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2016 Annual Report

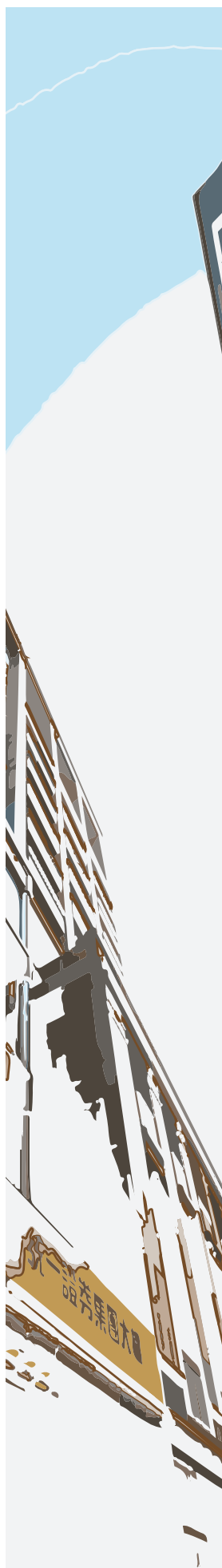
Notice to readers

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.

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw/>
2016 Annual Report is available at: www.pscnet.com.tw

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I. Letter to Shareholders

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Dear Shareholders,

2016 has been a tremendously difficult year for domestic securities operators. In international trends, China's economic slowdown at the start of the year, devaluation of the RMB by the People's Bank of China, and circuit breaker mechanisms adopted in China's stock markets have caused panic among investors. The passage of the EU referendum in the United Kingdom in June sent shock waves in global financial markets. The unexpected election of Donald Trump in the November US elections has also led to numerous political and economic uncertainties. Fortunately, the Bank of Japan imposed negative interest rate while the European Central Bank lowered interest rates and expanded the scale of bond purchases and the United States Federal Reserve System continued to delay the increase in interest rates and issued dovish declarations. These are all indications the funds are sufficient on the market and the global economy continues its slow recovery. 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 0.72% to 1.50% in 2016 and the Taiwan Capitalization Weighted Stock Index also rose from 8,338 points to 9,253 points, marking an increase of 11.0%. Despite recovery in domestic economic performance, the capital markets continue to stagnate. Domestic funds have long been affected by taxation systems and other issues, causing low interest in investment and a low trading volume. The average daily volume in TWSE/TPEX amounted to only NT\$99.3 billion, a 15% decline from the previous year.

As black swan events on the international markets, and trading volume in the domestic securities market remained stagnated, the Company remains cautious yet conscientious in searching for opportunities for generating profits. The annual revenue amounted to NT\$3.49 billion; the operating cost was NT\$407.33 million; the gross profit was NT\$3.09 billion; the operating expenses was NT\$2.7 billion; net non-operating income was NT\$511.42 million; income before tax was NT\$896.01 million; net income after tax was NT\$826.69 million; earnings per share before tax was NT\$0.67; earnings per share after tax was NT\$0.62. Relative to primary competitors, the Company's net income after tax ranked 6th and its EPS ranked 5th. The Company's profitability continues to be among the top in the industry.

In brokerage operations, the Company's market share was 2.89% in 2016, which ranks 8th among the top 10 securities firms. However, due to the low trading volume of only NT\$99.3 billion per day and exacerbated by historical high ratios of foreign investment and record lows in the balance of margin loan, the brokerage business was faced with severe challenges and branch contraction strategies thus began. After considering the regions, market share performance, and profitability contribution indicators of our branches in the second half of 2016, the Company decided to merge and close three branches companies including Tali, Yenping, Sanmin, and Zhubei. The number of Company branches has been reduced from 40 to 36. In the future, the Company shall continue to keep abreast of trends in financial

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technologies and comply with open and relaxed regulations to formulate overall business plans. The Company shall adjust services for its clients and business execution models step-by-step in stages, redefine the functions and appearances of branches, continue to improve operating procedures and increase quality of service to fully exemplify the value of the Company's channels.

In underwriting business, the Company served as lead underwriter or co-underwriter in a total of 34 cases in 2016, in which the Company served as lead underwriter in 3 cases and co-underwriter in 31 cases. The total number of cases ranked 6th in the industry and the total underwriting volume was NT\$2.03 billion. Under the low interest in TWSE market trading, public companies were also reluctant to raise funds. Market capitalization in 2016 was only NT\$419.18 billion, a decline of 28.57% from the previous year. Despite a lack of interest in the primary market, the Company still maintained its risk prevention awareness and carefully selected the most promising industries. The Company used its outstanding team to acquire quality clients and its vast expertise to provide high quality consulting services to help companies complete their IPO and fundraising goals.

In the proprietary trading business, operations have naturally become difficult with the continuous stagnation in TWSE trading volume and interference from international black swan events. However, the Company has mitigated by stringent risk management mechanisms. The bond proprietary trading business has profited from the delay in the rise of interest rates

in the United States that continued to relax global funds and increased our performance of foreign bond businesses. The Company's warrants business persisted in improving the transparency of market creation and has established a reputation in the market. The Company continues to develop strategic trading in its futures proprietary trading business in hopes of generating stable profits.

In addition to active business development to create outstanding performance, the Company also spared no effort to increase information transparency and worked hard to implement corporate governance. The Company also complied with regulations issued by the competent authorities, amended internal regulations, and continued to strengthen internal control and internal audits. In the 2nd Corporate Governance Evaluation System scheduled in 2016, the Company was awarded the highest honors, and was the only securities firm to receive this distinction for two consecutive years. In addition, the Company's efforts in corporate governance, enterprise commitment, social participation, and environmental protection also received recognition from the CommonWealth magazine. The Company was awarded the Excellence in Corporate Social Responsibility Award for the third time and was the only securities firm to receive the award. The Company's financial structure and operating performance were also reviewed by the Taiwan Ratings Corporation who gave the Company "twA" and "twA-1" ratings for long-term and short-term ratings.

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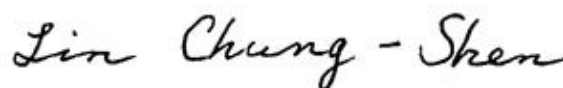
Looking ahead in 2017, with support from policies in the United States and China, the IMF estimates the global economic growth may reach 3.4%. In Taiwan, the DGBAS estimates that with advantages in semiconductor manufacture process and rising prices in international agricultural and industrial materials that fuels economic recovery, the annual economic growth rate in Taiwan may reach 1.92%. In the securities industry, the Financial Supervisory Commission allowed securities firms to develop "loans for unrestricted purposes" in early 2016 and allowed securities operators to provide commissioned investments made in periodic fixed amounts. These measures are expected to increase investors' fund management flexibility and guