Chang, Ming-Hui								Attestation of Tax Returns
	Hsu, Chi-Chang	980							

Note: Transfer pricing report fee and IFRS9 consulting fee.

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
Under NT\$ 2,000		0	470	470
NT\$2,000 ~ NT\$4,000		0	0	0
NT\$4,000 ~ NT\$6,000		0	0	0
NT\$6,000 ~ NT\$8,000		6,570	0	6,570
NT\$8,000 ~ NT\$10,000		0	0	0
Over NT\$10,000		0	0	0

Replacement of CPA Regarding the Former CPA

Replacement Year	2016		
Replacement reasons and explanations	PricewaterhouseCoopers (PwC) Taiwan job rotation.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	CPA
	PricewaterhouseCoopers (PwC) Taiwan job rotation	Lin, SK Huang, James	PSC
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
Remarks/specify details: None			
Other Revealed Matters	None		

Regarding the Successor CPA

Name of accounting firm	PricewaterhouseCoopers (PwC) Taiwan
Name of CPA	Hsiao, Chin-Mu and Chang, Ming-Hui
Year of appointment	2016
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Ownership of Shares in Affiliated Enterprises

As of March 31, 2018 Unit: NT\$ thousands

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
President Futures Corp.	63,817,303	96.69%	0	0	63,817,303	96.69%
President Capital Management Corp.	17,400,000	100.00%	0	0	17,400,000	100.00%
President Securities (HK) Ltd.	10,000,000	5.19%	182,600,000	94.81%	192,600,000	100.00%
President Securities (BVI) Ltd.	67,746,000	100.00%	0	0	67,746,000	100.00%
Uni-President Asset Management Corp.	14,904,630	42.46%	12,000	0.03%	14,916,630	42.49%
President Insurance Agency Co., Ltd.	1,000,000	100.00%	0	0	1,000,000	100.00%
PSC Venture Capital Investment Co., Ltd.	30,000,000	100.00%	0	0	30,000,000	100.00%

Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2017		As of Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Kai Nan Investment Co., Ltd.	1,568,770	0	0	0
Director and President	Lin, Kuan-Chen	149,387	0	0	0
Director	Leg Horn Investment Co., Ltd.	488,692	0	0	0
Director	Teng, Wen-Hwi	91,400	0	0	0
Director	Hui Tung Investment Co., Ltd.	401,711	0	0	0
Director	Ta Le Investment Holding Co., Ltd.	282,494	0	0	0
Director	Lee, Shy-Lou	330,073	0	0	0
Director	Duh, Bor-Tsang	165,021	0	0	0
Director	Kao, Shioh-Ling	149,216	0	0	0
Director	China F.R.P Corp.	212,381	0	0	0
Independent Director	Wu, Tsai-Yi	0	0	0	0
Independent Director	Lee, Kwang-Chou	0	0	0	0
Independent Director	Fu, Kai-Yun	0	0	0	0
Independent Director	Liang, Yann-Ping	0	0	0	0
Capital Market Department Vice President	Kuo, Li-Yun	7,545	0	0	0
Fixed Income Department Vice President	Tsai, Sen-Bu	12,337	0	0	0
Quantitative Trading Department Vice President	Huang, Jung-Jen	4,228	0	0	0
Finance Department Vice President	An, Chi-Li	6,153	0	0	0
Financial Product Department Vice President	Pan, Chun-Hsien	-22,734	0	0	0
Auditing Office Chief Auditor	Huang, Sha-Mei	32	0	0	0
Proprietary Trading Department Vice President	Yang, Kai-Chih	5,373	0	0	0
President Office Project Vice President	Lin, Chung-Heng	26,605	0	0	0
President Office Senior Project Assistant Vice President	Chen, Kai-Ching	3,819	0	0	0
Settlement & Clearing Department Assistant Vice President	Cheng, Yao-Tung	2,664	0	0	0
Capital Market Department Sales Vice President	Chueh, Chih-Chung	0	0	0	0
Compliance Division Assistant Vice President	Hung, Yung-Che	2,152	0	0	0
Administration Department Assistant Vice President	Yu, Hung-Chieh	225	0	0	0
Shareholder Services Department Assistant Vice President	Chang, Shao-Ping	28,833	0	-10,000	0
President Office Assistant Vice President	Chen, Nai-Chen	15	0	0	0
Mainland China Business Division Assistant Vice President	Chen, Long-Chien	3	0	64,969	0
Finance Department Assistant Vice President	Lu, Chia-Chen	92	0	0	0
Finance Department Assistant Vice President	Su, Wei-Lun	0	0	0	0
Financial Product Department Assistant Vice President	Chang, Chung-Lin	0	0	0	0
Information System Department Assistant Vice President	Lin, Jung-Hui	0	0	0	0
Capital Market Department Assistant Vice President	Chang, Chin-Yung	0	0	0	0
Capital Market Department Assistant Vice President	Tsai, Pao-Sheng	1,645	0	0	0
Fixed Income Department Assistant Vice President	Yeh, Ming-Chieh	0	0	0	0
Risk Control Office Senior Manager	Chang, Ping-Chuan	594	0	0	0
Brokerage Department Vice President	Lee, Wen-Sheng	2	0	0	0
Brokerage Department District Vice President	Chang, Hung-Shuo	55	0	0	0
Brokerage Department District Vice President	Chiu, Shyh-Tyng	42	0	0	0
Brokerage Department District Vice President	Chuang, Chi-Hung	6,527	0	0	0
Brokerage Department District Vice President	Lin, Li-Lin	240	0	0	0
Brokerage Department District Vice President	Tu, Ching-Feng	9,540	0	0	0
Customer Service Center Assistant Vice President	Huang, Hsien-Yi	0	0	0	0
Global Institutional Service Dept. Manager	Chung, Chih-Hung	0	0	0	0
Wealth Management and Trust Department Senior Manager	Chu, Po-Lin	0	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Tungshing Equity Department Manager	Kao, Jung	15	0	0	0
Tungshing Equity Department Manager	Hung, Yu-Ting	0	0	0	0
Tungshing Equity Department Manager	Tsai, Shu-Mei	0	0	0	0
Kaohsiung Branch Manager	Wu, Huan-Chung	0	0	0	0
Kaohsiung Branch Manager	Li, Yu-Min	0	0	0	0
Dunnan Branch Manager	Liao, Shun-Ping	0	0	0	0
Zhongli Branch Manager	Chiang, Tsong-Shyan	0	0	0	0
Chengzhong Branch Manager	Chen, Chih-Lung	0	0	0	0
Chengzhong Branch Manager	Huang, Chien-Hsin	0	0	0	0
Tainan Branch Manager	Tu, Ching-Feng	9,540	0	0	0
Taichung Branch Manager	Fang, Wu-Hsin	0	0	0	0
Taichung Branch Manager	Liao, Chen-Yin	67,511	0	0	0
Hsinchu Branch Manager	Lee, Chin-Yi	0	0	0	0
Chiayi Branch Manager	Tai, Kuo-Chun	0	0	0	0
Pingtung Branch Manager	Wang, Chien-Min	0	0	0	0
Keelung Branch Manager	Huang, Ming-Fa	3	0	0	0
Yonghe Branch Manager	Tseng, Chien-Ming	0	0	0	0
Xin Taichung Branch Manager	Yang, Kuo-Chen	0	0	0	0
Hsinying Branch Manager	Hsiao, Po-Ming	0	0	0	0
Changhua Branch Manager	Yu, Fu-Tsun	0	0	0	0
Taoyuan Branch Manager	Tung, Chiu-An	8	0	0	0
Yuanlin Branch Manager	Liu, Ming-Hsi	0	0	0	0
Sanchung Branch Manager	Kao, Hao-Chen	0	0	0	0
Fengyuan Branch Manager	Lin, Cheng-Feng	1,698	0	0	0
Shilin Branch Manager	Hsu, Fu-Chiang	0	0	0	0
Panchiao Branch Manager	Yu, Ping-Tse	0	0	0	0
Sanduo Branch Manager	Tsai, Yi-Chen	0	0	0	0
Xizhi Branch Manager	Hu, Wen-Chieh	0	0	0	0
Ilan Branch Manager	Chiang, Jen-Chu	0	0	0	0
Nanjing Branch Manager	Chang, Wen-Lung	0	0	0	0
Kuling Branch Manager	Chen, Te-Chang	0	0	0	0
Kinmen Branch Manager	Chung, Hui-Ju	0	0	0	0
Tucheng Branch Manager	Chen, Chun-Ming	0	0	0	0
Songliang Branch Manager	Lin, Yu-Ju	0	0	0	0
Songliang Branch Manager	Yeh, Yun-Sheng	0	0	0	0
Neihu Branch Manager	Chen, Chi-Heng	0	0	0	0
Renai Branch Manager	Yang, Chun-Chen	0	0	0	0
Xindian Branch Manager	Chiu, Shyh-Tyng	0	0	0	0
Xinzhuan Branch Manager	Chen, I-Ju	0	0	0	0
Xin Taoyuan Branch Manager	Wu, Shao-Kuang	0	0	0	0
Zhunan Branch Manager	Peng, Hsiu-Chin	0	0	0	0
Zhunan Branch Manager	Su, Yung-Sheng	0	0	0	0
Pingzhen Branch Manager	Li, Shu-Jung	0	0	0	0
Offshore Securities Unit Branch Manager	Lai, Chung-Chih	0	0	0	0
10% Shareholder	Uni-President Enterprises Corp.	15,501,487	0	0	0



IV. Capital Structure

Capital and Shares

Capitalization

Month /Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark	
		1,000 shares	Amount (NT\$ thousands)	1,000 shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash
Aug-2007	10	1,500,000	15,000,000	1,176,869	11,768,695	Capital Increase by Earning	None
Aug-2008	10	1,500,000	15,000,000	1,215,706	12,157,062	Capital Increase by Earning	None
Apr-2009	10	1,500,000	15,000,000	1,185,706	11,857,062	Cancellation of Treasury Shares	None
Aug-2010	10	1,500,000	15,000,000	1,231,933	12,319,334	Capital Increase by Earning	None
Aug-2011	10	1,500,000	15,000,000	1,304,646	13,046,456	Capital Increase by Earning	None
Dec-2011	10	1,500,000	15,000,000	1,284,582	12,845,816	Cancellation of Treasury Shares	None
Aug-2012	10	1,500,000	15,000,000	1,323,119	13,231,191	Capital Increase by Earning	None
Mar-2016	10	1,500,000	15,000,000	1,303,796	13,037,961	Cancellation of Treasury Shares	None
May-2016	10	1,500,000	15,000,000	1,295,248	12,952,481	Cancellation of Treasury Shares	None
July-2016	10	1,500,000	15,000,000	1,335,666	13,356,657	Capital Increase by Earning	None
Aug-2017	10	1,500,000	15,000,000	1,390,428	13,904,280	Capital Increase by Earning	None

Capital and Shares

Unit:Share

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	1,390,428,028	109,571,972	1,500,000,000

Structure of Shareholders

As of April 23, 2018

Structure of Shareholders Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Holders	0	1	124	38,618	158	38,901
Shares	0	40,141,992	762,372,593	458,934,606	128,978,837	1,390,428,028
%	0	2.887%	54.831%	33.007%	9.276%	100%

Distribution Profile of Share Ownership

As of April 23, 2018

Shareholders Ownership (Unit:Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	22,951	2,160,612	0.155
1,000 ~ 5,000	7,943	18,215,439	1.310
5,001 ~ 10,000	2,622	18,905,779	1.360
10,001 ~ 15,000	1,455	17,618,185	1.267
15,001 ~ 20,000	714	12,496,306	0.899
20,001 ~ 30,000	853	20,973,656	1.508
30,001 ~ 40,000	430	14,910,540	1.072
40,001 ~ 50,000	285	12,911,280	0.929
50,001 ~ 100,000	741	52,658,873	3.787
100,001 ~ 200,000	424	59,071,929	4.248
200,001 ~ 400,000	250	68,377,785	4.918
400,001 ~ 600,000	77	37,641,502	2.707
600,001 ~ 800,000	41	28,187,619	2.027
800,001 ~ 1,000,000	31	27,520,715	1.979
Over 1,000,001	84	998,777,808	71.832
Total	38,901	1,390,428,028	100

Major Shareholders

As of April 23, 2018

Shareholders	Number of Shares	Ownership (%)
Uni-Present Enterprises Corp.	393,586,559	28.306
Nan Shan Life Insurance Company, Ltd	69,023,461	4.964
President Securities' comprehensive Employee Stock Ownership Trust under Chinatrust's custody	40,141,992	2.887
Kai Nan Investment Co., Ltd.	39,831,460	2.864
President Chain Store Corp.	38,221,259	2.748
Eternal Chemical Co., Ltd	34,252,383	2.463
Tainan Spinning Co., Ltd	32,141,877	2.311
Kao Chyuan Investment Co., Ltd.	31,098,066	2.236
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	18,588,293	1.336
Dr. C. Y. Kao's Non-Profit Foundation of Culture & Education (In Memory of His Mother)	17,887,785	1.286

Market Price Per Share, Net Value, Earnings & Dividends for Latest Two Years

Item	Years	2016	2017	2018Q1	
Market Price Per Share	Highest	13.77	15.6	15.7	
	Lowest	10.5	10.9	13.9	
	Average	11.51	13.45	14.83	
Net Worth Per Share	Before Distribution	17.28	18.26	18.71	
	After Distribution	16.60	-	-	
Earnings Per Share	Weighted Average Shares (thousand shares)	1,337,200	1,390,428	1,390,428	
Dividends Per Share	Earnings Per Share	Before Distribution	0.62	0.08	-
		After Distribution	0.59	-	-
	Cash Dividends (NT\$)		-	1.2	-
	Stock Dividends	Retained Earnings	0.41	-	-
		Additional paid-in Capital	-	-	-
Accumulated Undistributed Dividend		-	-	-	
Return on Investment	Price/Earnings Ratio	18.56	7.15	-	
	Price/Dividend Ratio	-	11.21	-	
	Cash Dividend Yield	-	8.92%	-	

Dividend Policy & Implementation Status

Dividend Policy	Distribution of Profit
<p>We take a policy of dividend payment to maintain sound long-term financial structure and stabilize continual growth to maximize benefits to shareholders, in the following manners:</p> <ul style="list-style-type: none"> With regard to the surplus for the year (net of taxes payable and losses from previous years), after portions have been set aside in surplus reserves in accordance with the law and set aside or transferred to the special reserve in accordance with regulations, the balance and undistributed earnings (beginning of the year) may not be distributed if they do not make up at least five percent of paid-in capital. The total amount of dividend shall not be below 70% of the allocable profit as per the preceding paragraph. Out of the dividend which can be allocated according to the preceding paragraph, stock dividend shall not be below 50% and cash dividend shall not exceed 50%. Taking the operation situation of the year and the fiscal plan of next year into consideration, the company may decide the best stock and cash dividend on its discretion. 	<p>The Board adopted a proposal for 2017 profit distribution at its Meeting on March 26th, 2018, and the proposal to distribute 2017 profits is listed as follows:</p>
	Cash Dividend
	<p>NT\$1.2 per share</p>

Employees', Directors' and Supervisors' Remuneration

Articles of Incorporation	Estimate Foundation of Employees', Directors' and Supervisors' Remuneration
<p>The Board of Directors passed a motion on January 27th, 2016 amending the Company's Articles of Incorporation, which stated the company will distribute compensation to employees and the Directors from pre-tax profits. Where the company has pre-tax profits, the total value of funds to be distributed among employees shall not be less than 1.6% of pre-tax profits; while the total value of funds to be distributed among the Directors shall not be more than 2% of pre-tax profits. If the company has losses carried forward, compensation should only be paid to employees and Directors after funds have been set aside as reserve for such losses. This amendment was approved in the 2016 shareholders' meeting.</p>	<p>The company estimated employees' compensation in 2017 and 2016 to the amount of NT\$56,440,689 and NT\$18,079,749, respectively; And NT\$56,440,689 and NT\$18,079,749 for Directors' and Supervisors' Remuneration. These amounts are estimated as the account of salary expenses.</p>
Board of Director Passes Proposed Distribution of Employees', Directors' and Supervisors' Remuneration:	Actual Distribution of Employees', Directors' and Supervisors' Remuneration for the Former Year
<p>On March 26th, 2018, our Board of Directors passed the proposed allocation of employees' compensation and remuneration for directors and supervisor in 2017 as follows:</p> <p>Total employees' compensation of NT\$56,440,689 (2% of pre-tax profits) and total directors' remuneration of NT\$56,440,689 (2% of pre-tax profits).</p> <p>There was no difference between the estimates and the actual distributions approved at the Board Meeting for Employee bonus and Director/Supervisor compensation.</p>	<p>On March 23rd, 2017, the Board of Directors passed the proposed allocation of employees' compensation and remuneration for directors and supervisor in 2016 as follows: Employees' compensation amounted to NT\$18,079,749 while remuneration for directors and supervisors amounted to NT\$18,079,749. There was no difference between the estimates and the actual distributions approved at the Board Meeting.</p>



V. Overview of Business Operation

Business Environment

Description of Business Activities

Business Scope

- Underwriting business
- Proprietary trading of listed securities
- Brokerage for listed securities
- Proprietary trading of listed securities through retail locations
- Brokerage for listed securities through retail locations
- Consignment trading of foreign securities
- Securities margin purchase and short sale
- Money borrowing or lending in connection with securities business
- Securities borrowing and lending
- Shareholder services coordination
- Support for futures trading through equity-related business
- Concurrent operation of futures proprietary trading
- Wealth Management business
- Trust business
- Financial derivatives products approved by the SFC
- Offshore Securities business

Breakdown of Revenues for Latest Three Years

Unit: NT\$ thousands

Item	2015		2016		2017	
	Operating revenue	%	Operating revenue	%	Operating revenue	%
Brokerage	2,170,495	61.82	1,712,998	49.04	2,338,014	36.76
Proprietary Trading	1,195,609	34.06	1,580,483	45.24	3,771,989	59.31
Underwriting	144,715	4.12	199,953	5.72	249,982	3.93
Total	3,510,819	100.00	3,493,434	100.00	6,359,985	100.00

New Products and Services to be developed

The Company will comply with the opening of business by the competent authority and establish multiple platforms for new business such as loans for

open-ended funds lending, spot foreign exchange transactions, and settlement accounts ledgers to satisfy customers' diverse wealth management requirements.

Business highlights in 2017

Products and Services :

We offer a comprehensive range of financial services-brokerage, underwriting, proprietary trading, fixed income dealing, financial product development, wealth management, and shareholder services.

The following is a brief description of our primary business units.

Brokerage

Market Position	36 branches
Market Share	Market Share per branch
3.22% the 8th largest brokerage house	0.09% the 4th largest brokerage house

% of Electronic Transactions

2014	2015	2016	2017
43.43%	45.05%	49.71%	54.00%

- By offering a more all-inclusive market monitoring and order entry environment, we can provide services to a larger client base.

- We integrate our sales of all types of products available in the market and thereby offer more value to our existing clients.
- The trading system has integrated the trading functions of all products, and customers can use the same electronic trading platform for trading securities, futures, options, OTC stocks, sub-brokerage, fund, and overseas futures products.

Proprietary Trading

Market position :

Over the past 10 years, our proprietary trading department has been among the top every year. Regardless of the market trend, our proprietary trading department is able to accurately read the market and adjust its strategy accordingly and pick out the key trends and sectors. And, they are able to match this with effective futures hedging, risk management, and a diverse range of product trading strategies, resulting in big gains, and small losses. This has allowed us to retain a core proprietary trading team with considerable experience, which has become the envy of the industry.

Specialty product :

System application supported by quantitative analysis and technical indicator modules.

Fixed Income Dealing

Purchase and Sales of Government bonds	Monthly average Market Share 0.62% the 14th largest among the industry
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Underwriting (Capital Market)

Lead /CO underwrite	36 issued NT\$ 2.27BN
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New Products/Services in Development :

Our goal is to provide professional corporate financial services, to simultaneously act as both an effective market maker and also as a top-notch service provider, all with the aim of increasing the company's overall added value. Going forward we will continue to focus our energy on landing mid- and large-sized deals, and will continue to bolster our presence within the Greater China Region (i.e., TDRs, IPOs (including primary listings on the TWSE/TPEX Market, M&A, Private Equity, and consulting, etc.), so as to become a more competitive securities firm.

Quantitative Trading

Operating Performance :

In 2017, profitability of our futures proprietary trading division was among the top in the industry.

New Products/Services in Development :

As regulators continue to liberalize the industry and allow new financial products, we stand ready to add these new products to our trading and, in turn, to add to our revenue streams.

Financial Products

Warrents	Structured Products
1,405 issued NT\$ 20.04 BN the 5th among the industry	contracts undertook NT\$9.4 BN the 7th among the industry
	Outstanding NT\$3.2BN the 5th among the industry

In 2017, our Financial Products Division was primarily engaged in issuing new warrents, structured note products, and other derivative products authorized by the Taiwan's regulators.

New Products/Services in Development :

We persist in maintain transparency for our warrant products, fully disclosure of market making volatility, and providing reasonable pricing warrant products for investors.

Shareholder Services

Stock affairs	Representative for 145 companies (86 listed or OTC companies/ 59.31% of all companies serviced)
	the total number of shareholders served 1.77M

Operating Performance :

- The number of serviced companies in 2017 had a 4.3% growth compared to the number of service companies in 2016.
- The average number of shareholders we serviced in 2017 had a 5.36% growth compared to the previous year, thus allowing us to achieve a higher economy of scale and more efficient operations.

Long-term Objectives :

Actively expand the number of serviced companies to increase revenues.

Wealth Management & Trust

Trust Operations	account customer 8,526
management assets NT\$3.39BN the 10th among the industry	securities trusts NT\$0.78BN
	non-discretionary money trusts NT\$2.62BN

Long-term Objectives :

- Establish "wealth management platform" for Taiwan customers through wealth management and trust.

New Products/Services in Development :

The Department is expected to complete the establishment of the online fund network platform online seal verification and bank authorization payment deduction functions in 2018. It also plans to revise the wealth management website to provide customers more convenient transaction functions and more financial information.

Analysis of the Securities Industry

Overall Economic Environment

The global economy has continued to recover in the past year, leading to growth in the global stock markets. The United States continued to improve advance domestic manufacturing and implemented tax incentives after President Trump assumed office. Although the U.S. Federal Reserve has increased interest rates and started shrinking its balance sheet, U.S. stocks still continued to rise. In Europe, the European Central Bank continued its relaxation policies and the results of the French elections ensured the solidarity of the European Union and increased investor confidence. Although China has continued to reduce excess production capacity and implemented housing market adjustments and financial supervision, it has also continued to lower interest rates for small and medium-sized businesses and maintained appropriate levels of liquidity to maintain financial growth and economic growth.

In Taiwan, the domestic economic growth rate rose from 1.41% to 2.86% in 2017 mainly due to the launch of new mobile devices that increased demand for panels and semiconductors. Production of automated tooling machines propelled increased the growth in the manufacturing industry by 4.35%. The service sector saw rapid growth in the e-commerce market, strong demand in logistics, and increased stock market transactions which allowed it to grow by 2.26%. In the domestic stock market, although the strong appreciation of the NTD has affected companies' profitability forecasts and the North Korean nuclear development and missile tests have led to tensions between the United States and North Korea, the lowered taxes for day trading and continuous growth in the European and U.S. stock markets have rallied Taiwanese stocks to over 10,000 points. The TWSE weighted index rose by 15.0% from 9,253 to 10,642 in 2017. With the recovery of the domestic economy and the stimulation of lower tax rates for day trades, domestic funds have returned to the market and the daily average trading volume on the stock market rose substantially from NT\$77.5 billion to NT\$104.9 billion.

Looking ahead in 2018, the IMF has adjusted the global economic growth rate upward from 3.7% to 3.9% in January mainly due to the continuous recovery of the global economy and U.S. tax incentive policies. In Taiwan, the automobile electronics, IoT, artificial intelligence, and other technology applications gradually gained steam and increased the demand in the semiconductor industry. Forecasts of the Directorate General of Budget, Accounting and Statistics in February placed the annual economic growth rate in Taiwan at 2.42%.

In the securities industry, the one-year tax rate reduction scheme advocated by the FSC began in April last year and it is expected to be extended to three years and expanded to proprietary securities traders. In addition, the FSC intends to review criteria for companies to be listed on the stock exchange and the OTC in order to expand the capital market. The goal is to adopt diversified standards to attract companies of different operating scales to go public in Taiwan. These measures are expected to expand the scale of the primary and secondary markets and benefit the operations of securities firms.

Market Conditions

Breakdown of Market Share According to Business Area

Business Area	Component	Market Share	Rank
Brokerage	Equity Brokerage Trading Volume	3.22%	8
	Individual Branch	0.09%	4
Financial Products	Warrants Issued (Volume)	7.77%	5
	Structure Commodity Business Volume	2.77%	7
Fixed Income Dealing	Repo Transactions	1.23%	13
	Outright Purchases / Sales	0.62%	14
Underwriting	Lead Underwriting Deals(No./ Volume)	5/1.49%	10/10
	Co-Lead Underwriting Deals(No./ Volume)	36/2.81%	5/7

Future Business Development

In an effort to establish our core competitiveness, it is essential that we have a clear understanding of future trends in the securities industry and then establish a corresponding business development plan. We must also develop strategies that will allow us to accommodate business areas newly approved by regulators so that we are in a position to move quickly in these new markets. Accordingly, we see our business developing in the following ways:

- Continue to recruit exceptional talent, and thereby improve our competitiveness and, in doing so, increase our market share.
- Implement risk management practices and technologies, thereby improving profitability and stabilizing overall business operations.
- Improve IT and enhance e-business infrastructure.
- Offer professional asset management and provide personalized financial planning services.
- Develop foreign market to maximize proprietary trading profit.
- Be ready to move on market liberalizations and, in particular, business opportunities across the Hong Kong-PRC-Taiwan market.
- Groom talented researchers and thus raise our abilities in designing new products.
- Move forward with consolidation within the President businesses, thereby enhancing our securities business and financial services.
- Build and maintain alliances with financial institutions and corporations outside of the finance industry, relationships that allow for mutual cooperation and mutual benefit.

A Look at Future Growth as well as Supply and Demand in the Market

Looking ahead this year, the FSC will negotiate with the Ministry of Finance to extend the tax reduction for day trades and expand the eligibility to proprietary securities traders. This is expected to reduce investors' investment costs. In addition, the FSC intends to review diversified criteria for companies to be listed on the stock exchange and the OTC to allow companies that have not turned a profit to apply for entry to the market. It is expected to attract multiple companies of different scales of operations to apply for entry to the market and expand the scale of the capital market.

With regard to the brokerage business, the FSC has advanced the "Ten Arrows for Stock Market Stimulus" in 2017 that included "expanding securities dealers" scope of commissioned foreign ETF purchases by non-professional investors," "encouraging government foundations to invest in TWSE ETFs periodically at designated amounts," "reducing the securities transaction tax for day trading by half", and "relaxing restrictions on commissioned sales for daily securities lending". As a result, the daily average trading volume on TWSE in 2017 grew to NT\$135.88 billion. This measure breathed life into the securities brokerage business.

In addition, the competent authority continued to open related bond business, including allowing securities dealers to issue exchange-traded note (ETN) products, allowing securities dealers to operate private equity. The opening of new business means new opportunities that could stimulate increased market transactions. The Company has also remained active in planning related business in hopes of providing customers with more comprehensive product services.

In response to Finance 3.0 trends, the Company shall continue to enhance electronic ordering businesses and integrate functions on the transaction platform. The ratio of electronic transaction operations has reached 54.00% in 2017 and the Company will provide customers with safer information transactions to ensure the promptness and accuracy of orders and create advantages for the Company's electronic orders. In addition, the Company shall continue to develop a global transaction platform and provide customers with more international and diversified options once business development matures. It shall also provide quality services to increase customer satisfaction and build company reputation to achieve better performance.

As for our underwriting business, with competition for corporate fund raising deals increasingly intense, many corporations are learning that they have many options available to meet their financing needs, and that equity issues are not always their best option. As a result, companies that are properly screened and that demonstrate sufficient creditworthiness, as well as the preferred stock that issued by financial holdings companies and commercial banks, can often be better off turning to convertible bonds. Plus, with the number of large companies that have not already publicly listed shrinking and the demand for integration due to competition within industries increasing, financial advisory business and corporate funding such as private equity, mergers and acquisitions, capital reductions are growing.

The Taiwan government has also recently been actively encouraging foreign companies to consider Taiwan for primary and secondary listings, forcing most domestic underwriting departments to think more broadly and internationally. Add to this the regulators opening up of Offshore Securities Units (OSU), which allow domestic brokerage houses to become more international in scope. Going forward, the Company intends to pursue more international integrated investment banking business in the Greater China Region, and to pursue more foreign companies to list in Taiwan, thereby breathing new energy into Taiwan's equity markets.

The most significant variables in proprietary operations in 2018 are due to international politics and whether the basics of the global economy are sustainable. The implementation of President Trump's financial policies, uncertainties in European elections, North Korean issues, and China's relations with the United States and Japan could all affect stock market developments in the future. In the current period, economy growth in the United States is expanding and remains bullish. China's main policy goal this year is to extend the risk prevention and financial control policies from the previous year, and therefore offers relatively limited investment opportunities. The favorable investment period will occur in the first half of the year where there are fewer variables and the fundamentals of the economy remain strong. The uncertainties in the market in the first half of this year are similar to those experienced in 2017, and the base period factors, inflation issues, probability of trade wars, and increased P/E ratios could increase in the second half of the year. We have limited room for operations and the Proprietary Trading Department shall continue to adopt active strategies and mount a vigilant defense to maximize the profitability of the Department.

As for our financial products business, we will continue to pursue increasingly tailored products to meet the needs of our clients as the regulators open up new areas of business. This will require enhancing our hedging activities and risk management models, so as to lower risk and ensure stable returns. Going forward, as the regulators allow greater access to Offshore Securities Units business, we will pursue global equity business and develop foreign derivatives services so as to better diversify our revenue streams.

As for our wealth management business, we have already opened up all of our branches to be able to offer wealth management services so that they are available to all of our customers, thereby expanding the depth of our business. At the same time, we want to offer a full line of active wealth management products so as to offer more diverse assets allocation options. In addition, we have established fund trading function for our trading APP for portable devices, and it is expected that these added services will translate into increased revenues.

2017

The return of the weighted index to levels above 10,000 points increased the confidence of domestic investors and increased total transactions of the stock market and OTC market in 2017 by 7.8% relative to the previous year.

Product Trends and Relevant Competition

Proprietary Trading

i) Equities Markets

The Taiwan Stock Exchange rose by 1,389 points in 2017 as it posted its strongest growth rate (of 15%) since 2009. Since the index rallied above 10,000 points in May, it has stayed above 10,000 points for 156 days and rose to 10,600 before closing for the year above 10,000 points for the first time. International markets also performed well. The U.S. labor market has remained strong as purchasing power rose, leading to increased GDP each quarter. New industrial trends including 5G, AI, and IoT contributed to large capital expenditures. The PHLX Semiconductor Index rose by 38% in 2017, NASDAQ rose by 28.24%, and the Dow Jones Industrial Average also rose by 20.4%. Europe continued to relax the money markets and experienced an 8% growth due to improvements in the labor market. Emerging markets remained the centerpiece of growth in Asian stocks as the stock market in Vietnam grew by 48%, Hong Kong grew by 35%, and India grew by 28%. Only the Chinese stock market had its growth reduced to 8% due to adjustments in its risk prevention policies. The Taiwan Stock Exchange has trailed only the Dow in terms of growth in points and percentage. The main reasons for the better than expected performance included the recovery of the economy in the international environment as economic indicators for export growth returned to 29 points for the first time since 2014. The policies also continue to promote growth and the day trade tax rate reduction also substantially increased the average daily transactions from the NT\$77.5 billion in 2016. In addition, TWD appreciated relative to the USD from 32.36 to 29.60 by the end of the year and the money market contributed to the high levels of the Taiwan Stock Exchange as it rose from 9,253 points in January to 10,882 in November. As foreign capital continued to flow, the average daily transactions have reached NT\$138.03 billion, the highest in the last seven years. The turnover ratio rose past 80% and ended multiple years of stagnation. The weighted index rose 15% by 2017 and the OTC index rose by 18.65%. The TWSE index reached record levels relative to the past 10 years in the first quarter of 2018 and the Proprietary Trading Department achieved its best performance in TWSE operations last year.

The Proprietary Trading Department used opportunities in the growth of primary materials, substantial growth in Apple related stocks, growth trends in 5G, AI, IoT, and semiconductors and took long-term investment and quick short-term investment positions to make flexible adjustments to the stock inventory positions in accordance with changes in the stock market to minimize systemic risks. It also remained vigilant of the changes in the fundamentals of listed companies to conduct real-time adjustments of positions to exchange weak positions for strong positions. Coupled with hedging positions in futures to lower risks and losses, its performance in the TWSE led the industry. Overseas stock market operations also performed well overall with the Department's investment of vast numbers of personnel for research to fully grasp emerging international trends. The overall performance last year was outstanding. In the future, the Department will continue to intensify global macroeconomic research and flexibly adjust domestic and foreign positions and strategies as the foundation of its operations. It will grasp opportunities for profits in bull markets and diversify investments to expand sources for Department revenue. The Department plans to be among the leaders of profitability in the industry while maintaining its past competitive advantages.

ii) Risk Management

In addition to using VaR figures provided by the proprietary trading department's risk control office, stop losses and limit alerts are set for the stocks that each trader trades. Each trader is given trading limits and trading performances are updated in real time and, when necessary, trading authorizations can be immediately revoked. The effect of all of these measures is to ensure maximum protections for our shareholders.

iii) Hedging Operations

Futures and options are our primary hedging tools. Going forward, we will continue to use these financial products to adequately hedge our proprietary trading department's exposure.

Wealth Management

The total assets under the Company's non-discretionary individual management in 2017 was NT\$105.691 billion. The total assets in securities trust management was NT\$36.311 billion. The total assets under management was NT\$142.002 billion which was a 6% increase of NT\$8.079 billion from the NT\$133.923 billion at the end of 2016. Money trust business continued to grow and the scale of total managed assets grew by NT\$11.607 billion, equaling YOY growth of 12.33%. The securities trust and lending business declined as the scale of total managed assets dropped by NT\$3.522 billion, representing a YOY decline of 8.84%. The main reason for this development was the competent authority began to allow natural person dual-direction securities lending on the Taiwan Exchange which gradually dispersed customer groups.

The assets under the Company's special-purpose money trusts in 2017 amounted to NT\$2.617 billion. The total assets in securities trust management were NT\$775 million. The total assets under management were NT\$3.392 billion. This ranked the Company 10th among securities firms. The main products for wealth management were: sub-brokerage for foreign stocks, foreign ETFs, domestic funds, foreign funds, structural products ELN and PGN, and securities trust lending. The Company introduced the overseas bonds product line in 2017 and provided customers with more investment options in addition to Taiwan stocks and options.

In terms of the overall market, the trust securities lending business declined for all securities dealers due to the dispersion of customer groups. In terms of the money trust business, the overall scale of assets under securities dealers continued to grow, and grew by 12% from the previous year. However, the distribution has concentrated into two different groups as money trust assets of certain securities dealers continued to rise while others have experienced declines. Compared to the across-the-board growth for all securities dealers in previous years, the current trend indicates market competition has gradually intensified.

Underwriting Business (Capital Markets)

i) Domestic Bond and Equity Underwriting

As of the end of 2017, there were a total of 907 companies listed on the TWSE, and a total of 744 companies listed on the Taipei Exchange Market, a growth of 1.68% and 1.64% from 2016 respectively.

The Taiwan Stock Exchange rose above 10,000 points in 2017, and the domestic market has achieved growth and stabilized. The Department has actively fought for cases while maintaining risk management. Six underwriting cases led by the Company were submitted in 2017. Listed companies included NT\$400 million in secured convertible corporate bonds by PCL Technologies, NT\$200 million in secured convertible corporate bonds by Tung Kai Technology Engineering, a cash capital increase of NT\$1.19 billion for Capital Futures, a NT\$1.8 billion cash capital increase for the Bank of Kaohsiung, a NT\$1.62 billion cash capital increase for Ta Chen Steel, and a NT\$332 million cash capital increase for I Yuan Precision Industrial.

The Company shall continue to attentively screen cases, carefully select industries, and focus on company credit risks to provide public listing/OTC listing and fundraising services for companies with healthy finances or those in industries with an excellent outlook.

ii) Financial Advisory

We take great pride in providing professional corporate finance services. In recent years, our financial advisory business has also made great progress and expanded into advisory services dealing with employee stock option exercise prices, offering price for preferred stocks and stock repurchase by listed companies. We will no doubt continue to develop our financial advisory services business with a particular emphasis securities related consulting (i.e., IPOs mergers, private placements, and other consulting services) around the Greater China Region.

iii) Offshore Underwriting

The Company participated in five issuances of overseas corporate bonds in 2017 including US\$14 million for the Export-Import Bank of Korea, US\$30 million for ABN AMRO, US\$20 million for the Export-Import Bank of India, US\$20 million for Hana Financial Group, and US\$20 million for the Korea Development Bank.

The Company is also actively pursuing public listing and OTC listing operations of Taiwanese companies returning from China, Hong Kong, and Southeast Asia in accordance with market conditions.

iv) Emerging Market Exchange

The domestic economy faced a moderate growth in 2017. There were 274 companies listed on the Emerging Stock Board, a 1.11% growth from 2016. To capture more IPOs, the department has also been actively positioning itself with respect to emerging board targets. However, the IFRS's launch in 2013 has changed the way emerging board stocks will be assessed, and to take risk control into account, the number of officially recommended emerging board companies is 28 at the end of 2017. This year, the division will continue to compete for quality clients while maintaining risk control, and issue recommendations for emerging stocks based on the progress of its client counseling.

Fixed Income Dealing

i) Outright Purchases and Sales of Government Bonds

President gradually shifted its development focus to overseas bond markets and the market share in outright purchase and sales in the bond market have been relatively low. As liquidity in the overall public debt market has not significantly increased, we expect transactions in public debt this year to remain at low levels.

ii) Convertible Bonds, Futures and Options

The Fixed Income Department of President Securities Corp. has continued to reduce its convertible bond positions in 2017 mainly due to evaluations which concluded there were fewer sizable projects that provided profitable opportunities. The newly issued bonds were also at relatively high points on the market and the old bonds continued to expire or were converted. We have also reaped profits for our positions. Compared to the industry, the Company's investment strategy for convertible bonds mainly involves investment targets with low downside risks. The primary investments included bank-guaranteed convertible bonds and unsecured convertible bonds with stable cash flows that were issued by large companies. The Company holds fewer unsecured convertible bonds of smaller companies and therefore assumes lower overall risk when the market dips. Conversely, when the market goes up, it has smaller room for growth. The Company's mainly stable operations are unlikely to cause major losses. Domestic convertible bonds mainly include issuance of existing projects with investment value and downside protection. Issuance of foreign convertible bonds has increased in recent periods and is expected to continue to increase. The Company shall also increase investment opportunities in foreign convertible bonds while maintaining control of overall risks.

iii) Interest Rate Swaps (IRS)

After the IRS positions of the Fixed Income Department of President Securities Corp. expired in 2017, we have withdrawn from the market due to a lack of demand for related hedging for Taiwanese debt transactions.

iv) Foreign Bonds

With the opening of OSU operations, the domestic supervision authorities have continued to relax restrictions on domestic securities firms' investment in foreign bonds. The Fixed Income Department of President Securities has maintained outstanding profitability since it began transactions in foreign public debt and company debt markets. Its current strategy is to maintain robust growth while actively participating in transactions of USD, Euro, AUD, GBP and RMB-denominated public and corporate bonds. We have developed new transaction sectors in U.S. corporate bonds and emerging market fixed income products.

Financial Products Business

i) Equity Warrants

In 2017, there was a strong expansion in Taiwan's equity warrant market, with all securities firms aggressively issuing warrant products. A total of 26,910 equity warrants were issued in 2017, for a total dollar value of just over NT\$258 billion.

The total dollar value of all equity warrants issued by the company in 2017 was NT\$20 billion and the market share was 7.77%, ranked 5th in the market. Issue focuses mainly on the selection of stock performance with good Return on Equity (ROE) to create a win-win situation with investors and stable profits through different derivatives, futures, and options, etc., with hope to effectively lower hedging costs.

ii) Structured Note Products

In 2017, for the whole year, a total of NT\$59.22 billion in structure note products were issued with NT\$340.75 billion. For the year of 2017, President undertook contracts amounting to a principal of NT\$9.43 billion and was ranked 7th in the market.

R&D for Derivative Product

Various Technical Expertise and R&D

We have a complete financial engineering team that brings together talented individuals from finance and statistics with access to top-notch trading and valuation software, so that they can develop innovative product and trading strategies. With cutting-edge financial engineering at the forefront, we bring together comprehensive product development and advanced trading experience in designing new products, and in providing sophisticated derivatives products and consulting services for our customers. Plus, every year, we invest heavily in modernizing our warrant software so as to make our systems faster and more stable, and so as to offer a broader range of services to our customers.

Our Research Analysts, Their Training, and Our R&D Costs for the Most Recent 5 years

The company has been aggressively developing new products and working diligently to secure regulatory approvals for new products. Over the past 5-year period, we have spent an average of NT\$4.5 million per year on R&D efforts.

New products or Techniques Successfully Developed Within the Last 5 years

The company has been successful in the design and pricing of many structured note products, equity swaps, credit derivative products, as well as equity-linked derivative products, bonds and interest rates, and we stand ready to issue these products whenever appropriate market timing emerges. We have successfully developed several market operating strategies, as well as option market making models and strategies.

Electronic trading system improvements

The electronic trading market continues to grow and the company is able to raise customer service quality through an e-trading platform that is stable, convenient and diversified.

i) President Securities 2017 Electronic Trading System R&D Plan

System	R&D capabilities
Enhanced electronic customer services	<ul style="list-style-type: none"> Enhanced digital services are provided for convenience so customers do not have to visit a branch office. Use of OTP mechanisms to strengthen security for obtaining transaction codes for online mobile account openings. Customers can use the web to remove the transaction password lock online.
Optimization of the wealth management trading functions	<ul style="list-style-type: none"> Adjustment to the asset overview and investment portfolio for offshore bonds. New functions for customers to inquire about realized gains and losses. New single-login password modification function for the wealth management web service. Establishment of the mobile wealth management platform and integration of the existing President Securities app to add new wealth management fund transaction functions.
Futures electronic trading and electronic services	<ul style="list-style-type: none"> Online operations for electronic after-hours futures trading to increase transaction opportunities. Added electronic agreement signature functions to allow signatures for agreement forms by mobile phone or tablet computer. Added functions for online modifications of basic information for customers using handheld devices to allow customers to avoid the inconvenience of visiting a branch office.
Enhanced electronic trading stability	<ul style="list-style-type: none"> Update and upgrade of the electronic trading database. Expansion and replacement of related servers for different systems. Adoption of load balancing equipment to increase system availability.
Online account opening services for mobile devices	<ul style="list-style-type: none"> Provide a multi-function system in response to Finance 3.0 trends. Provide new customers with online account opening application services via mobile devices.
Online application for margin trading	<ul style="list-style-type: none"> In response to trading platform digitalization. Allow customers to open margin trading account through PC browser.
Optimized Sub-brokerage Order Entry System	<ul style="list-style-type: none"> Enhance order placing processes and interface, our trading APP & AP, and add international order execution (Shenzhen Stock). Added ETF risk declaration management functions.

ii) 2018 R&D investment plan and progress

Project Name	Details of Plan and Benefits	Project Plan	Expected Cost Outlay	Current Progress	Expected Completion	Critical Success Factors
Mobile Platform Introduction and Function Enhancements	<ul style="list-style-type: none"> The digital age is upon us and the [Mobile Operator Platform] enhances the power of all employees. It is a new tool for staff to provide services outside the office. The Mobile Service App Portal function continues to be optimized to provide quicker, more accurate, and more efficient professional customer service. 	<ul style="list-style-type: none"> The mobile platform for staff integrates all information required to be filled out by employees. Mobile Service App Portal: Integrates wealth management information and convenient services. 	15 million	Ongoing	Excepted to provide services in forth-quarter, 2018.	Completed project and all testing process finished step by step.
Improvement of Electronic Trading System	<ul style="list-style-type: none"> New online authorization and real-time payment deduction functions for the wealth management website. Optimization of the sub-brokerage trading website. Optimization of the wealth management trading website. Backup plan for the mobile transaction app. Mobile smart order functions. Enhanced backup for electronic trading. Establishment of cross-platform electronic service mechanisms. 	Respond to the roll out of new business areas and improve service quality while optimizing processes and intergrading systems.	22 million	Ongoing	Excepted to provide services in forth-quarter, 2018.	Completed design process; business process planning.

Market Supply forecast, growth opportunity, and business competitiveness

Our Competitive Strengths

- Our corporate image is solid.
- We respect professional management and leadership.
- Our horizontal organization and human resource costs are well-controlled.
- Our brokerage business market share grows up steadily.
- Our position management performance is outstanding in winning percentage.
- Our operating costs and risk management are both well-controlled.

Positive Factors

- The global economy is in recovery; consumption and investment are picking up, which will drive domestic economic growth.
- Capital is readily available and the cost of capital is quite low.
- FSC permits day trading to boost volume of market, and increase company profit.
- With competent authorities gradually widening the business scope of securities firms, the breadth of the company's operations will also be increased as well.
- Flexibility in proprietary trading business with industry-leading performance.
- Free from the shackles of a financial holding company and from restructuring and consolidation activities that would result from such M&A activities, employees can focus more on tasks at hand and the organization can enjoy smooth and unfettered development.
- Growth in online trading shows no signs of slowing down. The company's fast and reliable online trading technology is well-positioned to attract a new, young client base.
- The level of computerization and automation of information and processes is one of the highest in the industry leading to management practices with high efficiency.

Obstacles

- Financial holding companies have the advantage of capital employment and crisscross integration.
- It is hard to mark up brokerage handling charge due to fierce competition.
- The FED is gradually normalizing interest rates.
- Foreign investors are an increasing proportion of the market; domestic firms are at a disadvantage in terms of developing overseas clients.
- The gentrification of domestic population lowers demand for investments.
- The salary growth rate of the youth population grows slowly and the low amount of savings makes it difficult to begin investments.

- Through President Group, the firm and our employees have access to superb sales channels and myriad resources.
- The government continues to open up new business operations and expand the scope of investment. The large account taxation clause in the securities transaction taxation has been abolished.
- With structured note products now available, products can be custom designed for either retail clients or institutional clients, thereby retaining clients who would have otherwise been drawn to banks and financial holding companies.
- The government is planning to establish tax policies on financial products in line with international standards and this will encourage financial product innovation and spur new business.
- The company encourages a corporate culture that emphasizes innovation and rising to challenges.
- As financial markets continue to mature and the numbers of participants continue to increase, market liquidity and efficiency keep rising.

Strategies for Dealing with the Obstacles Identified

Shareholder Services Coordination

- Improve quality of service :
 - Respond quickly to legal changes which affect procedures and materials. Improve efficiency of training cycles. Develop employee knowledge on various regulations and procedures. Enhance mutual support and flexibility among employees. Increase efficiency of human resource utilization.
 - Enhance inter-department cooperation and verifications, thereby ensuring accuracy and security of processes.
- Enhance efficiency of operations :
 - Follow the internal objective of "Customer satisfaction, unceasing improvement and innovation", we will keep Increasing the satisfaction rate of agency business.

Fixed Income Dealing

- Expand internal databases and develop additional system tools to aid in increasing profitability.
- Expand the flexibility of our traders and the range of products they trade.
- Enhance judgment ability of global trend to deepen trading ability.
- Strengthen foreign bond research and trading personnel lineup to meet the growing needs of expanding businesses.
- Recruit experts for bond sales and underwriting operations to expand the business scope in bonds.

Brokerage

- Encourage various departments and subsidiaries to work together to develop new business.
- Develop our institutional client business, using asset management business to pursue corporate clients and combine that with our OSU business, and provide added-value services beyond our conventional securities services.
- Modify client structure so as to reduce the concentration of risks.
- Expand our spread trading business, increase mid-level customer trading volumes and position turnovers rates.
- Enhance internal auditing procedures, reduce client complaints.
- Customized online brokerage system for institutional and mid-level investors.
- Increase revenues from securities lending service to investors.
- Identify under-performing brokers and refocus them towards "Marketing" efforts as a means of making a breakthrough, or refocusing their efforts on cross-selling of non-traditional products.
- Cultivate all employees' abilities to cross-sell a range of financial products, particularly personal financial planning products and wealth management services.
- Focus on tiered, wealth management sales efforts that take into consideration client preferences, trading habits, and that provide appropriate product information and that increase trading frequency.
- Push forward with online brokerage business; implement comprehensive platform that integrates both information and trading systems. Bolster online trading system stability and order entry quality.
- Improve our employee training, assistance in preparation for related licenses, performance management, and information system knowledge, to upgrade our brokers' professionalism and productivity.
- Continue to bring in new blood, groom strong management trainees and financial planning professionals who are familiar with a wide range of products. Train back-office staff to take on sales roles thereby streamlining HR costs.
- Evaluate the feasibility of digitalizing all back-office operations so as to increase efficiency and to control costs at individual branches.
- Implement succession mechanisms for each level of the organization, strengthen our incubation center functions, retain good talent, solid management training programs, set incentive programs, encourage successors, smooth generational gaps.
- Set break-even point for each branch, consider the linkage between target customers and brokers' performance and branches' operation outcome, evaluate potential for future profitability, and adjust business direction.

Financial Products

- In terms of future opening to daily trade of stocks and warrants, we have already increased tools of futures and options, enhance transaction system effectiveness, lower transaction cost, and maximize profit.
- Be more responsive to consumer demand and develop new products to meet these demands.
- Strengthen market research and investment analysis of foreign market objectives and commodities to explore international securities business.

Underwriting (Capital Markets)

- Prior to taking initial steps on a given underwriting deal, consultations should be conducted with colleagues throughout the company's various departments and divisions so as to accurately access to the realistic profit opportunities and risks of the deal. Once a deal is ongoing, regular reassessments and revisions should be made in order to ensure the quality of the overall project.
- When acting as exclusive sales agent for an issue, a risk assessment report must be generated to determine if risks fall within the firm's accepted parameters. Afterwards, daily risk values should be generated and market simulations should be conducted to as so have a clear and timely picture of risk exposure and thus determine when to initiate stop losses or when to take profits. The net effect of all of these efforts will be to lower overall risk while pursuing the largest possible profit.
- Leverage clients from across our Brokerage Department, Financial Products Department, Shareholder Services Coordination Department, President Capital Management Corp., and Uni-President Asset Management Corp.
- Provide these clients with financial planning products customized for either retail or institutional business, thereby implementing an effective cross-selling network.
- Actively work with foreign business entities to seek IPOs or fundraising operations for foreign companies in Taiwan.

Wealth Management & Trust

- Help business personnel to obtain the relevant wealth management licenses and raise their professional competence.
- Aside from providing multiple products, we focus more on the depth of product service.
- Strengthen securities firms' niche on lending securities to differ from banking trust business.
- Construct mobile platforms that allow orders to be placed for all types of products, thereby offering clients added convenience and achieving Bank 3.0 objectives.

Quantitative Trading

- Diversify our trading strategies to better react to market changes.
- Aggressively pursue market-maker roles in foreign futures and options markets.
- Expand our range of foreign products traded and increase profitability in foreign products.
- Increase the proportion of order placements via automatic trading programs.
- Increased the integration of resources across multiple departments, thereby creating better synergies.

Proprietary Trading

- Recognize and adjust to different market conditions, switching between "Range Trading" and "Trend Trading" strategies, thereby maintaining an optimal market position.
- Strictly implement risk control regulations to effectively reduce the impact of systemic risk.
- Improve our research and trading of Emerging Market Exchange equities, foreign-listed equities, and futures markets, to create more diverse sources of revenue.
- Add quantitative analysis and technical indicator model analysis to our operating systems.

Environmental Protection and Corporate Citizenship

Environmental Protection

Based on governmental order #0950007006, each company is required to disclose in its annual report its compliance with the European Union's Restriction of Hazardous Substances Directive (RoHS). The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply.

Work Environment Safety and Precautions

The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply. Each branch office is required to select an individual to undergo training to be certified as a fire safety manager, and must establish a fire safety plan for the work premises in accordance with the law, and thereby ensure the overall safety of the work premises. General accident insurance has been purchased for each of the company's branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees.

Corporate Citizenship

President Securities Group has been a long-standing supporter of important social charitable activities and, for its efforts, has been recognized with the 7th annual Wenxin Award and the 6th National Civic Service Award, and Top 50 by the Commonwealth magazine in 2013, 2015, 2016 and 2017. The Company has taken concrete actions to cooperate with the Taiwan Fund for Children and Families from 2007 to 2017 to help children from financially challenged families with their studies. The Company also mobilized all employees and customers for joint participation and invested actual funds and various equipment to social welfare activities to fulfill corporate social responsibilities. The Company raised a total of NT\$2.1 million from 1,194 participants in 2017.

Since 2001, the Company has organized all employees in securities, futures, investment trusts, investment consulting, insurance brokerage, and President Securities Venture Capital as well as allowing customers to participate in the 'Love Delivery Activities' that provide children from financially challenged families with scholarships. A total of approximately 7,600 elementary school, junior high school, and senior high school students were beneficiaries. The activities have provided school children from poor families with opportunities to explore different academic disciplines for their own development and growth.

The Company organized the first employee blood donation event in 2006 and received a passionate response. Starting in 2007, the Company has organized two employee blood donation events every year and expanded the event to include community residents who have provided strong support. Starting in 2010, the Company organized three blood donation activities every year and a total of 223 bags of blood were donated in 2017. A total of 2,515 bags of blood have been donated from 2006 to 2017 and the Company has become a permanent partner of the Blood Center. The Company receives a letter of gratitude and commendation from the Blood Center every year.

President Securities Corp. upholds the spirit of 'giving back to the community what we take,' and we continue to dedicate ourselves to helping disadvantaged groups and to promote social welfare activities.

To encourage employees to live healthier lives, the Company provides all employees with a smoke-free work environment and arranges annual health checks for employees to improve their physical health. The arrangements are superior to legal requirements. In addition, the Company also conducts periodic blood donation activities and physical and spiritual health seminars from time to time to improve employees' overall health. The activities include sanitation education, policy, and the environment.

The Company also provides a spacious 200-ping sports center which is equipped with comprehensive sports facilities. It also actively promotes various club activities to promote healthier lifestyles for employees. Essentially, all such benefits and programs are designed to foster a harmonious relationship between employees and the company. Going forward, we are optimistic to continue to improve upon these relationships, always with the ultimate aim of allowing both the company and our employees to enjoy mutual benefit and growth.

Education and training courses, expenditures, and number of hours

The Company values education, training, and talent development. The effects of training in 2017 are described as follows:

● Assisting the brokerage system with training and project execution

i) Diversify product sales capabilities:

We continue to arrange basic training (product sales capabilities) for the sale of diverse products and expert training (management capabilities) for high-net-worth customers. We also use performance management mechanisms and continuous encouragement from supervisors to strengthen management measures and improve the sales capabilities and business goals of our products.

ii) Talent training:

A. Sales talents: Continue to recruit and train salesclerks and replace those with weak performances with those who have stronger performance to strengthen the business team.

B. Industry-academia collaboration: Continue to advance industry-academia collaboration with finance departments of major universities to reduce the gap between students' studies and their careers and fulfill our corporate social responsibilities.

iii) Industry trends:

The monthly President Class focuses on analyses of trending industries to provide colleagues with a greater understanding of industry trends to provide better service to our customers.

iv) Strengthening of management roles:

In response to the impact and business opportunities of financial technologies on the operations of the securities industry, supervisors must adopt active and responsible attitudes and understand the critical need for change. They must have innovative management and leadership capabilities to lead their teams to proactively respond to changes.

● Finance 3.0 Digital Transformation Training Program

i) FinTech lectures:

Lectures are organized for employees to continue to learn about trends in the development of the digital economy and robotic automation so allow them to adopt innovative thinking and "think outside-the-box" to respond to challenges.

ii) Digital marketing application courses:

These courses help departments plan effective content

marketing strategies and uses content marketing to increase the "stickiness" of customers. It effectively uses content marketing to reduce marketing costs and improves marketing impacts and improves sales performance.

iii) Digital analysis tool application courses -Tableau and Excel VBA:

The Company assists professional (project) employees in each department to make use of daily operations and marketing statistics by using data analysis tools to analyze and deconstruct data. This analysis is also used for decision-making and organizational execution. Repetitive daily tasks are made simple to improve work efficiency.

● E-training

i) The training system has been upgraded to version LMS6.4 and its functions are upgraded to improve the Company's management and implementation of training programs.

ii) The Company introduced the MPS mobile learning module to enable employees to learn on their mobile devices. QR codes are used for registration and sign out in actual courses which facilitates real-time management while reducing the use of paper. The module can be linked with Outlook for course time management and the supervisors can review employees' training results on the mobile platform and sign off on training documents.

iii) The Company purchases and produces training materials based on job requirements, integrates free resources, and selects various online materials suitable for various roles to encourage employees to learn on their own at any time. This allows learning to be more diverse and spontaneous.

iv) Marketing activities are used to encourage employees to make use of online resources and cultivate habits for continuous learning. The goal is to strengthen motivation for learning and improve their ambitions for improving digital transition.

● Cross-department communication

The Company organized three cross-sales project discussion meetings in 2017 to learn about business departments' strategies and key business goals of the current year to plan suitable courses and options to ensure the efficacy of studies and performance output. It also allowed employees to learn about the departments' ideas on training and establishes good communication channels.

● Application for government subsidies to reduce training expenditures

Human resources improve program: NT\$56,800

● The Company received the Bronze Award based on the Taiwan Talent Quality Management System (TTQS) of the Workforce Development Agency of the Ministry of Labor in 2017 & 2018, and won the Silver Award for six consecutive years from 2010 to 2016. We were the only winners in the securities industry.

Labor Relations

Employee Benefits

The company has always maintained a harmonious relationship with its employees. We have spared no expense in providing attractive employee benefits, in providing opportunities for personal growth, in providing a pleasant work environment, and in providing clear and accessible communication channels to all levels of management.

In addition, we go beyond simply offering benefits prescribed by Labor Standard Act, such as annual leave time and number of working hours. Employees also enjoy additional benefits such as group insurance for worker's compensation and accident medical care. As well, we offer employees funds for weddings and in time of bereavement, and organizes and subsidized employee outings aimed at strengthening relationships between the firm and our employees, and among employees themselves.

The company is committed to creating a reasonable, friendly, and efficient work environment for its employees, an environment that includes strong lines of communication for employees to express opinions and suggestions about the firm. With this in mind, the firm has established an "Employee Suggestion Center" and also organizes regular employee workshops to actively solicit, discuss, and then respond to employee concerns and suggestions.

In January of 2004, the company expanded its employee benefits to include an "Employee Stock Ownership Trust, (ESOT)", allowing those employees who participate to have a set portion of their monthly pay automatically deducted and placed in a special trust account, where matching funds will be provided by the company. The aim of this program is to promote long-term commitments from employees as well as encourage healthy savings habits and encourage responsible retirement planning.

Environmental Protection and Corporate Citizenship

Employee Data

Analysis of Average Tenure, Age, and Education, for Sales Force in 2016, 2017, and the first quarter of 2018

Item		2016	2017	2018Q1
Number of Employees	Management	108	110	112
	Regular Staff	1,390	1,353	1,356
	Total	1,498	1,463	1,468
Average Age		44.18	45.05	45.27
Average Tenure		12.39	13.09	13.18
Education (%)	Doctorate Degree	0.13	0.20	0.20
	Master's Degree	11.95	12.37	12.60
	Bachelor Degree / Junior College Graduate	73.43	72.80	72.55
	Senior High School	14.49	14.63	14.65
	High School or Less	-	-	-

Note: Management figures include position of "Manager" or senior.

Retirement System and Implementation Status

i) To encourage employees' long-term services and professional development, protect employee rights, and improve work efficiency, the Company has established the Employee Retirement Regulations in accordance with the approval granted in the National Taxation Bureau's (1989) Cai-Bei-Guo-Shiu-Shen-1 No. 112955 Letter dated November 12, 1989.

ii) The Company established the Employee Pension Fund Management Committee on October 11, 1994 with the approval of the Department of Labor of the Taipei City Government. After the implementation of the Labor Standards Act in March 1998, the Company established the Supervisory Committee of Labor Retirement Reserve in accordance with the laws. Related organization charters and retirement regulations have been approved by the Department of Labor of the Taipei City Government. The Company appropriates funds to the Trust Department of the Bank of Taiwan according to the appropriation ratio calculated by the actuary.

iii) The government implemented the new retirement system in the "Labor Pension Act" in July 2005 to handle employees' retirement. As of today, the Company has close to 1,400 employees enrolled in the new labor pension system. The Company complies with government policies and appropriates 6% of employees' salaries to the pension account in the Bureau of Labor Insurance each month.

Employee Disputes and Protection of Employee Rights

In accordance with the Labor Standards Act, the company has instituted its own set of work rules and has submitted a copy of these work rules to the Taipei City Government Department of Labor for approval. In addition to notifying all employees via internet of the content of these work rules, we also have posted a copy of these work rules on

rules, we also have posted a copy of these work rules on the company's internal corporate web site where employees may view a copy of these rules at any time.

To date, the company has made every effort to maintain a harmonious and fulfilling work environment for all of its employees and, as such, has not suffered any loss or damage resulting from any employee disputes, in the firm's entire history. And, the company has every reason to believe that this harmonious dynamic will continue.

Employee Data

Certifications and Qualifications Received by Employees	Auditing Office/47 employees	
	Qualified	Ratio(%)
Qualification Exam for Senior Securities Specialist	39	83.0
Qualification Exam for Securities Specialist	8	17.0
Qualification Exam for Futures	47	100
Certificate of Margin Trading and Short Selling	41	87.2
Qualification Exam for Securities Investment Trust and Consulting Professional	30	63.8
Proficiency Test for Trust Operations Personnel	41	87.2
Qualification Exam for Personal Insurance Representative	40	85.1
Qualification Test for Sales Personnel of Structured Products	2	4.3
Basic Proficiency Test for Bank Lending Personnel	4	8.5
Proficiency Test for Financial Planning Personnel	14	30.0
Basic Proficiency Test for Bank Internal Controls	23	48.9
Qualification Exam for Non-Life Insurance Representative	41	87.2
Qualification Exam for Stock Affair Specialist	6	12.8
Professional Capacity of Bonds Specialist	2	4.3
Bill Finance Specialist exam	1	2.1
Qualification Exam for Investment-orientated Insurance Product Representative	21	44.7
Proficiency test for corporate basic internal control	7	14.9
Wealth management salespersons	43	91.5
Qualification Exam for Securities Investment Trust and Consulting Regulations	8	17.0
Trust laws exam	4	8.5

Certifications and Qualifications Received by Employees	Risk Control Office / 4 employees	
	Qualified	Ratio(%)
Qualification Exam for Senior Securities Specialist	4	100.0
Qualification Exam for Futures	4	100.0
Certificate of Margin Trading and Short Selling	1	25.0
Qualification Exam for Securities Investment Trust and Consulting Professional	3	75.0
Qualification Exam for Personal Insurance Representative	1	25.0
Qualification Exam for Non-Life Insurance Representative	1	25.0
Bill Finance Specialist exam	2	50.0

Certifications and Qualifications Received by Employees	Finance Department/ 35 employees	
	Qualified	Ratio(%)
Qualification Exam for Senior Securities Specialist	30	85.7
Qualification Exam for Securities Specialist	4	11.4
Qualification Exam for Futures	12	34.3
Certificate of Margin Trading and Short Selling	5	14.3
Qualification Exam for Securities Investment Trust and Consulting Professional	8	22.9
Proficiency Test for Trust Operations Personnel	7	20.0
Qualification Exam for Personal Insurance Representative	7	20.0
Basic Proficiency Test for Bank Lending Personnel	2	5.7
Proficiency Test for Financial Planning Personnel	4	11.4
Basic Proficiency Test for Bank Internal Controls	6	17.1
Qualification Exam for Non-Life Insurance Representative	5	14.3
Professional Capacity of Bonds Specialist	2	5.7
Bill Finance Specialist exam	3	8.6
Proficiency test for corporate basic internal control	2	5.7
Qualification Exam for Securities Investment Trust and Consulting Regulations	1	2.9

Internal Legal Compliance and Material Information Management

We have set an "internal material information handling procedures" and assigned the Compliance Office to be in charge of internal major information in order to do coordination and prevent internal trading. In addition, our HR promotes education advocacy toward board members, managerial officers, and employees each year. In accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Listed Companies" and with the "Taiwan Stock Exchange Corporation Procedures for Press Conferences Concerning Material Information of Listed Companies", we have posted all such information on the company's internal corporate website where employees and managers may view it.

Within the Office of the CEO, we have established a Legal Compliance Department, which is tasked with ensuring that all of the company's processes and administrative procedures are in compliance with the most recent laws and regulations, that all activities are conducted in accordance with relevant laws and regulations. And in accordance with "Standard Directions for the Content and Procedures of Assessment of Legal Compliance of Securities Firms", this department is also tasked with conducting regular legal compliance evaluations of each department and each branch office and then conducting legal compliance training specific to their needs.

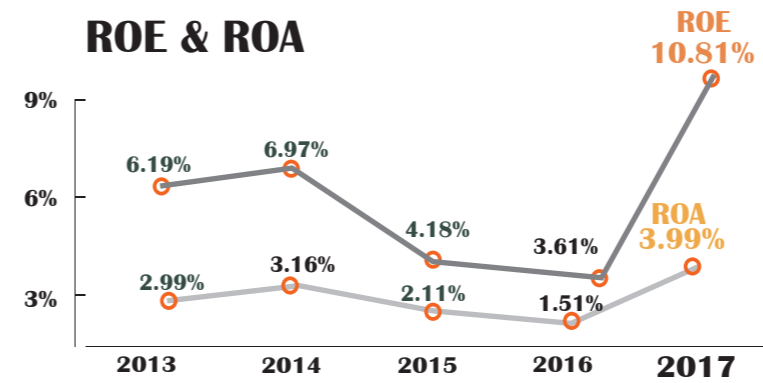
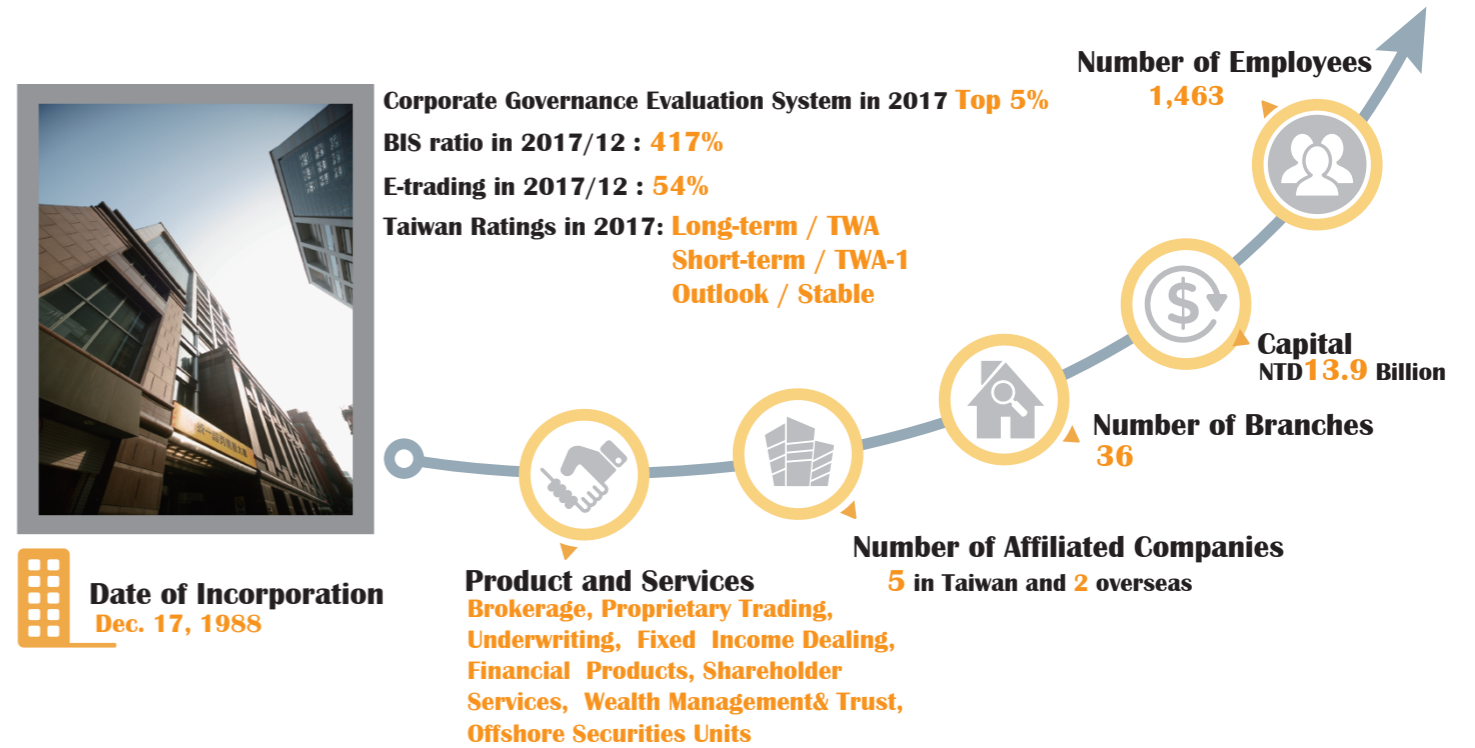
We have created a legal compliance section on our internal corporate website where we routinely post information on any recent amendments made to relevant laws and regulations. We have also set up a hotline where employees can call to learn more about insider trading, its key principles, definitions, and the potential civil and criminal exposures involved. All of these measures, taken together, provide our employees with appropriate and adequate legal guidance.

To comply with Personal Information Protection Act, our company established personal information protection system in 2013. We also gained "BS 10012" certification of England Standard Association in November 22, 2013. And we continue to undergo a three-year certification consulting toward our Shareholder Services department, started from 2017.

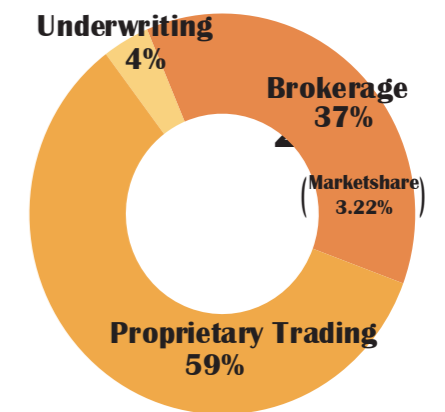


VI. Financial Information

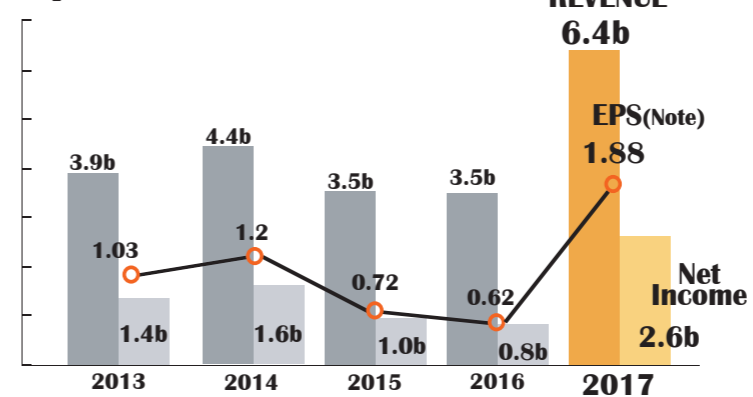
2017 Business Review



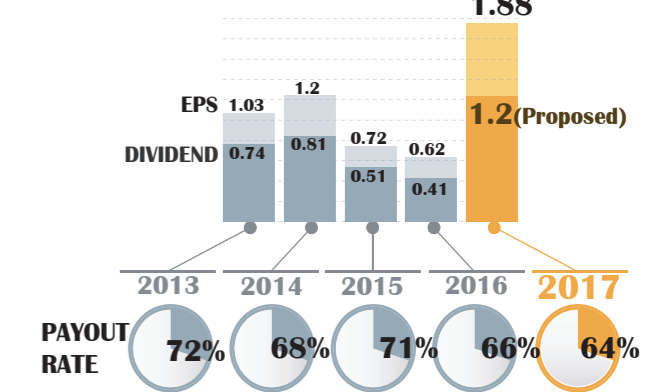
Revenue Composition



Operation Performance



Stable payout ratio



Note: Before retrospective adjustment due to applying changes in accounting principle and earnings distributions.



Consolidated Balance Sheet

Unit: NT\$ thousands

Item	2013	2014	2015	2016	2017	2018Q1
Current Assets	54,044,709	59,972,212	65,185,471	81,275,723	81,561,564	80,913,134
Property and Equipment	2,583,250	2,562,705	2,520,596	2,467,163	2,434,389	2,438,000
Intangible Assets	25,648	160,276	144,659	129,771	112,096	108,070
Other Assets	2,129,369	2,252,353	2,238,807	2,183,539	2,203,645	2,880,902
Total Assets	58,782,976	64,947,546	70,089,533	86,056,196	86,311,694	86,340,106
Current Liabilities	36,354,161	41,811,986	47,265,147	62,877,634	60,800,920	60,197,053
before distri.						
after distri.	37,333,270	42,883,712	47,525,906	62,877,634	Note	Note
Non-Current Liabilities	22,612	60,084	60,335	48,933	75,812	62,357
Total Liabilities	36,376,773	41,872,070	47,325,482	62,926,567	60,876,732	60,259,410
before distri.						
after distri.	37,355,882	42,943,796	47,586,241	62,926,567	Note	Note
Equity Attributable to Shareholders of the Parent	22,365,280	23,032,624	22,718,012	23,080,930	25,385,654	26,015,584
Capital Common Stock	13,231,191	13,231,191	13,231,191	13,356,658	13,904,281	13,904,281
Capital Reserve	256,116	256,116	256,116	142,702	142,702	142,702
Retained Earnings	8,877,942	9,431,778	9,307,717	9,432,286	11,397,045	11,397,045
before distri.						
after distri.	7,898,833	8,360,052	8,642,781	8,884,663	Note	Note
Other Equity Interest	31	113,539	201,014	149,284	-58,374	429,418
Treasury Stocks	-	-	-278,026	-	-	-
Non-controlling Interests	40,923	42,852	46,039	48,699	49,308	65,112
Total Equity	22,406,203	23,075,476	22,764,051	23,129,629	25,434,962	26,080,696
before distri.						
after distri.	21,427,094	22,003,750	22,503,292	23,129,629	Note	Note

Note.: Distributed earnings from 2017 have yet to be approved by shareholders.

Individual Balance Sheet

Unit: NT\$ thousands

Item	2013	2014	2015	2016	2017	2018Q1
Current Assets	44,043,845	48,083,939	52,172,205	63,516,085	66,854,475	63,455,624
Property and Equipment	2,409,970	2,393,640	2,354,427	2,295,097	2,260,981	2,264,751
Intangible Assets	13,644	115,878	103,000	85,761	62,317	57,482
Other Assets	5,456,000	5,914,021	6,121,445	6,094,357	6,082,755	6,781,208
Total Assets	51,923,459	56,507,478	60,751,077	71,991,300	75,260,528	72,559,065
Current Liabilities	29,525,131	33,408,421	37,963,799	48,852,745	49,788,572	46,470,419
before distri.						
after distri.	30,504,240	34,480,147	38,224,558	48,852,745	Note	Note
Non-Current Liabilities	33,048	66,433	69,266	57,625	86,302	73,062
Total Liabilities	29,558,179	33,474,854	38,033,065	48,910,370	49,874,874	46,543,481
before distri.						
after distri.	30,537,288	34,546,580	38,293,824	48,910,370	Note	Note
Capital Common Stock	13,231,191	13,231,191	13,231,191	13,356,658	13,904,281	13,904,281
Capital Reserve	256,116	256,116	256,116	142,702	142,702	142,702
Retained Earnings	8,877,942	9,431,778	9,307,717	9,432,286	11,397,045	11,539,183
before distri.						
after distri.	7,898,833	8,360,052	8,642,781	8,884,663	Note	Note
Other Equity Interest	31	113,539	201,014	149,284	-58,374	429,418
Treasury Stocks	-	-	-278,026	-	-	-
Non-controlling Interests	-	-	-	-	-	-
Total Equity	22,365,280	23,032,624	22,718,012	23,080,930	25,385,654	26,015,584
before distri.						
after distri.	21,386,171	21,960,898	22,457,253	23,080,930	Note	Note

Note.: Distributed earnings from 2017 have yet to be approved by shareholders.

Consolidated Condensed Income Statements

Item	Unit: NT\$ thousands					
	2013	2014	2015	2016	2017	2018Q1
Operating Revenue	4,613,318	5,163,297	4,580,843	4,497,543	7,270,066	1,275,846
Gross Profit	4,026,842	4,509,102	3,709,350	3,730,502	6,284,995	995,469
Operating Income	1,213,703	1,237,025	252,740	518,530	2,393,918	52,239
Non-Operating Income	275,784	554,338	855,964	418,981	450,055	83,768
Income Before Tax	1,489,487	1,791,363	1,108,704	937,511	2,843,973	136,007
Net Income (Loss) from Operations of Continued Segments	1,365,453	1,587,281	962,535	833,042	2,624,657	114,885
Net Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	1,365,453	1,587,281	962,535	833,042	2,624,657	114,885
Other Comprehensive Income (Income after Tax)	67,690	63,567	78,630	-88,465	-314,958	-55,695
Total Comprehensive Income	1,433,143	1,650,848	1,041,165	744,577	2,309,699	59,190
Net Income Attributable to Shareholders of the Parent	1,361,715	1,583,169	956,613	826,690	2,618,769	112,714
Net Income Attributable to non-controlling Interests	3,738	4,112	5,922	6,352	5,888	2,171
Comprehensive Income Attributable to Shareholders of the Parent	1,429,496	1,646,453	1,035,140	737,775	2,304,724	56,679
Comprehensive income attributable to non-controlling interests	3,647	4,395	6,025	6,802	4,975	2,511
Earnings Per Share	0.96	1.11	0.68	0.59	1.88	0.08

Individual Condensed Income Statements

Item	Unit: NT\$ thousands					
	2013	2014	2015	2016	2017	2018Q1
Operating Revenue	3,879,401	4,376,852	3,510,819	3,493,434	6,359,985	953,840
Gross Profit	3,544,028	4,001,642	2,976,415	3,086,106	5,715,963	772,844
Operating Income	1,140,334	1,161,197	65,588	384,592	2,333,898	-17,432
Non-Operating Income	327,338	606,199	1,004,456	511,418	474,303	139,274
Income Before Tax	1,467,672	1,767,396	1,070,044	896,010	2,808,201	121,842
Net Income (Loss) from Operations of Continued Segments	1,361,715	1,583,169	956,613	826,690	2,618,769	112,714
Net Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	1,361,715	1,583,169	956,613	826,690	2,618,769	112,714
Other Comprehensive Income (Income after Tax)	67,781	63,284	78,527	-88,915	-314,045	-56,035
Total Comprehensive Income	1,429,496	1,646,453	1,035,140	737,775	2,304,724	56,679
Earnings Per Share	0.96	1.11	0.68	0.59	1.88	0.08

Auditors' Opinions from 2013 to 2017

Year	Accounting Firm	CPA	Audit Opinion
2013	PricewaterhouseCoopers (PwC) Taiwan	Lin, SK / Huang, James	Unqualified Opinion
2014			
2015		Hsiao, Chin-Mu / Chang, Ming-Hui	
2016			
2017			

Consolidated Financial Analysis for the Past 5 Years

Unit: NT\$ thousands

Item	2013	2014	2015	2016	2017	2018Q1	
Financial Structure (%)	Debt Ratio	61.88	64.47	67.52	73.12	70.53	69.79
	Ratio of Long-term Capital to property and equipment	867.36	900.43	903.12	937.50	1044.82	1069.76
Solvency (%)	Current Ratio	148.66	143.43	137.91	129.26	134.15	134.41
	Quick Ratio	148.51	143.37	137.83	129.19	134.09	134.36
Profitability Analysis	Return on Total Assets	2.63	2.80	1.87	1.31	3.43	0.22
	Return on Stockholders' Equity (%)	6.20	6.98	4.20	3.63	10.81	0.45
	Pre-tax Income to Paid-in Capital (%)	11.26	13.54	8.38	7.02	20.45	0.98
	Profit Ratio (%)	29.60	30.74	21.01	18.52	36.10	9.00
	Earnings Per Share (NT\$)	1.00	1.16	0.70	0.59	1.88	0.08
Cash Flow	Cash Flow Ratio (%)	-	0.92	7.59	-	5.92	-
	Cash Flow Adequacy Ratio (%)	513.83	366.25	452.90	123.28	214.36	271.36
	Cash Reinvestment Ratio (%)	-	-	10.82	-	13.84	-
Other Ratio (%)	Debt to Equity Ratio	162.35	181.46	207.90	272.06	239.34	231.05
	Ratio of Property and Equipment to Total Asset	5.34	4.82	4.46	3.55	3.48	3.47
	Total Underwriting to Quick Assets Ratio	1.53	0.49	0.35	0.75	0.61	0.22
	Total Margin Loan Balance to Equity Ratio	51.40	58.11	45.84	37.58	44.88	45.37
	Total Short Sales Amount to Equity Ratio	7.14	7.98	7.66	6.56	8.64	4.25

Individual Financial Analysis for the Past 5 Years

Unit: NT\$ thousands

Item	2013	2014	2015	2016	2017	2018Q1	
Financial Structure (%)	Debt Ratio	56.93	59.24	62.60	67.94	66.27	64.15
	Ratio of Long-term Capital to property and equipment	928.03	962.24	964.91	1,005.66	1,122.77	1,148.72
Solvency (%)	Current Ratio	149.17	143.93	137.43	130.02	134.28	136.55
	Quick Ratio	149.09	143.86	137.34	129.93	134.23	136.49
Profitability Analysis	Return on Total Assets	2.99	3.16	2.11	1.51	3.99	0.25
	Return on Stockholders' Equity (%)	6.19	6.97	4.18	3.61	10.81	0.44
	Pre-tax Income to Paid-in Capital (%)	11.09	13.36	8.09	6.71	20.20	0.88
	Profit Ratio (%)	35.10	36.17	27.25	23.66	41.18	11.82
	Earnings Per Share (NT\$)	1.00	1.16	0.70	0.59	1.88	0.08
Cash Flow	Cash Flow Ratio (%)	-	1.08	8.51	-	6.27	-
	Cash Flow Adequacy Ratio (%)	482.87	358.52	432.31	118.15	183.46	255.64
	Cash Reinvestment Ratio (%)	-	-	9.33	-	12.08	-
Other Ratio (%)	Debt to Equity Ratio	132.16	145.34	167.41	211.91	196.47	178.91
	Ratio of Property and Equipment to Total Asset	5.53	5.06	4.70	3.86	3.61	3.73
	Total Underwriting to Quick Assets Ratio	1.87	0.61	0.44	0.95	0.74	0.28
	Total Margin Loan Balance to Equity Ratio	51.49	58.22	45.93	37.66	44.97	45.48
	Total Short Sales Amount to Equity Ratio	7.15	8.00	7.68	6.57	8.66	4.26

Audit Committee's Report for the Most Recent Year



Audit Committee's Review Report

To: The General Meeting of Shareholders as of year 2018

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and Earnings Distribution Plan. The financial statements have been audited and certified by Chin-Mu, Hsiao and Ming-Hui, Chang of PricewaterhouseCoopers Certified Public Accountants, who issued an auditors' report. The aforementioned Business Report, Financial Statements, and Earnings Distribution Plan have been reviewed and determined to be fairly presented as stated by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

President Securities Corp.

Convener of Audit Committee:

A handwritten signature in black ink, appearing to read "Kani Luy", is written over a horizontal line.

April 19, 2018



VII. Financial Status, Operating Results and Risk Management

Financial Status and Operation performance

Financial Status

Item	2017	2016	Unit: NT\$ thousands	
			Fluctuation Amount	(%)
Current Assets	81,561,564	81,275,723	285,841	0.35%
Non-Current Assets	4,750,130	4,780,473	(30,343)	(0.63%)
Total Assets	86,311,694	86,056,196	255,498	0.30%
Current Liabilities	60,800,920	62,877,634	(2,076,714)	(3.30%)
Non-Current Liabilities	75,812	48,933	26,879	54.93%
Total Liabilities	60,876,732	62,926,567	(2,049,835)	(3.26%)
Capital Stock	13,904,281	13,356,658	547,623	4.10%
Capital Surplus	142,702	142,702	0	0.00%
Retained Earnings	11,397,045	9,432,286	1,964,759	20.83%
Other Equity	(58,374)	149,284	(207,658)	(139.10%)
Attributable to Parent's ownership interest	25,385,654	23,080,930	2,304,724	9.99%
Non-controlling interests	49,308	48,699	609	1.25%
Total Equity	25,434,962	23,129,629	2,305,333	9.97%

Analysis of Operating Results

Item	2017	2016	Unit: NT\$ thousands	
			Fluctuation Amount	(%)
Operating Revenue	7,270,066	4,562,616	2,707,450	59.34%
Operating Expenses	4,876,148	3,979,013	897,135	22.55%
Operating Income	2,393,918	583,603	1,810,315	310.20%
Non-Operating Income	450,055	353,908	96,147	27.17%
Income before Tax	2,843,973	937,511	1,906,462	203.35%
Income Tax Expense	219,316	104,469	114,847	109.93%
Net Income	2,624,657	833,042	1,791,615	215.07%
Other Comprehensive Income (after Tax)	(314,958)	(88,465)	(226,493)	256.03%
Total Comprehensive Income	2,309,699	744,577	1,565,122	210.20%
Net Income Attributable to				
Shareholders of the Parent	2,618,769	826,690	1,792,079	216.78%
Non-controlling Interests	5,888	6,352	(464)	(7.30%)
Comprehensive Income Attributable to Shareholders of the Parent	2,304,724	737,775	1,566,949	212.39%
Non-controlling Interests	4,975	6,802	(1,827)	(26.86%)

Analysis of Cash Flow

Cash Flow Analysis for the Current Year (2017)

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Unit: NT\$ thousands	
				Investment Plans	Financing Plans
6,909,469	3,598,149	213,712	10,293,906	-52,472	-3,778,089

Remedy for Cash Deficit and Liquidity Analysis

Item	Year	2017	2016	Variance (%)
Cash Flow Ratio (%)		5.99	-	-
Cash Flow Adequacy Ratio (%)		215.65	123.28	74.93%
Cash Reinvestment Ratio (%)		14.01	-	-

Cash Flow Analysis for the Coming Year (2018)

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Unit: NT\$ thousands	
				Investment Plans	Financing Plans
6,463,345	1,530,896	3,761,013	4,233,228	-	-

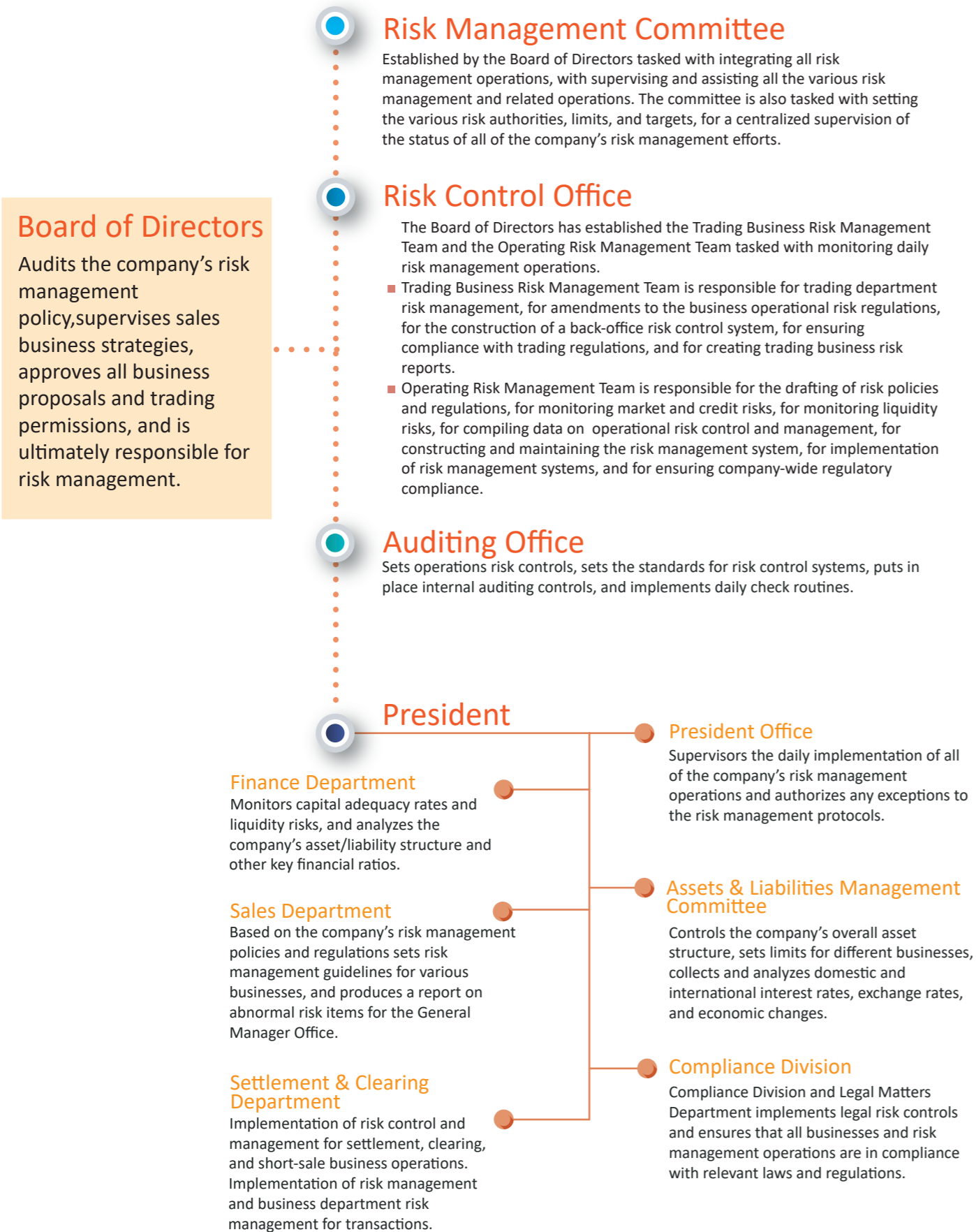
Long-term Investment Policy

In 2017, the company's domestic reinvestment operations generated healthy profits. Each subsidiary's operations will still be subject to strict risk control with timely stop-loss and stop-gain orders, so as to reduce risk and maintain steady development.

As for our present direct investment policy, we consider all areas of business currently permitted by Taiwan's regulators and look for effective cross-selling strategies and other possible synergies, with the overall aim of best leveraging all of the company's resources.

Looking to the coming year, we expect regulators to again open up many new areas of business. We will expand into these new business areas, develop and promote new financial products. In particular, we are looking to Hong Kong and the PRC as key areas of expansion to bolster our presence in international financial services and our cross-strait business.

Related Risk Management System Architecture



Analysis of Risk Management

Risk Management Policies

- In order to ensure that we have a solid an effective risk management system in place, our system has been developed so as to encompass all of our business areas. Then, with appropriate risk tolerance levels in place, we can effectively raise profits, create value for the company, and achieve our return on asset targets.
- By constructing risk controls for each individual business area, we are able to achieve a measured approach to risk management. Accordingly, each department is assigned risk parameters based on its respective responsibilities, thereby achieving layered yet comprehensive risk management.
- The company's risk management measures take into account the following forms of risk, market risk, credit risk, liquidity risk, operational risk, legal risk, and model risk.

Risk Evaluation Standards

The company has set risk management principles. In order to ensure that all of our organizations businesses adhere to our operating policies, operating goals, and capital levels, we must set suitability evaluation policies that can react to changes in our business and in the market:

Market Risk Evaluation

We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis to supplement missing risk values.

- We evaluate the completeness of the evaluation models on different business areas, and evaluate the assumptions, parameters, and data for various product models, and then test if the models for the various products are reasonable.
- We evaluate the effectiveness of risk control models, and regularly perform Back Testing to ensure the reasonableness of the models used.

Operational Risk Evaluation

- Operational risks refer to risks of damage caused by internal operations, inappropriate actions or errors of personnel or systems, or external incidents. The definition includes legal risks but does not include risks in strategies and reputation.
- We create operations risk policies handbooks that encompass each level of operations.
- Ensure the appropriate measurement, disclosure, and control of the operating quality based on risk assessment reports and auditing reports.

Credit Risk Evaluation

- Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp.
- Trading counter-partner credit risk: We assess our company's maximum exposure in the event that the counterparty defaults, and use maximum exposure limits set by the board of directors in determining the credit risk of a trading counterparty.
- Issuer's Credit Risk: We use KMV models to perform an internal evaluation, and combine that with financial data and stock price data, to calculate a probability of default. Based on these measurements, we then develop an internal evaluation, Z-Score model, to control the external credit risk gaps from issuers and augment.

Risk Factors and Corresponding Responses

Risk Factors

Management Crisis Risk refers to significant market changes, a lack of access to capital, or significant losses from direct investments, which affect a company's operations and cause losses.

Response:

- We have implemented a "Management Crisis Response Policy" that clearly lays out what steps should be followed in the event of a serious crisis so as to ensure normal operation of the company.

Market risk refers to dramatic changes in pricing or volatility in interest rates, equities, or foreign exchange rate that can result in serious losses to open positions.

- We will attempt to lessen the impact of such market risks through prudent business analysis, product analysis, and process analysis, so as to clearly identify sources of market risk. Based on this, we then set effective management controls; we monitor investment position risk levels, risk structure, and risk changes to ensure that they are all in line with our forecasts.

Credit risk refers to the exposure for underwriters for the terms and conditions of the securities that underwrite and for losses that may result from a counterparty being unable to fulfill its obligations to the security.

- In an effort to shield ourselves from potential credit risk, we conduct extensive credit risk evaluations prior to a deal being executed and then conduct repeated evaluations after the deal has been executed. Based on these evaluations and a maximum credit exposure scenario for the counterparty in question, we set credit risk limits for that counterparty. In evaluating the risk to the underwriter for debt-related securities, we look not only at the TCRI rating, but also at default rates based on KMV models.

Operational risk refers to the risk created when internal processes, employees, or systems are inappropriate or cause errors, or the risks caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.

- In order to reduce the probability of such operation risk occurring, we have created an operating manual that addresses every level of our operations, we perform regular audits of every business segment, as well as every work flow, every legal risk point, and every risk control point. Finally, we compile an audited risk report that helps us to ensure that our operating quality is properly balanced, controlled, and disclosed.

Legal/Regulatory risk refers risk related to non-compliance with laws and regulations governing our investment strategies and our business operations, and any resulting corrective orders or penalties from relevant authorities, or any civil or criminal actions taken against us. It also refers to risk related to our inability to perform our obligations under agreements that we have entered into with other parties.

- In order to reduce our exposure to legal/regulatory risks, we have created a Compliance Division and Legal Matters Department.
- Compliance Division ensures that all businesses and risk management operations are in compliance with relevant laws and regulations.
- Legal Matters Department implements legal risk controls.

Liquidity risk refers to position liquidity risks and capital liquidity risks. Sometimes losses can be suffered as a result of illiquid markets that make it difficult to open or close a position at normal market prices requiring that a position be either bought at a premium or sold at a discount. Capital liquidity risks result when positions are increased beyond planned levels, leaving the company with insufficient funds to meet settlement requirements for a position.

- In an effort to better manage liquidity risks, we have created centralized risk management standards that take into consideration all departments and that set position limits for each department. We also have a team that performs daily forecasts of capital requirements based on the needs of all company guarantees and service loans, and then monitors daily capital adjustments accordingly. We also produce a monthly "Capital Liquidity Risk Simulation Analysis Table" that analyzes multiple scenarios, forecasts the potential liquidity risks for those scenarios, and estimates the capital levels that each such scenario would require.

Model risk refers to potential situations where market values and other variables are beyond normal and predictable conditions and therefore exceed the ability of the model to handle.

- We effectively maintain and manage our models with particular emphasis on financial product risk management. We have created a set of "Model Use Management Procedures" that clearly spell out procedures for developing models, for validating models, for managing variables, and for discontinuing the use of problem models.

An Evaluation of Key Risks

Effects of recent interest rates, foreign exchange rate fluctuations, and inflation concerns on our company and our strategies for dealing with these concerns.

Interest Rate

Changes in interest rates have a direct impact on the income we derive from our fixed income-related businesses. In addition to conducting our own thorough research on domestic and foreign interest rate trends, we utilize various interest rate derivative tools as well a risk control system that manages our interest rate-related risks, that creates an effective interest rate hedging system for our fixed income-related businesses. Changes in interest rates also affect our company's financing costs. Going forward, we intend to utilize interest rate hedging and other capital raising avenues as ways to control our company's financing costs.

Bond and Interest Derivative Product Business:

The amount of our company's major interest products At March 31st, 2018, and the likely loss of NT\$180,463 thousand due to the 1% interest rate change (as show in the following table).

Unit: NT\$ thousands		
Item	Amount	Profit/loss based on 1% interest rate change
Government bond	2,596,232	-2,539
Financial bond	1,509,365	-1,555
International bond	2,797,750	-30,212
Foreign bond	12,355,448	-146,157
Sum	19,258,795	-180,463

Countermeasures:

Our Company has risk management rules and operational procedures on government bond, financial bond, foreign/international bond. Our company has put the interest risk under good control by pre-purchase assessment and risk control afterward.

Exchange Rate

The company's principal business targets and place of business are domestic; hence the impact of currency fluctuations is minimal. Potential foreign exchange risks include not just that arising from the par of exchange for foreign currency assets, but also that from foreign currency investment with respect to foreign reinvested or reinvested companies (when future earnings are repatriated or disposed). Whenever the company invests in foreign currency assets, FX swaps will always be in place to avoid foreign exchange risk. Since its overseas subsidiaries are running perpetual operations, the impact of exchange rate movements on long-term equity investments is limited to the changes to book value and does not affect profits and losses.

At March 31st, 2018, the company's main exchange rate product positions, and 1% exchange rates fluctuation may result in a loss of NT\$164,723 thousand (as show in the following table).

Countermeasures:

Our company's transactions of foreign stock, international bond, and foreign bond have risk management and standard operating process. The business above was lower the risk of exchange rate by trading foreign exchange swap.

Inflation

The CPI growth rate in 2017 Q4 was 1.22%, which had no meaningful effect on operations or on profits.

Borrowing:

The main risk of borrowing is the fluctuation of interest rate. Our company can adjust methods, conditions and terms of borrowing according to the likely interest changing trend. We can also avert risks through the product of interest exchange etc. Our total debt amount of short-term borrowing and payable short-term bill totals NT\$10.75 billion on the end of 2018 Q1. They are both borrowing with interest rate risks. With every 1bp change in market interest rate, our company has to pay NT\$1.08 million more interest every year.

Countermeasures:

Looking at a potential rise in interest rates, we will keep a close watch on the markets and on business demands and will make adjustments to our positions accordingly. In a resolution adopted by the Taiwan Central Bank in March of 2018, With uncertainties in the global economic outlook for 2018, the moderate pace of domestic economic recovery and inflationary pressure, combined with future inflation expectations, tightening of financial conditions, and real interest rate levels that are considered to be appropriate -- the interest rate for current policies (annualized rediscount rate, secured financing interest rate, and short-term financing interest rate are 1.375%, 1.75%, and 3.625% respectively) is helpful for stabilizing prices and market order, and triggering economic growth.

It is expected that interest rates will remain stable over the coming year and that our Company's risks related to the changes of the rates will remain low.

Unit: NT\$ thousands		
Item	Position	Loss resulted by 1% exchange rates fluctuation
Foreign Stock	1,277,968	-26,797
International Bond	2,797,750	-16,534
Foreign Bond	12,355,448	-121,392
Total	16,431,166	-164,723

Recent High-Risk or High-Leverage Investments, Loans to Third Parties, Pledges Given for Third Parties, Derivative Products Trading Policy and Profitability and Losses, Reasons for Losses and Strategies for Correcting Such Losses Going Forward.

In 2017 Q4, we did not engage in any high-risk or highly-leveraged investments, did not provide any loans to third parties, and did not provide any pledge for any third parties.

We only trade those derivative products which have been approved by the relevant authorities and which are permitted by our company's Articles of Incorporation. We have also created and follow a "Derivatives Trading Procedures" in an effort to further reduce our exposure to related risk.

Future Development Plans and Expected R&D Investments.

To assist with our development of ever-better products and trading strategies, we have assembled a professional financial engineering team, which brings together experts from finance, statistics, mathematics, and information technology, to create trading and valuation software and hardware resources. Our annual spending on human resources and R&D in this area is in the millions of dollars every year. Please see Chapter 5 for more information on the status of our operations and on our R&D efforts.

The Company's wealth management trust activities have grown significantly in both the number of customers and managed assets. Under the existing account system structure, we plan to complete the establishment of online transaction approvals and authorized payment deductions for funds using the online platform in 2018 to provide customers with a more convenient transaction platform and a more extensive product line. We also seek to optimize the customer relationship management system (CRMS) to increase the trust of our customers.

Effects of Industry Changes and Technological Changes and Measures for Dealing with These Changes.

In response to the changing financial and technological environment, the Company shall create a diversified, fast, stable, and secure electronic ordering platform a top development priority. In the pursuit of this goal, the Company shall continue to promote system upgrades and development to steadily increase the ratio of the Company's electronic orders in the coming years.

In response to finance digitalization and portable devices innovation, the Company is planning to upgrade our internet platform from PC-based software systems to mobile device platforms; and thus provide our clients an integrated APP investment service platform. Via the upgraded system, we can provide our employee a more instant and interactive customer service platform, and will bring more revenue and new business opportunities.

In addition, in response to the FSC's requirements for strengthening information security in the financial market, the Company will continue to use existing information security management regulations (ISO-27001), internal auditing and periodic reviews by third-party certification institutions to enhance the management system. The Company shall also invest specific amounts in the annual budget on the enhancement of the protection of the information security framework. The Company shall also invest specific amounts in the annual budget on the enhancement of the protection of the information security framework.

In 2017, the Company has arranged third parties to conduct tests on the information security operations center (SOC), dual ISP backup architecture, and periodic joint prevention tests. The Company also seeks to enhance the stability of the operations and maintenance of the computer center, establish ISP information security defense mechanisms, and update information security equipment in accordance with annual project plans. The goal is to increase the stability of the information system and prevent risks in external information security attacks in order to achieve the goal of fair transactions with investors and create wealth with customers.

Significant Impairment of Corporate Image and Measures for Dealing with that Damage.

Our company has a core philosophy of "Good Quality, Good Credibility, Good Service and Fair Prices". This is combined with the concept of "Professional Leadership, Kind Service". President has been a long-standing supporter of important social charitable activities and devoted to fulfill corporate social responsibility. Since the date of the establishment, President has no negative corporate image issues to report.

Litigations or non-contentious matters.

- Major lawsuits, non-contentious matters or administrative procedures with a determined court ruling or that are still pending, that may significantly affect the shareholders' equity or the stock price of the Company (over the previous two years and up to the time that this annual report was published): The loss had already been designated for litigation. The conclusion of judgement will not cause significant effect on shareholder rights and the company's share price.
- Any Company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that is involved in any judgments already handed down or any ongoing litigation, non-litigation, or administrative action over the previous two years up to the time that this annual report was published, the potential effects on shareholder rights and on the company's share price, the key facts of the dispute, dollar values involved, the date that the litigation was initiated, the key parties involved, and the current status of said litigation(s): None.
- Any company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that has been found in violation of Article 157 of the Securities and Exchange Act over the previous two-year period and up to the time that this annual report was published, and the current status of any related action taken or being taken against that person: None.

Effects of Significant Policy and Legal Changes both in Taiwan and Abroad and Measure for Dealing with These Issues.

We are constantly on watch for significant policy and legal changes both inside Taiwan and abroad and, to that end, routinely enlists the help of professional legal and accounting firms to assist in evaluating these changes, to help create effective responses to these changes, and to ensure compliance with these changes, thereby working to reduce the effects of policy and legal changes on our business. In recent years, we have been quite effective in adjusting to policy and legal changes both within and beyond Taiwan and, thus, our overall solid financial health has seen little impact from such changes.

- The FSC issued the Jin-Guan-Zheng-Tou No. 1060005227 Order on April 20, 2017 to allow financial institutions to apply for tax abatement for research and development activities and for an application of deferred taxation for shares allocated as remuneration for employees. This measure encourages financial professionals to conduct research and development of patents and encourages financial innovation. It also provides companies with tax abatement for investment in research and development. The Company shall make applications in the future to meet these policy requirements.
- The FSC issued the Jin-Guan-Zheng-Quan No. 1060001736 Order on May 18, 2017 to allow securities dealers to lease their places of operations to other businesses provided there are obvious signs of segmentation. The Company shall make proper arrangements after planning its overall brokerage business strategy.
- The FSC issued the Jin-Guan-Zheng-Quan No. 10600272096 Order on August 18, 2017 to require offshore securities units (OSUs) to verify customer identity in accordance with the Money Laundering Control Act and related domestic regulations and to integrate such procedures into internal control and auditing items. It also allowed OSU branches to conduct verification of customer identity for foreign customers with the assistance of third-party foreign institutions or professionals. The purpose of these regulations is to strengthen the appropriateness and legitimacy of obtaining sufficient information from foreign customers and use objective professional third-party institutions to verify the validity of foreign companies established by customers utilizing verification of this important information.
- The Jin-Guan-Zheng-Jiao No. 1050046067 Order extended the security lending transaction time starting January 9, 2017. The Jin-Guan-Zheng-Jiao No. 1060004431 Order amended the restrictions on the total shorting of stocks starting February 23, 2017 to allow for the increase of the maximum ratio of security lending proxy quantities to 30% of the average transaction volume of the marketable securities from the previous 30 business days. The Jin-Guan-Zheng-Quan No. 1060004899 Order allowed offshore foreign institutional investors to act as lenders in the security lending system starting July 31, 2017. It canceled the QFII restrictions for the participants of the security lending system and relaxed restrictions for renewed lendings. The aforementioned measures will help the Company expand its securities lending business.
- The Ministry of Finance, pursuant to FSC policies, added Article 2-2 to the Securities Transaction Tax Act and reduced the tax rate for day trade transactions by way of the Order of the President under Hua-Zong-Yi-Yi No. 10600050391 issued April 26, 2017. The measure is implemented for one year from April 28, 2017. This means that when securities dealers are commissioned to purchase the same type and same quantity of stocks listed on the Stock Exchange or OTC and sell them on the same business day in the same account, each securities transaction shall be imposed with a securities transaction tax of 1.5 thousandths of the transaction strike price. This measure has effectively increased market transaction volume and liquidity. It not only encourages investors to invest in the market, but also helps the capital

markets raise funds. It revitalizes the securities market and increased the momentum of the Taiwan Stock Exchange.

- The Taiwan Stock Exchange issued the Tai-Zheng-Fu No. 1060015757 Order announcement on August 24, 2017 to allow securities dealers or securities transaction brokers to establish centralized hot-line centers for different regions. Centralized hot-line centers may be established in special transaction rooms that accept non-face-to-face proxies. If securities dealers establish centralized hot-line centers whose business activities do not accept face-to-face proxies, they do not have to establish a branch for operations or transaction rooms. The Company shall make proper arrangements after appropriate analyses and evaluation.
- The Taiwan Stock Exchange issued the Tai-Zheng-Zuo No. 1060702117 Order announcement on October 5, 2017 to allow securities dealers to apply for co-location services. The service effectively increased the speed of the Company's proxy orders and market information. The connection system no longer passes through the wide area network (WAN), but instead uses a direct connection in the same server room. In addition to increasing the network transmission efficiency, it also greatly improves the security and stability of the work environment. The Company is a "Stage One" user.
- The Ministry of Justice issued the "Terrorism Financing Control Act" in the Hua-Zong-1-Yi No. 10500080971 Presidential Order on July 27, 2016 and amended the "Money Laundering Control Act" on December 28, 2016 (enters into force on June 1, 2017). On June 28, 2017, the FSC issued the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Sector." The regulations require securities firms to enhance Know Your Client (KYC) measures and evaluate and classify customers based on their risk attributes to build monitoring mechanisms for anomalies in day-to-day transactions. If suspected money laundering transactions are discovered, the competent authorities shall be notified immediately. In addition, sufficient numbers of anti-money laundering supervision managers shall be established in all business units.
- The FSC issued the Jin-Guan-Zheng-Quan No. 1060045983 Order on December 5, 2017 to relax the total external debt of securities dealers from four times to six times its net value. This amendment would increase the flexibility of the Company's financial operations and efficiency of capital use and help respond to requirements for the future development of new businesses.
- The Taiwan Securities Association issued the Zhong-Zheng-Shang-Qi No. 1060005829 Letter on October 17, 2017 to amend the "DSU Accounting System Template" and "OSU Accounting System Template." The Company shall process these template revisions in accordance with instructions in the Letter.

Other Important Risks:

In response to the Personal Information Protection Act, our company will continue to enforce the consciousness of the importance and the legal risk of personal information processing, money laundry preventing, and financial consumer protection.

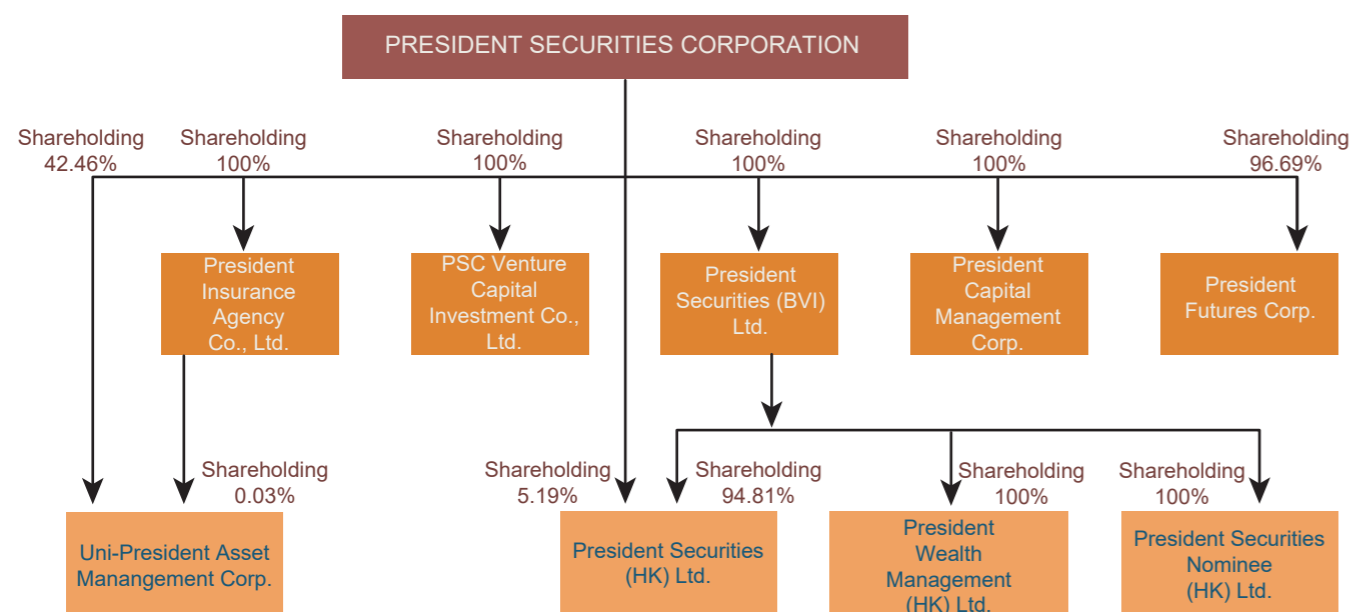


VIII. Other Disclosures

Other Disclosures

Summary of Affiliated Companies

Affiliated Companies Chart



Basic Information of Affiliates

As of April 30, 2018 Unit: NT\$ thousands

Company	Established Date	Address	Currency	Paid-in Capital	Main Business
President Futures Corp.	1994.03.01	B1.,No.8, Dongxing Rd., Taipei City	NTD	660,000	Futures brokerage
President Capital Management Corp.	1997.04.15	3F.,No.8, Dongxing Rd., Taipei City	NTD	174,000	Securities Investment Consulting
President Securities (HK) Ltd.	1994.07.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	192,600	Securities proprietary, brokerage, underwriting ,and consulting
President Securities (BVI) Ltd.	1998.02.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	USD	67,746	Securities Investment and holding company
President Securities Nominee (HK) Ltd.	1999.08.06	Unit 2603-6,26/F.,Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	1,000	Nominee Service
President Wealth Management (HK) Ltd.	2002.03.31	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	23,400	Wealth Management
Uni-President Asset Management Corp.	1992.09.03	8F.,No.8, Dongxing Rd., Taipei City	NTD	351,000	Investment Trust
President Insurance Agency Co., Ltd.	2008.04.29	13F.,No.8, Dongxing Rd., Taipei City	NTD	10,000	Insurance Agent (Note)
PSC Venture Capital Investment Co.,Ltd.	2013.10.29	2F.,No.8, Dongxing Rd., Taipei City	NTD	300,000	Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit

Note: President Personal Insurance Agency Co., Ltd. was merged by President Insurance Agency Co., Ltd. on July 1, 2016. After the merger, President Insurance Agency provides both property and life insurance services.

Operational Highlights of Affiliated Companies

As of December 31, 2017 Unit: NT\$ thousands

Company	Currency	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income (Loss)	EPS
President Futures Corp.	NTD	660,000	13,113,202	11,630,487	1,482,715	729,986	39,335	178,051	2.70
President Capital Management Corp.	NTD	174,000	202,815	5,917	196,898	41,629	129	973	0.06
Uni-President Asset Management Corp.	NTD	351,000	907,798	162,269	745,529	679,240	222,479	190,717	5.43
President Insurance Agency Co., Ltd.	NTD	10,000	42,981	10,986	31,995	65,399	16,105	15,742	15.74
PSC Venture Capital Investment Co.,Ltd.	NTD	300,000	248,254	478	247,776	(55,495)	(58,620)	(56,382)	(1.88)
President Securities (HK) Ltd.	HKD	192,600	602,609	254,494	348,115	57,914	11,125	19,651	0.10
President Securities Nominee (HK) Ltd.	HKD	1,000	530	17	513	0	(25)	(23)	(0.02)
President Wealth Management (HK) Ltd.	HKD	23,400	14,855	19	14,835	0	(40)	31	0.001
President Securities (BVI) Ltd.	USD	67,746	73,164	4	73,161	0	(68)	3,571	0.053

Notes : Foreign exchange rates:
 USD/NTD (end of 2017)=29.7600 USD/NTD (2017 average)=30.4099
 HKD/NTD (end of 2017)=3.8070 HKD/NTD (2017 average)=3.9015

KPI Performance Indicator

Capital Adequacy Ratio

Within the securities industry, a company's capital adequacy rate is viewed as a key performance indicator. Many BIS regulations require that a securities firm has a minimum capital adequacy rate of 200% in order to be permitted to operate in many key business areas. As such, this level can be seen as an important benchmark in evaluating a securities firm's business performance and risk management measures. As of March of 2018, our capital adequacy rate stood at 447%, well above this key 200% level.

Market Share Rate

Market share of various business could be used for performance indicators. It could represent company's weighted market share and perceptive of future trend, which help to analyze management performance.

Our company's Brokerage market share was 3.22% in 2017, ranked 8th among top 10 competitors. Average single branch market share was 0.09%, ranked the 4th among top 10 competitors. Compared with other securities firms, our performance was more efficient and competitive.

Currently our company continues to build comprehensive and personalized information platform to improve stability of electronic transactions and orders, train sales with multiple financial ability, hoping to explore international market, create more profit for customers and company.



Consolidated Financial Statements



**PRESIDENT SECURITIES CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
December 31, 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

PWCR17003445

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 as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years 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 President Securities Corporation and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years 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 Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of President Securities Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional 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.

The key audit matters of the consolidated financial statements of the current period as below:

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 asset impairment, and Note 6(13) for details of investments accounted for under equity method.

President Securities Corporation and its subsidiaries held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2017, the amount was \$496,497 thousand New Taiwan Dollars. Impairment assessment is based on the expected future cash flow of the investments accounted for under equity method, discounted at appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the investee is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. They are subjective judgements, have high degree of uncertainties, and are material to the recoverable amount. Thus, we consider the impairment assessment of investments accounted for under equity method as one of the matters of most significance to our audit.

How our audit addressed the matter

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

1. Obtained the impairment assessment report prepared by an external expert who was commissioned by the management, and reviewed results of financial forecast in the past to assess its ability of execution;
2. Assessed the reasonableness of expected future cash flow, discount rate and other significant

- assumptions applied in the cash flow model; and
3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

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 Corporation and its subsidiaries's acceptance of transfer of the retail banking security brokerage business amounting to \$ 42,004 thousand New Taiwan Dollars as of December 2017. Impairment assessment is based on the expected future cash flow of the security brokerage segment, discounted at appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the investee is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. They are subjective judgements, have high degree of uncertainties, and are material to the recoverable amount. Thus we consider the impairment assessment of goodwill as one of the matters of most significance to our audit.

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of President Securities Corporation, as at and for the years ended December 31, 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 Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 President Securities Corporation and its subsidiaries’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 President Securities Corporation and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing President Securities Corporation and its subsidiaries’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 President Securities Corporation and its subsidiaries'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 President Securities Corporation and its subsidiaries'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 President Securities Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Securities Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Hsiao, Chin-Mu

Chang, Ming-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2018

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

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

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

Assets	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
110000 Current assets					
111100 Cash and cash equivalents	6(1)	\$ 6,463,345	8	\$ 6,909,469	8
112000 Financial assets at fair value through profit or loss - current	6(2)	38,692,385	45	41,521,141	48
113400 Available-for-sale financial assets - current	6(3)	1,044,031	1	1,332,776	2
114010 Bonds purchased under resale agreements	6(4)	-	-	2,093,498	3
114030 Margin loans receivable	6(5)	11,415,870	13	8,692,164	10
114040 Refinancing security deposits		79,350	-	18,694	-
114050 Receivables from refinance guaranty		67,160	-	33,381	-
114070 Customer margin account	6(6)	9,918,089	11	12,100,445	14
114090 Receivables from security lending		88,318	-	157,775	-
114100 Security lending deposits		745,882	1	261,136	-
114110 Notes receivable		1,471	-	1,080	-
114130 Accounts receivable	6(7)	11,154,566	13	6,104,874	7
114150 Prepayments		30,749	-	44,517	-
114170 Other receivables	6(8)	66,900	-	64,190	-
114600 Current tax assets		584	-	683	-
119000 Other current assets	6(9)	1,792,864	2	1,939,900	2
110000 Total current assets		81,561,564	94	81,275,723	94
120000 Noncurrent assets					
122000 Financial assets at fair value through profit or loss - noncurrent	6(2)	50,342	-	50,621	-
123100 Financial assets at cost - noncurrent	6(12)	40,173	-	41,581	-
123400 Available-for-sale financial assets - noncurrent	6(3)	-	-	74,401	-
124100 Investments accounted for under equity method	6(13)	496,497	1	440,676	1
125000 Property and equipment, net	6(14)	2,434,389	3	2,467,163	3
126000 Investment property, net	6(15)	276,803	-	278,903	-
127000 Intangible assets	6(16)	112,096	-	129,771	-
128000 Deferred tax assets	6(45)	140,740	-	64,681	-
129000 Other assets - noncurrent	6(17)	1,199,090	2	1,232,676	2
120000 Total noncurrent assets		4,750,130	6	4,780,473	6
906001 Total Assets		\$ 86,311,694	100	\$ 86,056,196	100

(Continued)

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

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
210000 Current liabilities					
211100 Short-term loans	6(18)	\$ 6,445,318	8	\$ 7,180,550	8
211200 Commercial papers payable	6(19)	3,649,631	4	6,298,316	7
212000 Financial liabilities at fair value through profit or loss - current	6(20)	1,206,401	1	2,419,106	3
214010 Bonds sold under repurchase agreements	6(21)	20,911,658	24	23,085,262	27
214040 Deposits on short sales		1,861,947	2	1,286,589	2
214050 Short sale proceeds payable		2,197,656	3	1,516,795	2
214070 Guarantee deposit received on borrowed securities		225,395	-	59,196	-
214080 Futures traders' equity	6(6)	9,892,808	12	12,090,637	14
214130 Accounts payable	6(22)	9,280,487	11	6,305,245	7
214150 Advance receipts		955	-	1,417	-
214160 Collections on behalf of third parties		439,578	1	413,491	-
214170 Other payables	6(23)	1,185,207	1	742,505	1
214200 Other financial liabilities - current	6(24)	3,199,298	4	1,392,297	2
214600 Current tax liability		292,629	-	80,691	-
219000 Other current liabilities		11,952	-	5,537	-
210000 Total current liabilities		<u>60,800,920</u>	<u>71</u>	<u>62,877,634</u>	<u>73</u>
220000 Noncurrent liabilities					
228000 Deferred tax liability	6(45)	15,939	-	35,823	-
229000 Other liabilities-noncurrent	6(25)	59,873	-	13,110	-
220000 Total noncurrent liabilities		<u>75,812</u>	<u>-</u>	<u>48,933</u>	<u>-</u>
906003 Total Liabilities		<u>60,876,732</u>	<u>71</u>	<u>62,926,567</u>	<u>73</u>
300000 Equity attributable to owners of the parent company					
301000 Capital					
301010 Common stock	6(27)	13,904,281	16	13,356,658	16
302000 Capital reserve		142,702	-	142,702	-
304000 Retained earnings	6(27)				
304010 Legal reserve		2,503,765	3	2,423,914	3
304020 Special reserve		6,373,559	7	6,209,865	7
304040 Unappropriated earnings		2,519,721	3	798,507	1
305000 Other equity interest		(58,374)	-	149,284	-
300000 Total		<u>25,385,654</u>	<u>29</u>	<u>23,080,930</u>	<u>27</u>
306000 Non-controlling interests		<u>49,308</u>	<u>-</u>	<u>48,699</u>	<u>-</u>
906004 Total Equity		<u>25,434,962</u>	<u>29</u>	<u>23,129,629</u>	<u>27</u>
906002 Total liabilities and equity		<u>\$ 86,311,694</u>	<u>100</u>	<u>\$ 86,056,196</u>	<u>100</u>

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

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

				Year ended December 31					
				2017		2016			
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
400000 Revenues									
401000	Securities brokerage fees	6(29)	\$	2,333,171	32	\$	1,779,466	39	
404000	Underwriting fees	6(30)		56,114	1		46,521	1	
406000	Net income of wealth management			16,233	-		14,286	-	
410000	Gains on trading of securities	6(31)		2,938,178	40		102,203	2	
421100	Stock custodian income			77,280	1		71,080	2	
421200	Interest income	6(32)		1,471,954	20		1,248,274	27	
421300	Dividend income			232,339	3		428,497	9	
421500	Gains (losses) on valuation of trading securities	6(33)		329,459	5	(102,873)	(2)
421600	(Losses) gains on short covering and trading securities - RS financing covering	6(34)	(	102,116)	(	1)	22,947	-
421610	Gains on valuation of borrowed securities and bonds with resale agreements	6(35)		2,975	-		1,986	-	
422200	Gain on warrants issuance	6(36)		305,912	4		486,183	11	
424400	(Losses) gains on derivative financial instruments	6(37)	(	142,478)	(	2)	208,150	5
428000	Other operating (losses) income	6(38)	(	248,955)	(	3)	255,896	6
Total revenues				<u>7,270,066</u>	<u>100</u>		<u>4,562,616</u>	<u>100</u>	
500000 Expenses									
501000/									
502000/									
503000	Handling charges	6(39)	(392,276)	(5)	316,519)	(7)
521200	Interest expenses	6(40)	(395,054)	(5)	226,225)	(5)
524100	Futures commission expense		(88,968)	(1)	108,328)	(2)
524300	Clearing charges		(108,737)	(2)	115,828)	(3)
528000	Other operating costs		(	36)	-	(	141)	-
531000	Employee benefits	6(41)	(2,309,829)	(32)	1,800,920)	(39)
532000	Depreciation and amortization	6(42)	(106,949)	(2)	120,542)	(3)
533000	Other operating expenses	6(43)	(1,474,299)	(20)	1,290,510)	(28)
Total expenditures and expenses			(<u>4,876,148</u>	(<u>67)</u>	<u>3,979,013)</u>	(<u>87)</u>

(Continued)

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

Items	Notes	Year ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Operating profit		\$ 2,393,918	33	\$ 583,603	13
601000 Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(13)	79,787	1	64,393	1
602000 Other gains and losses	6(44)	370,268	5	289,515	6
902001 Profit before tax		2,843,973	39	937,511	20
701000 Income tax expense	6(45)	(219,316)	(3)	(104,469)	(2)
902005 Net income		\$ 2,624,657	36	\$ 833,042	18
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
805510 Remeasurements of defined benefit plan		(\$ 128,158)	(2)	(\$ 48,693)	(1)
805550 Other comprehensive gain of associates and joint ventures accounted for under equity method		29	-	3,187	-
805599 Income tax benefit relating to components of other comprehensive income		21,787	1	8,278	-
Items may be reclassified to profit of loss subsequently					
805610 Translation loss on the financial statements of foreign operating entities		(213,712)	(3)	(46,151)	(1)
805620 Unrealized gain (loss) on financial instruments		5,096	-	(5,086)	-
Current other comprehensive income (post-tax)		(314,958)	(4)	(88,465)	(2)
902006 Total current comprehensive income		\$ 2,309,699	32	\$ 744,577	16
Income attributable to:					
913100 Parent company		\$ 2,618,769	36	\$ 826,690	18
913200 Non-controlling interests		\$ 5,888	-	\$ 6,352	-
Current comprehensive income attributable to:					
914100 Parent company		\$ 2,304,724	32	\$ 737,775	16
914200 Non-controlling interests		\$ 4,975	-	\$ 6,802	-
Earnings per share	6(46)				
975000 Basic earnings per share (in dollars)		\$	1.88	\$	0.59
985000 Diluted earnings per share (in dollars)		\$	1.88	\$	0.59

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 YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent											
	Notes	Retained Earnings					Other equity interest					Total equity
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain or loss on financial instruments	Treasury stock	Total	Non-controlling interest	
For the year ended December 31, 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	6(28)	404,177	-	-	-	(404,177)	-	-	-	-	-	-
Net income for the year ended December 31, 2016		-	-	-	-	826,690	-	-	-	826,690	6,352	833,042
Other comprehensive (loss) income for the year ended December 31, 2016		-	-	-	-	(37,185)	(46,151)	(5,579)	-	(88,915)	450	(88,465)
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		-	-	-	-	-	-	-	-	-	(4,142)	(4,142)
Balance at December 31, 2016		<u>\$ 13,356,658</u>	<u>\$ 142,702</u>	<u>\$ 2,423,914</u>	<u>\$ 6,209,865</u>	<u>\$ 798,507</u>	<u>\$ 147,621</u>	<u>\$ 1,663</u>	<u>\$ -</u>	<u>\$ 23,080,930</u>	<u>\$ 48,699</u>	<u>\$ 23,129,629</u>
For the year ended December 31, 2017												
Balance at January 1, 2017		\$ 13,356,658	\$ 142,702	\$ 2,423,914	\$ 6,209,865	\$ 798,507	\$ 147,621	\$ 1,663	\$ -	\$ 23,080,930	\$ 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 year ended December 31, 2017		-	-	-	-	2,618,769	-	-	-	2,618,769	5,888	2,624,657
Other comprehensive (loss) income for the year ended December 31, 2017		-	-	-	-	(106,387)	(213,712)	6,054	-	(314,045)	(913)	(314,958)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(4,366)	(4,366)
Balance at December 31, 2017		<u>\$ 13,904,281</u>	<u>\$ 142,702</u>	<u>\$ 2,503,765</u>	<u>\$ 6,373,559</u>	<u>\$ 2,519,721</u>	<u>(\$ 66,091)</u>	<u>\$ 7,717</u>	<u>\$ -</u>	<u>\$ 25,385,654</u>	<u>\$ 49,308</u>	<u>\$ 25,434,962</u>

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	Years ended December 31	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,843,973	\$ 937,511
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(42)	73,833	88,754
Amortization	6(42)	33,116	31,788
Write-off of bad debts classified as income	6(17)	(6,068)	(9,317)
Provision for bad debts	6(7)(17)	63,471	22,032
(Gain) loss on valuation of trading securities	6(33)	(329,459)	102,873
Gain on valuation of borrowed securities and bonds with resale agreements	6(35)	(2,975)	(1,986)
Financial expense	6(40)	395,054	226,225
Interest income (include financial income)	6(32)(44)	(1,599,755)	(1,395,801)
Dividend income		(252,056)	(445,901)
Share of the profit of associates and joint ventures accounted for under the equity method	6(13)	(79,787)	(64,393)
Loss on disposal of property and equipment	6(14)	550	1,769
Loss on disposal of investments(financial assets measured at cost)		280	-
Gain on disposal of investments(available-for-sale financial assets)		(45,348)	-
(Gain) loss on valuation of non-operating financial instrument	6(44)	(32,156)	2,164
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss		3,192,130	(11,649,456)
Available-for-sale financial assets - current		322,825	(949,823)
Bonds purchased under resale agreements		2,093,498	(1,323,145)
Margin loans receivable		(2,781,548)	1,720,832
Refinancing security deposits		(60,656)	(16,535)
Receivables from refinance guaranty		(33,779)	(29,246)
Customer margin account		2,182,356	(4,413,891)
Receivables from security lending		69,457	(83,430)
Security lending deposits		(484,746)	(185,433)
Notes receivable		(391)	2,062
Accounts receivable		(5,244,522)	(425,572)
Prepayments		13,768	(6,306)
Other receivables		(13,532)	(9,801)
Other current assets		147,036	1,611,417
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(1,209,730)	981,011
Bonds sold under repurchase agreements		(2,173,604)	7,482,702
Deposits on short sales		575,358	(222,669)
Short sale proceeds payable		680,861	(227,478)
Guarantee deposit received on borrowed securities		166,199	(289,374)
Futures traders' equity		(2,197,829)	4,412,480
Accounts payable		3,134,327	871,442
Advance receipts		(462)	(255)
Collections on behalf of third parties		26,087	(673,536)
Other payables		441,768	(77,317)
Other financial liabilities - current		1,807,001	540,501
Other current liabilities		6,415	(324)

(Continued)

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

	Notes	Years ended December 31	
		2017	2016
Cash inflow (outflow) generated from operations		\$ 1,720,960	(\$ 3,465,426)
Dividends received		320,335	517,173
Interest received		1,638,289	1,409,488
Income tax paid		(81,435)	(133,586)
Net cash flows from (used in) operating activities		<u>3,598,149</u>	<u>(1,672,351)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets		90,765	-
Proceeds from disposal of financial assets at cost	6(12)	1,128	-
Acquisition of property and equipment	6(14)	(20,520)	(17,705)
Disposal of property and equipment		134	70
Acquisition of intangible assets		(8,651)	(9,796)
(Increase) decrease in other non-current assets		(41,179)	28,169
Increase in prepayment for equipment		(31,467)	(29,105)
Acquisition of investments accounted for under equity method		(42,682)	-
Net cash flows used in investing activities		<u>(52,472)</u>	<u>(28,367)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(735,232)	3,444,111
(Decrease) increase in commercial papers payable		(2,650,000)	700,000
(Decrease) increase in other non-current liabilities		(1,076)	1,262
Acquisition of treasury stocks	6(27)	-	(114,098)
Interest paid		(387,415)	(225,653)
Changes in non-controlling interest		(4,366)	(4,142)
Distribution of cash dividends	6(27)	-	(260,759)
Net cash flows (used in) from financing activities		<u>(3,778,089)</u>	<u>3,540,721</u>
Effect of exchange rate changes		(213,712)	(46,151)
Net (decrease) increase in cash and cash equivalents		(446,124)	1,793,852
Cash and cash equivalents at beginning of year		<u>6,909,469</u>	<u>5,115,617</u>
Cash and cash equivalents at end of year		<u>\$ 6,463,345</u>	<u>\$ 6,909,469</u>

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

PRESIDENT SECURITIES CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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 December 31, 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 1,706 and 1,744 as of December 31, 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 March 26, 2018.

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
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	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
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

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 amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (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. When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standard as of January 1, 2018 are summarized below:

Consolidated balance sheet Affected items	Effect of adoption of			Remark
	2017 version IFRSs amount	new standards	2018 version IFRSs amount	
<u>January 1, 2018</u>				
Financial assets at fair value through profit or loss	\$38,742,727	\$ 20,146	\$38,762,873	(b)
Available-for-sale financial assets	1,044,031	(1,044,031)	-	
Financial assets at fair value through other comprehensive income	-	1,611,338	1,611,338	(a)
Financial assets at cost	40,173	(40,173)	-	(a)~(b)
Investments accounted for under equity method	496,497	39,264	535,761	(c)
Total affected assets	<u>\$40,323,428</u>	<u>\$ 586,544</u>	<u>\$40,909,972</u>	
Unappropriated earnings	\$ 2,519,721	\$ 17,538	\$ 2,537,259	(b)
Other equity interest	(58,374)	555,713	497,339	(a) 、(c)
Non-controlling interest	49,308	13,293	62,601	(d)
Total affected equity	<u>2,510,655</u>	<u>586,544</u>	<u>3,097,199</u>	
Total affect liabilities and equity	<u>\$ 2,510,655</u>	<u>\$ 586,544</u>	<u>\$ 3,097,199</u>	

- (a) In accordance with IFRS 9, the Group expects to reclassify financial assets at cost in the amounts of \$37,565, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and other equity interest in the amounts of \$567,307 and \$516,449, respectively.
- (b) In accordance with IFRS 9, the Group expects to reclassify financial assets at cost in the amounts of \$2,608, by increasing financial assets at fair value through profit or loss and increasing retained earnings in the amounts of \$20,146 and \$17,538, respectively.
- (c) In accordance with IFRS 9, the Group expects to increase \$39,264 for both investments accounted for under equity method and other equity interest by share of other comprehensive income of associates accounted for under equity method.
- (d) In accordance with IFRS 9, the Group expects to increase non-controlling interests in

the amount of \$13,293 by share of book value of subsidiaries' other equity attributable to non-controlling interests.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settler'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

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 Standards No.34, 'Interim financial reporting' endorsed by the FSC.

2) Basis of preparation

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

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Available-for-sale financial assets measured at fair value.
- (C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2017	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)	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%

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

4) Classification of current and non-current items

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

- (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (B) Assets held mainly for trading purposes;

- (C) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (A) Liabilities that are expected to be paid off within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

5) Translation of foreign currency transactions

A. Foreign currency translation and presentation

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

B. Foreign currency transactions and balances

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

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

C. Translation of foreign operations

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

- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (C) All resulting exchange differences are recognized in other comprehensive income.

6) Cash and cash equivalents

- A. In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments.
- B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets and financial liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading or financial assets and financial liabilities designated as at fair value through profit or loss on initial recognition. Financial assets and financial liabilities are classified in this category of held for trading if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also categorized as financial instruments held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets held for trading are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. Derivative assets, that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery, of such unquoted equity instruments are presented in 'financial assets measured at cost', if their fair value cannot be reliably measured. Derivative liabilities that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery of such unquoted equity instruments are presented in 'financial liabilities measured at cost', if their fair value cannot be reliably measured.

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 recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.
- D. If there has been objective evidence of impairment, the 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 recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an

impairment allowance account.

- 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 recognized initially at fair value and subsequently measured at amortized 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 recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not make the asset's carrying amount greater than its amortized cost without impairment loss being recognized. The recoveries of amounts are recognized 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 recognized in 'bonds purchased under resale agreements' under current assets. When transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognized in 'bonds sold under repurchase agreements' under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized in interest income or interest expense.
- 11) Financial assets at cost – non-current
- A. Financial assets measured at cost are initially recognized at fair value plus transaction costs of acquisition. On a regular way purchase or sale basis, financial assets measured at cost are recognized and derecognized using trade date accounting.
 - B. If the variability in the range of reasonable fair value estimate vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be measured at cost.
 - C. With respect to impairment assessment of the said financial asset, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.
- 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 reorganization;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties;
 - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the 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 derecognizes a financial asset when one of the following conditions is met:

- (A) The contractual rights to receive cash flows from the financial asset expire.
- (B) The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (C) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

B. Derecognition of financial liabilities

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

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 recognized 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 recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes its share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When there are objective evidences of impairment, as stated in Note 4 (12), at balance sheet date, the Group considers the whole investment carrying amount as single asset, and compares its recoverable amount (value in use or fair value less costs of disposal) with the carrying amount, to test its impairment. Value in use is determined by the present value of the Group's share of the expected future cash flow from the associates. If the recoverable amount is less than its carrying amount, an impairment loss should be recognized. The loss will not be allocated to any of the components (including goodwill), which comprise the carrying amount of the investment. An impairment loss recognized in prior periods shall be reversed if circumstances of impairment no longer exist or have decreased.

16) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property and equipment are subsequently measured using the cost model and depreciated using the straight-line method to allocate their cost over their estimated useful lives.

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

	<u>Useful lives</u>
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 recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized in profit or loss as incurred.

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

18) Intangible assets

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

B. Customer relationships is amortized 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 amortized, 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 recognized when impairment occurs.

Impairment losses on goodwill are not reversed.

19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

20) Contingent liabilities

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

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 recognized as expenses in that period when the employees render service.

B. Termination benefits

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

C. Pensions

(A) Defined contribution plans

Effective July 1, 2005, the Group established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount

equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. Net defined benefit asset can only be recognized when there is a cash refund or elimination in the future accrued pension liabilities.

(B) Defined benefit plans

- a. In a defined benefit plan, the pension paid is determined based on the amount that an employee shall receive upon retirement, which could vary with age, work seniority and salary compensations. The Group recognizes the accrued pension obligations in the consolidated balance sheet based on the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net of past service cost recognized as liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The present value of the defined benefit obligation is determined using the market yield of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.
- b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- c. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

D. Employees' remuneration and directors' remuneration

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

22) Revenues and expenses

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

- A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.
- B. Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.
- C. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost. Costs and expenses are recognized as incurred.
- D. Operating expenses: operating expenses refer to required expenses invested in the Group's operations, which primarily include employee benefit expense, depreciation and amortization, and other business and administrative expenses.

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 recognized in other comprehensive income or equity, in which cases the related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense for the period.

B. Deferred income tax

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

- C. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions for income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- E. The interim period income tax expense is recognized 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 recognized as equity in the financial period in which they are approved by the Company's shareholders. If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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 recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.
- 2) Relevant information on key assumptions to be made in the future, key sources of assumption uncertainty made at balance sheet date, and assumptions and estimates that may cause key risks that could affect the carrying amounts of financial assets and liabilities are as follows:
 - A. Fair value of financial instruments

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Petty Cash	\$ 169	\$ 181
Checking deposits	697,155	621,365
Current deposits:		
Deposits denominated in NTD	477,200	348,409
Deposits denominated in foreign currencies	1,718,591	2,657,709
Time deposits	<u>3,570,230</u>	<u>3,281,805</u>
Total	<u>\$ 6,463,345</u>	<u>\$ 6,909,469</u>

As of December 31, 2017 and December 31, 2016, the annual interest rates of time deposits, including foreign time deposits were 0.04% ~ 3.72% and 0.04% ~ 4.80%, respectively.

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2) Financial assets at fair value through profit or loss

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items:		
<u>Open-ended funds and money market instruments</u>		
<u>and securities investment by brokers</u>		
Open-ended mutual funds beneficiary		
certificates	\$ 456,960	\$ 90,000
Overseas stocks and funds	148,056	241,068
Listed (TSE and OTC) stocks	133,524	77,151
Subtotal	738,540	408,219
Adjustment of open-ended funds		
and money market instruments		
and securities investment by brokers	(23,649)	(59,317)
Total	714,891	348,902
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	2,605,879	3,441,347
Government bonds	1,699,413	3,417,519
Corporate bonds	4,383,130	8,958,921
Convertible corporate bonds	441,134	845,892
Emerging stocks	98,271	151,026
Overseas stocks	20,659,710	19,146,988
Exchange-traded funds	1,976,561	623,026
Others	31,185	66,548
Subtotal	31,895,283	36,651,267
Adjustment of trading securities - dealer	156,608	117,895
Total	32,051,891	36,769,162
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	613,026	507,139
Convertible corporate bonds	327,788	236,415
Subtotal	940,814	743,554
Adjustment of trading securities - underwriter	137,563	66,010
Total	1,078,377	809,564
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	2,064,014	1,489,455
Convertible corporate bonds	13,182	21,157
Warrants	104,756	4,859
Overseas stocks	-	5,678
Exchange traded funds	477,618	174,751
Subtotal	2,659,570	1,695,900
Adjustment of trading securities - hedging	(77,804)	(3,595)
Total	2,581,766	1,692,305

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Options bought - futures</u>	\$ 15,040	\$ 3,272
<u>Futures guarantee deposits receivable</u>	2,230,377	1,833,511
<u>Derivative financial instrument assets - OTC</u>	20,043	64,425
Total	<u>\$ 38,692,385</u>	<u>\$ 41,521,141</u>
Non-current items:		
Trading securities - dealer - government bonds	\$ 50,076	\$ 50,173
Adjustment of trading securities	266	448
Total	<u>\$ 50,342</u>	<u>\$ 50,621</u>

3) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current items:		
Trading securities - dealer		
Listed (TSE and OTC) stocks	\$ -	\$ 538,757
Overseas bonds	1,036,521	820,389
Adjustment of trading securities - dealer	7,510	(26,370)
Total	<u>\$ 1,044,031</u>	<u>\$ 1,332,776</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ -	\$ 45,416
Adjustment of trading securities	-	28,985
Total	<u>\$ -</u>	<u>\$ 74,401</u>

4) Bonds purchased under resale agreements

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Overseas bonds	<u>\$ -</u>	<u>\$ 2,093,498</u>

The above bonds purchased under resale agreements as of December 31, 2017 and December 31, 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 \$2,088,567. The annual interest rates of every currency were as follows:

Foreign currencies (Note)	<u>December 31, 2016</u>
	-4.0625%~0.00%
(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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bank deposit	\$ 7,159,942	\$ 9,915,890
Futures clearing house	1,726,793	1,029,502
Other futures commission merchant	1,027,317	1,150,283
Securities	4,037	4,770
Total	<u>\$ 9,918,089</u>	<u>\$ 12,100,445</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Customer margin deposits accounts	\$ 9,918,089	\$ 12,100,445
Add: Early customer margin deposits	8,647	2,734
Futures exchanges margins receivable	2	-
Loss on error trading	23	-
Less: Service fee income pending for transfer	(25,087)	(11,062)
Futures exchange tax pending for transfer	(695)	(473)
Net interest income pending for transfer	(916)	(22)
Temporary receipts	(7,255)	(985)
Futures traders' equity	<u>\$ 9,892,808</u>	<u>\$ 12,090,637</u>

7) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable - non related parties		
Settlement price receivable-brokers	\$ 7,308,697	\$ 4,120,802
Settlement price receivable-dealer	293,630	273,506
Accounts receivable-international bonds	591,328	-
Accounts receivable-foreign bonds	1,742,322	93,400
Spot exchange receivable, foreign currencies	-	164,658
Interest receivable	372,205	402,851
Settlement price	789,062	989,094
Others	61,681	60,563
	<u>11,158,925</u>	<u>6,104,874</u>
Less: Allowance for uncollectable accounts	(4,359)	-
Total	<u>\$ 11,154,566</u>	<u>\$ 6,104,874</u>

8) Other receivables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Dividends receivable	\$ 277	\$ 1,731
Interest receivable	10,302	19,670
Others	<u>56,321</u>	<u>42,789</u>
Total	<u>\$ 66,900</u>	<u>\$ 64,190</u>

9) Other current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Pending settlements	\$ 815,110	\$ 570,970
Pledged time deposits	639,815	1,256,835
Deposits-in for foreign currency securities	228,016	58,608
Underwriting share proceeds collected on behalf of customers	108,673	50,703
Temporary payments	357	1,949
Others	<u>893</u>	<u>835</u>
Total	<u>\$ 1,792,864</u>	<u>\$ 1,939,900</u>

10) Transfer of financial assets

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

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

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

11) Offsetting financial assets and financial liabilities

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

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

(1) Financial assets

December 31, 2017

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
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		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments	\$ 19,982	\$ -	\$ 19,982	\$ 19,982	\$ -	\$ -
Total	<u>\$ 19,982</u>	<u>\$ -</u>	<u>\$ 19,982</u>	<u>\$ 19,982</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2016

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
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		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments	\$ 64,396	\$ -	\$ 64,396	\$ 35,925	\$ -	\$ 28,471
Bonds purchased under resale agreements	<u>2,093,498</u>	<u>-</u>	<u>2,093,498</u>	<u>2,017,512</u>	<u>-</u>	<u>75,986</u>
Total	<u>\$ 2,157,894</u>	<u>\$ -</u>	<u>\$ 2,157,894</u>	<u>\$ 2,053,437</u>	<u>\$ -</u>	<u>\$ 104,457</u>

(2) Financial liabilities

December 31, 2017

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

December 31, 2016

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments	\$ 37,300	\$ -	\$ 37,300	\$ 35,925	\$ -	\$ 1,375
Bonds sold and repurchase agreements	14,395,018	-	14,395,018	14,395,018	-	-
Total	<u>\$ 14,432,318</u>	<u>\$ -</u>	<u>\$ 14,432,318</u>	<u>\$ 14,430,943</u>	<u>\$ -</u>	<u>\$ 1,375</u>

12) Financial assets at cost – non-current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
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	<u>\$ 40,173</u>	<u>\$ 41,581</u>

- 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 completed and reported to Taipei District Court. The Company had collected \$1,128 as remaining assets based on shareholding ratio.

13) Investments accounted for under the equity method

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Uni-President Asset Management Corp.	<u>\$ 496,497</u>	<u>\$ 440,676</u>

- A. The Group's share of its associates' profits or losses recognized in long-term equity investment accounted for under the equity method for the years ended December 31, 2017 and 2016 were \$79,787 and \$64,393, 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
		December 31, 2017	December 31, 2016		
Uni-President Asset Management Corp.	Taipei city	42.49%	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.	
	December 31, 2017	December 31, 2016
Current assets	\$ 466,401	\$ 388,911
Non-current assets	441,397	466,982
Current liabilities	(128,739)	(110,416)
Non-current liabilities	(33,530)	(33,837)
Total net assets	\$ 745,529	\$ 711,640
Share in joint venture's net assets	\$ 316,831	\$ 275,387
Goodwill and others	179,666	165,289
Carrying amount of the joint venture	\$ 496,497	\$ 440,676

Statement of comprehensive income

	Uni-President Asset Management Corp.	
	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	\$ 679,240	\$ 635,267
Profit for the period from continuing operations	\$ 190,717	\$ 165,944
Other comprehensive loss- net of tax	69	8,238
Total comprehensive income	\$ 190,786	\$ 174,182
Dividends received from associates	\$ 66,678	\$ 71,446

14) Property and equipment

	Land	Buildings	Equipment	Leasehold improvements	Total
<u>January 1, 2017</u>					
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	<u>\$ 1,680,129</u>	<u>\$ 681,068</u>	<u>\$ 75,272</u>	<u>\$ 30,694</u>	<u>\$ 2,467,163</u>
For the year <u>ended December 31, 2017</u>					
January 1, 2017	\$ 1,680,129	\$ 681,068	\$ 75,272	\$ 30,694	\$ 2,467,163
Additions	-	250	20,270	-	20,520
Disposal	-	-	(684)	-	(684)
Reclassifications	-	7,080	12,043	-	19,123
Depreciation	-	(23,710)	(35,113)	(12,910)	(71,733)
December 31, 2017	<u>\$ 1,680,129</u>	<u>\$ 664,688</u>	<u>\$ 71,788</u>	<u>\$ 17,784</u>	<u>\$ 2,434,389</u>
				Leasehold	
<u>December 31, 2017</u>					
Cost	\$ 1,680,129	\$ 1,052,401	\$ 212,645	\$ 60,419	\$ 3,005,594
Accumulated depreciation and impairment	-	(387,713)	(140,857)	(42,635)	(571,205)
Total	<u>\$ 1,680,129</u>	<u>\$ 664,688</u>	<u>\$ 71,788</u>	<u>\$ 17,784</u>	<u>\$ 2,434,389</u>
				Leasehold	
<u>January 1, 2016</u>					
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	<u>\$ 1,680,129</u>	<u>\$ 707,415</u>	<u>\$ 90,334</u>	<u>\$ 42,718</u>	<u>\$ 2,520,596</u>
For the year <u>ended December 31, 2016</u>					
January 1, 2016	\$ 1,680,129	\$ 707,415	\$ 90,334	\$ 42,718	\$ 2,520,596
Additions	-	210	16,039	1,456	17,705
Disposal	-	-	(723)	(1,116)	(1,839)
Reclassifications	-	1,420	9,235	6,700	17,355
Depreciation	-	(27,977)	(39,613)	(19,064)	(86,654)
December 31, 2016	<u>\$ 1,680,129</u>	<u>\$ 681,068</u>	<u>\$ 75,272</u>	<u>\$ 30,694</u>	<u>\$ 2,467,163</u>
				Leasehold	
<u>December 31, 2016</u>					
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	<u>\$ 1,680,129</u>	<u>\$ 681,068</u>	<u>\$ 75,272</u>	<u>\$ 30,694</u>	<u>\$ 2,467,163</u>

A. No interest was capitalized for property and equipment for the years ended December 31, 2017 and 2016.

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

15) Investment property

<u>January 1, 2017</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(26,272)	(26,272)
Total	\$ 198,099	\$ 80,804	\$ 278,903
<u>For the year ended December 31, 2017</u>			
January 1, 2017	\$ 198,099	\$ 80,804	\$ 278,903
Depreciation	-	(2,100)	(2,100)
December 31, 2017	<u>\$ 198,099</u>	<u>\$ 78,704</u>	<u>\$ 276,803</u>
<u>December 31, 2017</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(28,372)	(28,372)
Total	\$ 198,099	\$ 78,704	\$ 276,803
<u>January 1, 2016</u>			
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(24,172)	(24,172)
Total	\$ 198,099	\$ 82,904	\$ 281,003
<u>For the year ended December 31, 2016</u>			
January 1, 2016	\$ 198,099	\$ 82,904	\$ 281,003
Depreciation	-	(2,100)	(2,100)
December 31, 2016	<u>\$ 198,099</u>	<u>\$ 80,804</u>	<u>\$ 278,903</u>
<u>December 31, 2016</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(26,272)	(26,272)
Total	\$ 198,099	\$ 80,804	\$ 278,903

- A. For the years ended December 30, 2017 and 2016, rental income from the lease of the investment property were \$17,652 and \$16,269, respectively, and direct operating expenses arising from the investment property were \$3,267 and \$3,490, 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

	Customer relationships and			
January 1, 2017	Computer software	Goodwill	others	Total
Cost	\$ 122,313	\$ 42,004	\$ 89,829	\$ 254,146
Accumulated depreciation and impairment	(90,367)	-	(34,008)	(124,375)
Total	<u>\$ 31,946</u>	<u>\$ 42,004</u>	<u>\$ 55,821</u>	<u>\$ 129,771</u>
For the year ended December 31, 2017				
January 1, 2017	\$ 31,946	\$ 42,004	\$ 55,821	\$ 129,771
Additions	8,651	-	-	8,651
Reclassifications	6,062	-	-	6,062
Depreciation	(17,274)	-	(15,114)	(32,388)
December 31, 2017	<u>\$ 29,385</u>	<u>\$ 42,004</u>	<u>\$ 40,707</u>	<u>\$ 112,096</u>
	Customer relationships and			
December 31, 2017	Computer software	Goodwill	others	Total
Cost	\$ 121,650	\$ 42,004	\$ 89,829	\$ 253,483
Accumulated depreciation and impairment	(92,265)	-	(49,122)	(141,387)
Total	<u>\$ 29,385</u>	<u>\$ 42,004</u>	<u>\$ 40,707</u>	<u>\$ 112,096</u>
	Customer relationships and			
January 1, 2016	Computer software	Goodwill	others	Total
Cost	\$ 105,707	\$ 42,004	\$ 89,829	\$ 237,540
Accumulated depreciation and impairment	(73,988)	-	(18,893)	(92,881)
Total	<u>\$ 31,719</u>	<u>\$ 42,004</u>	<u>\$ 70,936</u>	<u>\$ 144,659</u>
For the year ended December 31, 2016				
January 1, 2016	\$ 31,719	\$ 42,004	\$ 70,936	\$ 144,659
Additions	9,796	-	-	9,796
Reclassifications	6,810	-	-	6,810
Depreciation	(16,379)	-	(15,115)	(31,494)
December 31, 2016	<u>\$ 31,946</u>	<u>\$ 42,004</u>	<u>\$ 55,821</u>	<u>\$ 129,771</u>
	Customer relationships and			
December 31, 2016	Computer software	Goodwill	others	Total
Cost	\$ 122,313	\$ 42,004	\$ 89,829	\$ 254,146
Accumulated depreciation and impairment	(90,367)	-	(34,008)	(124,375)
Total	<u>\$ 31,946</u>	<u>\$ 42,004</u>	<u>\$ 55,821</u>	<u>\$ 129,771</u>

A. No interest was capitalized for intangible assets for the years ended December 31, 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:

	<u>Brokerage Segment</u>	
	<u>2017</u>	<u>2016</u>
Growth rate	0.00%	0.00%
Discount rate	17.49%	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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Operation guaranteed deposits	\$ 682,000	\$ 692,000
Clearing and settlement fund	321,962	313,505
Refundable deposits	159,977	151,659
Deferred expenses	16,414	18,219
Prepaid pension expenses	22	44,860
Prepayment for equipment	18,535	12,253
Delinquent accounts	136,443	157,702
Others	<u>180</u>	<u>180</u>
Subtotal	1,335,533	1,390,378
Less: Allowance for uncollectible accounts-overdue receivables	(136,443)	(157,702)
Total	<u>\$ 1,199,090</u>	<u>\$ 1,232,676</u>

18) Short-term loans

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Secured loans	\$ 1,021,140	\$ 1,317,700
Unsecured loans	<u>5,424,178</u>	<u>5,862,850</u>
Total	<u>\$ 6,445,318</u>	<u>\$ 7,180,550</u>
Interest rates	<u>0.70%~3.25%</u>	<u>0.70%~2.20%</u>

19) Commercial papers payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Face value	\$ 3,650,000	\$ 6,300,000
Less: discount on commercial papers payable	(369)	(1,684)
Total	<u>\$ 3,649,631</u>	<u>\$ 6,298,316</u>
Interest rates	<u>0.370%~0.485%</u>	<u>0.38%~0.72%</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Investments in bonds under resale		
agreements - short sales	\$ -	\$ 1,845,632
Valuation adjustment of financial assets held		
for trading	-	8,849
Subtotal	<u>-</u>	<u>1,854,481</u>
Liabilities on sale of borrowed securities		
- hedged	151,745	250,298
Valuation adjustment on liabilities on sale of		
borrowed securities - hedged	(10,481)	(12,318)
Liabilities on sale of borrowed securities		
- non-hedged	207,280	28,884
Valuation adjustment on liabilities on sale of		
borrowed securities - non-hedged	<u>1,982</u>	<u>746</u>
Subtotal	<u>350,526</u>	<u>267,610</u>
Issuance of call (put) warrants	12,851,599	12,652,477
Gain on price fluctuation	(5,599,183)	(5,939,748)
Market value (A)	<u>7,252,416</u>	<u>6,712,729</u>
Warrants redeemed	(9,460,551)	(10,034,465)
Loss on price fluctuation	<u>2,813,270</u>	<u>3,559,923</u>
Market value (B)	(6,647,281)	(6,474,542)
Warrants - net (A+B)	<u>605,135</u>	<u>238,187</u>
Options sold - TAIEX	<u>4,112</u>	<u>3,695</u>
Derivative financial liabilities - OTC	<u>246,628</u>	<u>55,133</u>
Total	<u>\$ 1,206,401</u>	<u>\$ 2,419,106</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Government bonds	\$ 1,684,569	\$ 3,136,034
Corporate bonds	400,139	1,595,591
Bank debentures	-	1,102,701
International bonds	852,510	2,855,918
Foreign bonds	17,974,440	14,395,018
Total	<u>\$ 20,911,658</u>	<u>\$ 23,085,262</u>

The above bonds sold under repurchase agreements as of December 31, 2017 and 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 \$20,984,849 and \$23,117,190, respectively, and the annual interest rates in every currency were shown as follows:

<u>Currency</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
NTD	0.24%~0.43%	0.20%~0.52%
Foreign currencies (Note)	-0.30%~4.30%	-0.20%~9.50%

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

22) Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Settlement accounts payable - brokered trading	\$ 7,716,481	\$ 4,093,975
Settlement proceeds	660,024	922,064
Settlement accounts payable - operating	407,612	327,836
Accounts payable - foreign bonds	395,809	721,093
Spot exchange payable, foreign currencies	-	164,475
Others	100,561	75,802
Total	<u>\$ 9,280,487</u>	<u>\$ 6,305,245</u>

23) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salary and bonus payable	\$ 659,644	\$ 381,528
Employees' and directors' remuneration payable	122,415	45,927
Others	403,148	315,050
Total	<u>\$ 1,185,207</u>	<u>\$ 742,505</u>

24) Other financial liabilities - current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Equity-linked notes (ELN) - Options	\$ 3,000	\$ 3,600
Principal guaranteed notes (PGN) - fixed income	<u>3,196,298</u>	<u>1,388,697</u>
Total	<u>\$ 3,199,298</u>	<u>\$ 1,392,297</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Net defined benefit obligation	\$ 55,177	\$ 8,053
Guarantee deposits received	<u>4,696</u>	<u>5,057</u>
Total	<u>\$ 59,873</u>	<u>\$ 13,110</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 833,570	\$ 717,768
Fair value of plan assets	<u>(778,415)</u>	<u>(754,575)</u>
Net defined benefit (liabilities) assets	<u>\$ 55,155</u>	<u>(\$ 36,807)</u>

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

Year ended December 31, 2017	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1	\$ 717,768	(\$ 754,575)	(\$ 36,807)
Current service cost	5,185	-	5,185
Interest expense (income)	10,762	(11,314)	(552)
	<u>733,715</u>	<u>(765,889)</u>	<u>(32,174)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,190	6,190
Change in financial Experience adjustments	24,273	-	24,273
	<u>97,695</u>	<u>-</u>	<u>97,695</u>
	<u>121,968</u>	<u>6,190</u>	<u>128,158</u>
Pension fund contribution	-	(40,829)	(40,829)
Paid pension	(22,113)	22,113	-
	<u>(22,113)</u>	<u>(18,716)</u>	<u>(40,829)</u>
Balance at December 31	<u>\$ 833,570</u>	<u>(\$ 778,415)</u>	<u>\$ 55,155</u>

Year ended December 31, 2016	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1	\$ 688,840	(\$ 739,808)	(\$ 50,968)
Current service cost	5,208	-	5,208
Interest expense (income)	11,710	(12,576)	(866)
	<u>705,758</u>	<u>(752,384)</u>	<u>(46,626)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,200	6,200
Change in demographic assumptions	6,286	-	6,286
Change in financial	14,593	-	14,593
Experience adjustments	21,614	-	21,614
	<u>42,493</u>	<u>6,200</u>	<u>48,693</u>
Pension fund contribution	-	(38,874)	(38,874)
Paid pension	(30,483)	30,483	-
	<u>(30,483)</u>	<u>(8,391)</u>	<u>(38,874)</u>
Balance at December 31	<u>\$ 717,768</u>	<u>(\$ 754,575)</u>	<u>(\$ 36,807)</u>

- (D) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. In addition, for retirement fund deposits with Cathay United Bank, under the name of the management committee of employees' retirement fund, the fund invests in time deposit accounts under Cathay United Bank.

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Discount rate	<u>1.20%~1.30%</u>	<u>1.40%~1.50%</u>
Future salary increases	<u>2.00%~3.00%</u>	<u>2.00%~3.00%</u>

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

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 20,626)	\$ 21,352	\$ 18,946	(\$ 18,429)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 18,643)	\$ 19,328	\$ 17,294	(\$ 16,797)

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$45,187.

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 years ended December 31, 2017 and 2016 were \$59,860 and \$59,907, 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 \$2,231 and \$2,585, respectively, for the years ended December 31, 2017 and 2016.

27) Equity

A. Common stock

(A) As of December 31, 2017, the Company's authorized capital was \$15,000,000 with a par value of \$10 (in dollars) per share. As of December 31, 2017 and 2016, the common stocks issued were 1,390,428 and 1,335,666 thousand shares, respectively, and the outstanding common stocks were 1,390,428 and 1,335,666 thousand shares, respectively.

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

	(Expressed in thousands)	
	Year ended December 31, 2017	Year ended December 31, 2016
January 1	1,335,666	1,303,796
Acquisition of treasury stocks	- (	8,548)
Stock dividends	<u>54,762</u>	<u>40,418</u>
December 31	<u><u>1,390,428</u></u>	<u><u>1,335,666</u></u>

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

(B) 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:

	Year ended December 31, 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	<u>19,323</u>	<u>8,548</u>	<u>(27,871)</u>	<u>-</u>	<u>\$</u>	<u>-</u>

- 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 realized 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
December 31, 2017	\$ 24,986	\$ 116,793	\$ 483	\$ 440	\$ 142,702
December 31, 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 25% of its paid-in capital stock and only quarter of such special reserve may be capitalized.

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

According to Jing-Guan-Zheng-Chuan Letter No. 10500278285, from fiscal year 2016 to 2018, securities firm shall provide 0.5% to 1% of profit after tax as special reserve before distributing earnings. According to 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) Unappropriated earnings and dividends policy

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses first, and then set aside as legal reserve, accounted for as 10% of the remaining amount, and special reserve, accounted for as 20% of the remaining amount. Upon provision or reversal of special reserve in accordance with the law, any remaining amount together with unappropriated earnings at beginning of the period shall be distributed according to the following resolution adopted at the stockholders' meeting: Distribution shall not be made if the balance of distributable earnings is less than 5% of paid-in capital.
- B. In addition, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50% and cash dividends shall be lower than 50%.
- C. The Company may determine a better proportion of cash and stock dividends distribution based on its actual operating conditions and capital utilization plan for the following year.
- D. The appropriation of 2016 and 2015 earnings was resolved by the shareholders on June 22, 2017 and June 14, 2016, respectively. Detail is as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Amount	share (in dollars)	Amount	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
	<u>\$ 791,168</u>		<u>\$ 951,920</u>	

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. The earnings distribution for 2017 as resolved by the Board of Directors on March 26, 2018 is set forth below:

	For the year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 251,972	
Special reserve	503,944	
Special reserve (Note1)	12,599	
Reversal of special reserve (Note1)	(3,023)	
Special reserve (Note2)	58,374	
Cash dividends	1,668,514	\$ 1.20
	<u>\$ 2,492,380</u>	

Note1 : 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 26, 2018.

Note2 : Special reserve shall be set aside in the same amount of net debit amount of other equity interest recorded in current year from the profit or loss of current year and the accumulated unappropriated earnings pursuant to paragraph 1 of Article 41 of Securities and Exchange Act and Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865.

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

29) Brokerage handling fee revenue

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from brokered trading - TWSE	\$ 1,058,621	\$ 726,177
Revenues from brokered trading - OTC	454,994	304,537
Revenues from brokered trading - Futures	649,259	673,129
Others	170,297	75,623
Total	<u>\$ 2,333,171</u>	<u>\$ 1,779,466</u>

30) Revenues from underwriting business

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from underwriting securities on a firm	\$ 23,043	\$ 17,387
Others	33,071	29,134
Total	<u>\$ 56,114</u>	<u>\$ 46,521</u>

31) Gain on trading of securities

	Year ended December 31, 2017	Year ended December 31, 2016
Dealers:		
-TAIEX	\$ 1,121,790	\$ 262,516
-OTC	492,660	(173,461)
-Overseas trading	1,019,502	84,705
-Dealings of non-listed securities	-	1,000
Subtotal	<u>2,633,952</u>	<u>174,760</u>
Underwriters:		
-TAIEX	12,784	35,996
-OTC	18,424	18,044
Subtotal	<u>31,208</u>	<u>54,040</u>
Hedging:		
-TAIEX	141,332	(64,423)
-OTC	131,021	(61,292)
-Overseas trading	665	(882)
Subtotal	<u>273,018</u>	<u>(126,597)</u>
Total	<u>\$ 2,938,178</u>	<u>\$ 102,203</u>

With respect to information shown above, amounts recognised for trading of securities generated from available-for-sale financial assets for the years ended December 31, 2017 and 2016 were \$9,448 and \$59,875, respectively.

32) Interest income

	Year ended December 31, 2017	Year ended December 31, 2016
Interest income from margin loans	\$ 621,487	\$ 581,767
Interest income from bonds	847,936	663,706
Others	2,531	2,801
Total	<u>\$ 1,471,954</u>	<u>\$ 1,248,274</u>

33) Gain (loss) on valuation of securities

	Year ended December 31, 2017	Year ended December 31, 2016
Gain (loss) on sale of securities - dealer	\$ 332,115	(\$ 147,950)
Gain on sale of securities - underwriting	71,553	19,919
(Loss) gain on sale of securities - hedging	(74,209)	25,158
Total	<u>\$ 329,459</u>	<u>(\$ 102,873)</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
(Loss) gain from the bond investments under resale agreements	(\$ 116,598)	\$ 17,809
(Loss) gain from securities borrowing transactions - warrants	(479)	2,299
Loss from covering - warrants	(15,683)	(6,372)
Gain from securities borrowing transactions - dealer	30,644	9,211
Total	<u>(\$ 102,116)</u>	<u>\$ 22,947</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
Valuation gain from the bond investments under resale agreements	\$ 7,866	\$ 5,442
Valuation loss from securities borrowing transactions - dealer	(6,339)	(2,367)
Valuation gain (loss) from securities borrowing transactions - warrants	423	(4,059)
Valuation gain from covering - warrants	1,025	2,970
Total	<u>\$ 2,975</u>	<u>\$ 1,986</u>

36) Gain on warrants issuance

	Year ended December 31, 2017	Year ended December 31, 2016
Gain on changes in fair value of call (put) warrant liabilities and redemption	\$ 417,304	\$ 571,670
Loss on exercise of call (put) warrants before maturity	(43,480)	(19,248)
Expenses arising out of issuance of call (put) warrants	(67,912)	(66,239)
Total	<u>\$ 305,912</u>	<u>\$ 486,183</u>

37) (Loss) gain on derivative financial instruments

	Year ended December 31, 2017	Year ended December 31, 2016
Futures contract loss	(\$ 110,603)	(\$ 77,287)
Option trading gain	73,378	196,551
Gain from asset swap options	-	1,800
(Loss)Gain on foreign exchange derivatives	(52,462)	117,202
Others	(52,791)	(30,116)
Total	<u>(\$ 142,478)</u>	<u>\$ 208,150</u>

38) Other operating (loss) income

	Year ended December 31, 2017	Year ended December 31, 2016
Income from securities lending	\$ 70,403	\$ 20,447
Net currency exchange (loss) gain	(480,116)	65,073
Handling fee revenues from funds	40,827	38,577
Others	119,931	131,799
Total	<u>(\$ 248,955)</u>	<u>\$ 255,896</u>

39) Handling charges

	Year ended December 31, 2017	Year ended December 31, 2016
Brokerage handling fee expense	\$ 255,418	\$ 208,323
Dealer handling fee expense	135,238	106,799
Refinancing processing fee expense	1,620	1,397
Total	<u>\$ 392,276</u>	<u>\$ 316,519</u>

40) Financial expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense from repurchase agreements	\$ 272,675	\$ 144,012
Loans interest expense	110,300	69,039
Other interest expense	12,079	13,174
Total	<u>\$ 395,054</u>	<u>\$ 226,225</u>

41) Employee benefits

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries	\$ 2,006,176	\$ 1,534,259
Labor and health insurance	117,230	114,518
Pension	66,724	66,834
Other employee benefits	119,699	85,309
Total	<u>\$ 2,309,829</u>	<u>\$ 1,800,920</u>

- 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 year ended December 31, 2017 and 2016, employees' compensation was accrued at \$56,441 and \$18,080, respectively; directors' remuneration was accrued at \$56,441 and \$18,080, respectively. The aforementioned amounts were recognised in salary expenses.
- C. For the year ended December 31, 2017, employees' compensation was estimated at 2% and directors' remuneration at 2%, based on the year-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

	Year ended December 31, 2017	Year ended December 31, 2016
Depreciation	\$ 73,833	\$ 88,754
Amortization	33,116	31,788
Total	<u>\$ 106,949</u>	<u>\$ 120,542</u>

43) Other operating expenses

	Year ended December 31, 2017	Year ended December 31, 2016
Rentals	\$ 121,558	\$ 127,594
Taxes	687,379	563,239
Computer information expenses	156,037	168,004
Postage	69,128	69,984
Bad debt expenses	63,471	22,032
Others	376,726	339,657
Total	<u>\$ 1,474,299</u>	<u>\$ 1,290,510</u>

For the year ended December 31, 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 recognized bad debt expenses of \$55,964 and \$0, respectively.

44) Other gains and losses

	Year ended <u>December 31, 2017</u>	Year ended <u>December 31, 2016</u>
Financial income	\$ 127,861	\$ 141,866
Gain (loss) on disposal of investments	64,574 (	1,836)
Gain (loss) on valuation of open-ended funds and money-market instruments	32,156 (	2,164)
Net currency exchange loss	(14,194) (	2,067)
Other non-operating revenues	<u>159,871</u>	<u>153,716</u>
Total	<u>\$ 370,268</u>	<u>\$ 289,515</u>

45) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended <u>December 31, 2017</u>	Year ended <u>December 31, 2016</u>
Current tax:		
Current tax on profits for the periods	\$ 304,692	\$ 120,761
Over provision of prior year's income tax	(11,220)	(3,556)
Total current tax	<u>293,472</u>	<u>117,205</u>
Deferred taxes:		
Temporary differences	(74,156)	(12,736)
Total deferred taxes	<u>(74,156)</u>	<u>(12,736)</u>
Income tax expense	<u>\$ 219,316</u>	<u>\$ 104,469</u>

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

	For the year ended <u>Decmeber 31,2017</u>	For the year ended <u>Decmeber 31,2016</u>
Remeasurement of defined benefit obligations	(\$ <u>21,787</u>)	(\$ <u>8,278</u>)

B. Reconciliation between income tax expense and accounting profit

	Decmeber 31, 2017	Decmeber 31, 2016
Tax calculated based on profit before tax and statutory tax rate	\$ 505,999	\$ 199,493
Expenses disallowed by tax regulation	(16,901)	(9,479)
Prior year income tax overestimation	(11,220)	(3,556)
Tax exempt income by tax regulation	(416,902)	(140,428)
Effect from Alternative Minimum Tax	158,340	58,439
Income tax expenses	<u>\$ 219,316</u>	<u>\$ 104,469</u>

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

(Blank below)

For the year ended Decmeber 31, 2017				
	January 1	Recognised in profit or loss	other comprehensive income	December 31
Deferred tax assets :				
-Temporary differences :				
Losses on doubtful				
debts	\$ 12,798	\$ 4,199	\$ -	\$ 16,997
Others	51,883	50,112	21,748	123,743
Subtotal	64,681	54,311	21,748	140,740
Deffered tax liabilities :				
-Temporary differences :				
Unrealised exchange				
gain	(25,633)	10,458	-	(15,175)
Others	(10,190)	9,387	39	(764)
Subtotal	(35,823)	19,845	39	(15,939)
Total	\$ 28,858	\$ 74,156	\$ 21,787	\$ 124,801

For the year ended Decmeber 31, 2016				
	January 1	Recognised in profit or loss	other comprehensive income	December 31
Deferred tax assets :				
-Temporary differences :				
Losses on doubtful				
debts	\$ 13,071	(\$ 273)	\$ -	\$ 12,798
Others	43,260	423	8,200	51,883
Subtotal	56,331	150	8,200	64,681
Deffered tax liabilities :				
-Temporary differences :				
Unrealised exchange				
gain	(32,162)	6,529	-	(25,633)
Others	(16,325)	6,057	78	(10,190)
Subtotal	(48,487)	12,586	78	(35,823)
Total	\$ 7,844	\$ 12,736	\$ 8,278	\$ 28,858

D. As of December 31, 2017, the Company's income tax returns through 2013 and 2015 have been assessed by the National Tax Authority. The income tax returns through 2015 of President Futures, President Capital Management, President Venture Capital and President Insurance Agency have also been assessed.

E. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	<u>December 31, 2016</u>
1998 and onwards	<u>\$ 798,507</u>

F. As of December 31, 2016, the balance of the imputation tax credit account and the creditable tax rate are \$540,187.

The imputation tax credit rate based on the appropriation of 2015 earnings is 20.63% in 2016;

46) Earnings per share

	<u>Year ended December 31, 2017</u>		
	<u>Amount</u>	<u>Weighted-average</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>outstanding</u>	<u>share</u>
		<u>common shares</u>	<u>share</u>
		<u>(In thousands)</u>	<u>(In dollars)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 2,618,769	1,390,428	<u>\$ 1.88</u>
<u>Diluted earnings per share</u>			
Employee bonus	-	3,933	
	<u>\$ 2,618,769</u>	<u>1,394,361</u>	<u>\$ 1.88</u>
	<u>Year ended December 31, 2016</u>		
	<u>Amount</u>	<u>Weighted-average</u>	<u>Earnings per</u>
	<u>after tax</u>	<u>outstanding</u>	<u>share</u>
		<u>common shares</u>	<u>share</u>
		<u>(In thousands)</u>	<u>(In dollars)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 826,690	1,392,025	<u>\$ 0.59</u>
<u>Diluted earnings per share</u>			
Employee bonus	-	1,532	
	<u>\$ 826,690</u>	<u>1,393,557</u>	<u>\$ 0.59</u>

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

7. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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
Ton Yi Industrial Corp.	Other related party
President Tokyo Co., LTD	Other related party

2) Significant related party transactions and balances

A. Account Receivables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 304	\$ 286
Other related party:		
Others	<u>583</u>	<u>726</u>
Total	<u>\$ 887</u>	<u>\$ 1,012</u>

B. Other receivables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related party:		
Others	<u>\$ 9</u>	<u>\$ 9</u>

C. Guarantee deposit received

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associate:		
Uni-President Assets Management Corp.	\$ 530	\$ 531
Other related party:		
President Tokyo Co., Ltd.	<u>1,393</u>	<u>1,393</u>
Total	<u>\$ 1,923</u>	<u>\$ 1,924</u>

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

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
Associates:		
Uni-President Assets Management Corp.	<u>\$ 9,553</u>	<u>\$ 6,224</u>

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

E. Other operating revenue - handling charge revenue

	Year ended December 31, 2017	Year ended December 31, 2016
Associates:		
Uni-President Assets Management Corp.	\$ <u>39,807</u>	\$ <u>37,426</u>

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

F. Rent income

	Period	Deposit	Year ended December 31, 2017	Year ended December 31, 2016
Associates:				
Uni-President Assets Management Corp.	2016.05.01~2019.04.30	\$ 530	\$ 7,103	\$ 7,078
Other related party:				
President Tokyo Co., Ltd.	2015.04.01~2019.03.31	1,393	9,422	9,117
Others		-	<u>396</u>	<u>351</u>
Total			<u>\$ 16,921</u>	<u>\$ 16,546</u>

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

	Year ended December 31, 2017	Year ended December 31, 2016
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 3,659	\$ 3,526
Associate:		
Uni-President Assets Management Corp.	129	129
Other related party:		
Ton Yi Industrial Corp.	1,225	1,230
President Chain Store Corp. (PCSC)	1,603	1,593
Others	<u>3,018</u>	<u>2,904</u>
Total	<u>\$ 9,634</u>	<u>\$ 9,382</u>

H. Other operating expenses - equipment rental and copy expense

	Year ended December 31, 2017	Year ended December 31, 2016
Other related party:		
President Tokyo Co., Ltd.	\$ 6,563	\$ 6,372
Others	<u>1,302</u>	<u>1,382</u>
Total	<u>\$ 7,865</u>	<u>\$ 7,754</u>

I. Purchases of trading securities – dealer

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

	<u>December 31, 2016</u>		<u>Year ended</u>
			<u>December 31,</u>
	<u>Ending Shares</u>	<u>Balance</u>	<u>2016</u>
			<u>Gain (loss)</u>
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	-	\$ -	(\$ 2,880)
Other related parties:			
Ton Yi Industrial Corp.	-	-	(142)
President Chain Store Corp.	-	-	(27)
Total		<u>\$ -</u>	<u>(\$ 3,049)</u>

J. Compensation of key management personnel

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

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salary and short-term employee benefits	\$ 232,069	\$ 155,724
Retirement benefits	1,725	1,906
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	<u>\$ 233,794</u>	<u>\$ 157,630</u>

8. PLEDGED ASSETS

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

Assets	December 31, 2017	December 31, 2016	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	\$ 400,000	\$ 1,600,000	Securities for bonds sold under repurchase agreements
- Government bonds	1,683,000	3,105,400	Securities for bonds sold under repurchase agreements
- Overseas bonds	18,999,562	15,000,383	Securities for bonds sold under repurchase agreements
- International bonds	920,297	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)	1,071,360	677,250	Securities for bonds sold under repurchase agreements
Restricted assets:			
- Demand deposits	109,566	51,537	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	639,815	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)	1,259,648	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	682,000	692,000	Security deposits
- Refundable deposits	2,000	400	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. 57% 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 December 31, 2017

Financial assets	Normal assets			Past due but not impaired	Impaired	Total	Recognised losses	Net
	Low risk	Medium risk	High risk					
Cash and cash equivalents	\$ 6,463,056	\$ 289	\$ -	\$ -	\$ -	\$ 6,463,345	\$ -	\$ 6,463,345
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	332,494	-	-	-	-	332,494	-	332,494
Debt security investments	26,527,537	565,897	60,068	-	-	27,153,502	-	27,153,502
Buy Option-TAIFEX	15,040	-	-	-	-	15,040	-	15,040
Derivative instruments-Futures Margin	2,230,377	-	-	-	-	2,230,377	-	2,230,377
Derivative instruments-OTC	20,043	-	-	-	-	20,043	-	20,043
Available-for-sale financial assets-current								
Debt security investments	1,044,031	-	-	-	-	1,044,031	-	1,044,031
Bonds purchased under resale agreements	-	-	-	-	-	-	-	-
Margin loans receivable	11,449,543	-	-	-	50,420	11,499,963	84,093	11,415,870
Refinancing security deposits	79,350	-	-	-	-	79,350	-	79,350
Receivables from refinance guaranty	67,160	-	-	-	-	67,160	-	67,160
Customer margin account	9,918,089	-	-	-	-	9,918,089	-	9,918,089
Receivables from security lending	88,318	-	-	-	-	88,318	-	88,318
Security lending deposits	745,882	-	-	-	-	745,882	-	745,882
Notes receivable	1,471	-	-	-	-	1,471	-	1,471
Accounts receivable	11,154,566	-	-	-	4,359	11,158,925	4,359	11,154,566
Other receivables	66,900	-	-	-	-	66,900	-	66,900
Other current assets	1,792,864	-	-	-	-	1,792,864	-	1,792,864
Financial assets at fair value through profit or loss-non current	50,342	-	-	-	-	50,342	-	50,342
Other assets-non current	1,164,119	-	-	-	136,443	1,300,562	136,443	1,164,119
Total	<u>\$ 73,211,182</u>	<u>\$ 566,186</u>	<u>\$ 60,068</u>	<u>\$ -</u>	<u>\$ 191,222</u>	<u>\$ 74,028,658</u>	<u>\$ 224,895</u>	<u>\$ 73,803,763</u>

The table of the credit quality of financial assets

As of December 31, 2016

Financial assets	Normal assets			Past due but not impaired	Impaired	Total	Recognised losses	Net
	Low risk	Medium risk	High risk					
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	<u>\$ 73,374,441</u>	<u>\$ 781,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,702</u>	<u>\$ 74,313,891</u>	<u>\$ 183,953</u>	<u>\$ 74,129,938</u>

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)

December 31, 2017

	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	\$ 3,814,864	\$ 2,630,454	\$ -	\$ -	\$ -	\$ 6,445,318
Commercial papers payable	650,000	3,000,000	-	-	-	3,650,000
Financial liabilities at fair value through profit or loss-current						
Non-derivative financial liabilities	350,526	-	-	-	-	350,526
Derivative financial liabilities	855,875	-	-	-	-	855,875
Bonds sold under repurchase agreements	-	20,984,849	-	-	-	20,984,849
Deposits on short sales	1,861,947	-	-	-	-	1,861,947
Deposits payable for securities financing	2,197,656	-	-	-	-	2,197,656
Securities lending refundable deposits	-	224,317	1,078	-	-	225,395
Futures traders' equity	9,892,808	-	-	-	-	9,892,808
Accounts payable	9,226,922	53,565	-	-	-	9,280,487
Collections on behalf of third parties	340,746	9,363	-	89,469	-	439,578
Other payables	-	225,489	959,718	-	-	1,185,207
Other financial liabilities -current	-	1,745,075	1,454,223	-	-	3,199,298
	<u>\$ 29,191,344</u>	<u>\$ 28,873,112</u>	<u>\$ 2,415,019</u>	<u>\$ 89,469</u>	<u>\$ -</u>	<u>\$ 60,568,944</u>

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
	<u>\$ 25,053,080</u>	<u>\$ 37,086,112</u>	<u>\$ 595,567</u>	<u>\$ 88,846</u>	<u>\$ -</u>	<u>\$ 62,823,605</u>

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:

December 31, 2017	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	\$ 97,785	\$ 19,867
Later than one year but not later than five years	187,215	5,654
Over five years	3,402	-
Total	\$ 288,402	\$ 25,521
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

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	
Year ended		Year ended	
December 31, 2017	Amount	December 31, 2016	Amount
December 31, 2017	\$ 75,863	December 31, 2016	\$ 84,613
VaR Maximum	142,801	VaR Maximum	137,764
VaR Average	81,509	VaR Average	83,221
VaR Minimum	39,915	VaR Minimum	37,793

Statistical table for VaR of various risk indicators of transactions

Year ended			
December 31, 2017	Foreign exchange	Interest	Share ownership
December 31, 2017	\$ 8,402	\$ 20,441	\$ 74,195
VaR Maximum	47,229	71,511	147,304
VaR Average	15,492	34,960	74,079
VaR Minimum	4,643	12,030	26,425

Year ended			
December 31, 2016	Foreign exchange	Interest	Share ownership
December 31, 2016	\$ 14,957	\$ 25,054	\$ 80,364
VaR Maximum	58,276	78,540	133,598
VaR Average	16,766	39,030	77,828
VaR Minimum	5,477	11,629	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 December 31, 2017 and December 31, 2016 :

	December 31, 2017						
	USD	EUR	AUD	RMB	HKD	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 2,037,145	\$ 62,713	\$ 2,541	\$ 302,247	\$ 849,364	\$ 107,898	\$ 3,361,908
Financial assets at fair value through profit or loss	12,739,390	5,627,013	2,007,103	3,993,940	380,856	50,751	24,799,053
Available-for-sale financial assets							
- current	1,044,031	-	-	-	-	-	1,044,031
Others	5,219,360	173,275	53,706	130,839	1,459,687	51,654	7,088,521
<u>Financial liabilities in foreign currencies</u>							
Short-term loans	5,404,143	-	-	-	95,175	-	5,499,318
Financial liabilities at fair value through profit or loss	67,793	6,105	2,206	230,014	115	1,155	307,388
Bonds sold under repurchase agreements	11,692,454	4,963,725	1,819,404	351,367	-	-	18,826,950
Others	4,312,745	157,394	50,254	696,610	844,253	53,974	6,115,230

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

	December 31, 2016						
	USD	EUR	AUD	RMB	HKD	Others	Total
<u>Financial assets in foreign currencies</u>							
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
<u>Financial liabilities in foreign currencies</u>							
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 =32.250 TWD; 1 EUR=33.90 TWD; 1 AUD=23.285 TWD; 1 RMB=4.617 TWD; and 1 HKD=4.158 TWD, respectively.

D. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the year ended December 31, 2017 and 2016, amounted to (\$494,310) and \$63,006, 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.

		December 31, 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)
<u>Non-financial assets</u>				
Investment property	\$674,449	\$ -	\$ 674,449	\$ -
		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)
<u>Non-financial assets</u>				
Investment property	\$674,884	\$ -	\$ 674,884	\$ -

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 nine months ended December 31, 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	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	\$ 6,200,330	\$ 6,135,260	\$ 65,070	\$ -
Bond investments	27,153,502	746,714	26,406,788	-
Others	3,073,092	3,073,092	-	-
Available-for-sale financial assets-current				
Bond investments	1,044,031	1,044,031	-	-
Financial assets at fair value through profit or loss - noncurrent	50,342	-	50,342	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	350,526	350,526	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current	2,265,460	2,245,417	20,043	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	855,875	609,247	246,628	-

Financial instrument items measured at fair value	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Recurring fair value				
<u>Non-derivative financial instruments</u>				
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	-	-
<u>Derivative financial instruments</u>				
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	-

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 December 31, 2017 and December 31, 2016, the capital adequacy ratios were 417% and 442%, 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	Decmeber 31, 2017	Decmeber 31, 2016
Bank savings	\$ 209,606	\$ 149,652
Structured notes	362,297	494,813
Stock	488,210	482,075
Bond	8,044	-
Fund	2,097,002	2,705,174
Securities lending	383,355	280,572
Accounts receivable	23,943	9,765
Total of trust assets	<u>\$ 3,572,457</u>	<u>\$ 4,122,051</u>

Trust liabilites	Decmeber 31, 2017	Decmeber 31, 2016
Accounts payable	\$ 37,124	\$ 11,763
Trust capital	3,346,934	4,221,745
Retained earnings	188,399	(111,457)
Total of trust liabilities	<u>\$ 3,572,457</u>	<u>\$ 4,122,051</u>

B. Income statement of trust accounts

Item	Year ended Decmeber 31, 2017	Year ended Decmeber 31, 2016
Trust income		
Interest income	\$ 75	\$ 60
Cash dividends received	15,116	15,542
Income from stocks lending	16,110	36,147
Investment gains- realized	61,346	17,760
Investment gains (losses)- unrealized	141,135	(143,200)
Subtotal	<u>233,782</u>	<u>(73,691)</u>
Trust expenses		
Management fee	1	1
Service fee	(3)	(1)
Borrowing costs	(2,781)	(4,567)
Remittance fee	(1)	(2)
Income (loss) before income tax	230,998	(78,260)
Income tax expense	-	(5)
Net income (loss)	<u>\$ 230,998</u>	<u>(\$ 78,265)</u>

C. Property list of trust accounts

Items	December 31, 2017	December 31, 2016
Bank savings	\$ 209,606	\$ 149,652
Structured notes	362,297	494,813
Funds	2,097,002	2,705,174
Bond	8,044	-
Stock	488,210	482,075
Securities lending	383,355	280,572
Others	23,943	9,765
Total	\$ 3,572,457	\$ 4,122,051

(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	December 31, 2017		December 31, 2016		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	3,238,147	12.11	3,086,113	18.42	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	267,403		167,563			
17	Current assets	3,487,310	49.27	3,234,545	183.06	≥ 1	Met the requirement
	Current liabilities	70,786		17,669			
22	Stockholders' equity	3,238,147	809.54%	3,086,113	771.53%	$\geq 60\%$	Met the requirement
	Minimum paid-in capital	400,000		400,000		$\geq 40\%$	
22	Adjusted net capital	3,111,005	1783.72%	2,940,372	1651.15%	$\geq 20\%$	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	174,411		178,080		$\geq 15\%$	

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

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

Article	Calculation formula	December 31, 2017		December 31, 2016		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	1,482,715	7.98	1,464,268	8.50	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	185,733		172,363			
17	Current assets	12,602,199	1.09	14,391,672	1.07	≥ 1	Met the requirement
	Current liabilities	11,585,048		13,451,931			
22	Stockholders' equity	1,482,715	229.88%	1,464,268	227.02%	≥ 60%	Met the requirement
	Minimum paid-in capital	645,000		645,000			
22	Adjusted net capital	1,158,127	73.60%	1,153,456	65.92%	≥ 20%	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	1,573,458		1,749,892			

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 year ended December 31, 2016, the effect of the above regulation on the accounts and amounts is as follows:

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
<u>Statement of Comprehensive Income</u>	<u>After Reclassification</u>	<u>Before Reclassification</u>
Others operating (losses) income		
Net currency exchange loss	\$ 65,073	\$ -
Others gains and losses	(2,067)	63,006

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	Conditio ns	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	President Securities Corp.	President Futures Corp.	1	Futures Margin - Own Funds	\$ 1,551,945	Note 4	1.80%
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	5,546	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Deposit-in	16,000	Note 4	0.02%
0	President Securities Corp.	President Futures Corp.	1	Future commission revenue	51,466	Note 4	0.71%
0	President Securities Corp.	President Futures Corp.	1	Clearing charges	16,342	Note 6	0.22%
0	President Securities Corp.	President Futures Corp.	1	Other non-operating revenues	10,921	Note 4	0.15%
0	President Securities Corp.	President Capital Management Corp.	1	Expense from investment advisory	36,000	Note 4	0.50%
0	President Securities Corp.	President Capital Management Corp.	1	Other non-operating revenues	3,556	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		Ending Balance			Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
						Balance on December 31, 2017	Balance on January 1, 2017	Shares	Percentage	Book value					
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%	\$ 1,433,680	\$ 729,986	\$ 178,052	\$ 172,163	\$ 127,635	Subsidiary of the Company
	President Capital Management Corp.	Taipei	1997.04.15	1997.02.25 (86) Tai-Cai-Zheng (2) Letter No.17769	Securities investment consulting	200,000	150,000	17,400,000	100.00%	196,897	41,629	973	973	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%	68,782	225,953	76,667	3,979	-	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%	2,177,269	-	108,595	108,595	-	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%	496,093	679,240	190,717	79,692	66,624	Associates
	President Insurance Agency Corp.	Taipei	2008.04.29	(Note2)	Insurance Agent	10,000	10,000	1,000,000	100.00%	31,995	65,399	15,742	15,742	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%	247,776 (	45,618) (	56,382) (	56,382)	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		Ending Balance			Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
						Balance on June 30, 2017	Balance on January 1, 2017	Shares	Percentage	Book value					
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%	404	679,240	190,717	95	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%	1,256,493	225,953	76,667	72,688	-	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%	56,477	-	121	121	-	Indirect subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	1999.08.06	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Nominee Service	3,403	3,403	1,000,000	100.00%	1,953	-	(88)	(88)	-	Indirect subsidiary of the Company

Note1 : As FSC was established in July, 2004, President Futures Corp. was approved 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.093000005. 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 December 31, 2017 of President Securities (BVI) Ltd :

Securities types and name	Type	Number of shares	Expressed in U.S. Dollars			
			Carrying value		Fair value	
			Unit price	Amount	Unit price	Amount
<u>Financial assets at fair value through profit or loss - current</u>						
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	\$ 5,051,954
Less : impairment				(923,046)		-
Total				<u>\$ 4,051,954</u>		<u>\$ 5,051,954</u>
<u>Investments in associates</u>						
President Securities (HK) Ltd.	STOCK	182,600,000	\$ 0.231	\$ 42,220,875	\$ 0.231	\$42,220,875
President Wealth Management (HK)	STOCK	23,400,000	0.081	1,897,765	0.081	1,897,765
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.066	65,626	0.066	65,626
Total				<u>\$ 44,184,266</u>		<u>\$44,184,266</u>

b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd. :

As of December 31, 2017, the carrying value of USD 4,051,954 of asset securitization for derivatives was undertaken with the Company's own capital of USD 4,975,000.

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

d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

Expressed in U.S. dollars

Assets	Decmeber 31, 2017		December 31, 2016		Liabilities and shareholders' equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 24,810,955	34	\$ 22,082,892	32	Other payables	\$ 3,571	-	\$ 3,598	-
Financial assets at fair value through profit or loss - current	4,051,954	6	5,654,010	8	Total liabilities	3,571	-	3,598	-
Other receivables	117,323	-	63,673	-	Shareholders' equity				
Total current assets	28,980,232	40	27,800,575	40	Share capital	67,746,000	93	67,746,000	97
Investment in associates	44,184,266	60	42,128,883	60	Capital reserve	757,813	1	757,813	1
					Retained earnings				
					Retained earnings	4,260,476	6	689,439	1
					Other equity				
					Translation gain or loss on the financial statements of foreign	396,638	-	732,608	1
					Total shareholders' equity	73,160,927	100	69,925,860	100
Total assets	\$ 73,164,498	100	\$ 69,929,458	100	Total liabilities and shareholders' equity	\$ 73,164,498	100	\$ 69,929,458	100

PRESIDENT WEALTH MANAGEMENT (HK) LTD.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

Expressed in HK dollars

Assets	Decmeber 31, 2017		December 31, 2016		Liabilities and shareholders' equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 14,832,782	100	\$ 14,798,570	100	Other payables	\$ 19,410	-	\$ 17,730	-
Other receivables	21,795	-	23,424	-	Total liabilities	19,410	-	17,730	-
Total current assets	<u>14,854,577</u>	<u>100</u>	<u>14,821,994</u>	<u>100</u>	Shareholders' equity				
					Share capital	23,400,000	158	23,400,000	158
					Retained earnings (accumulated deficit)	(8,564,833)	(58)	(8,595,736)	(58)
					Total shareholders' equity	<u>14,835,167</u>	<u>100</u>	<u>14,804,264</u>	<u>100</u>
Total assets	<u>\$ 14,854,577</u>	<u>100</u>	<u>\$ 14,821,994</u>	<u>100</u>	Total liabilities and shareholders' equity	<u>\$ 14,854,577</u>	<u>100</u>	<u>\$ 14,821,994</u>	<u>100</u>

PRESIDENT SECURITIES (NOMINEE) LTD.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

Expressed in HK dollars

Assets	Decmeber 31, 2017		December 31, 2016		Liabilities and shareholders' equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 528,954	100	\$ 550,253	100	Other payables	\$ 16,620	3	\$ 15,410	3
Other receivables	674	-	674	-	Total liabilities	16,620	3	15,410	3
Total current assets	<u>529,628</u>	<u>100</u>	<u>550,927</u>	<u>100</u>	Shareholders' equity				
					Share capital	1,000,000	189	1,000,000	182
					Retained earnings				
					(accumulated deficit)	(486,992)	(92)	(464,483)	(84)
					Total shareholders' equity	<u>513,008</u>	<u>97</u>	<u>535,517</u>	<u>97</u>
Total assets	<u>\$ 529,628</u>	<u>100</u>	<u>\$ 550,927</u>	<u>100</u>	Total liabilities and shareholders' equity	<u>\$ 529,628</u>	<u>100</u>	<u>\$ 550,927</u>	<u>100</u>

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Expressed in U.S. dollars

Accounts	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	%	Amount	%
Expenditures				
Employee benefits	(\$ 50,243)	\$ -	(\$ 50,430)	-
Other operating expenses	(17,541)	-	(17,647)	-
Total expenditures and expenses	(67,784)	-	(68,077)	-
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	2,391,353	-	(735,531)	-
Other gains and losses	1,247,468	-	393,870	-
Total non-operating gains and losses	3,638,821	-	(341,661)	-
(Loss) profit before tax	3,571,037	-	(409,738)	-
Income tax expense	-	-	-	-
Net (loss) income	<u>\$ 3,571,037</u>	<u>-</u>	<u>(\$ 409,738)</u>	<u>-</u>

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Expressed in HK dollars

Accounts	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 30,920)	-	(\$ 39,710)	-
Total expenditures and expenses	(30,920)	-	(39,710)	-
Non-operating gains and losses				
Other gains and losses	70,824	-	86,789	-
Profit before tax	39,904	-	47,079	-
Income tax expense	-	-	-	-
Net income	\$ 39,904	-	\$ 47,079	-

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Expressed in HK dollars

Accounts	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 24,660)	-	(\$ 20,995)	-
Total expenditures and expenses	(24,660)	-	(20,995)	-
Non-operating gains and losses				
Other gains and losses	2,152	-	2,626	-
Profit before tax	(22,508)	-	(18,369)	-
Income tax expense	-	-	-	-
Net income	(\$ 22,508)	-	(\$ 18,369)	-

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

3) Information of overseas branches and representative office

Overseas branches and representative office	Nationality	Date of registration	Reference number and the date of approval letter given by Securities and Futures Bureau of FSC	Main business activities	Operating income	(Loss) profit before tax (Note 1)	Assignment of working capital				Material transaction account with head office	Note
							Balance on January 1, 2017	Increase of working capital	Deduction of working capital	Balance on June 30, 2017		
Representative office of President Securities Corp. in Xiamen	Xiamen	2008.08.22	2008.01.21 Jing-Guan-Zheng-Chuan Letter No.0960073542	Non-operating activities of securities business consultation, contact, and market survey	-	(\$ 5,829)	-	-	-	-	-	-

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

Year ended December 31, 2017							
	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	\$ 2,296,187	\$ 1,789,971	\$ 1,093,725	\$ 1,013,369	\$ 1,128,098	(\$ 51,284)	\$ 7,270,066
Segment profit or loss	\$ 368,235	\$ 1,348,730	\$ 682,982	\$ 280,842	\$ 275,537	(\$ 112,353)	\$ 2,843,973
Year ended December 31, 2016							
	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	\$ 1,672,670	\$ 96,166	\$ 973,138	\$ 1,057,066	\$ 794,382	(\$ 30,806)	\$ 4,562,616
Segment profit or loss	\$ 34,385	(\$ 219,321)	\$ 717,344	\$ 239,925	\$ 217,355	(\$ 52,177)	\$ 937,511

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.

4) Informations on products and services

The Group's reportable segments are based on different products and services with disclosure of general information about types of products and services of the reportable segments' income sources. There is no requirement for additional disclosure of income from products and services.

5) Informations on regions

There was no disclosure since the revenues from foreign customers were not significant.

6) Informations on major customers

There was no disclosure because no single customer accounted for 10% or more of the Group's operating revenues for the current period.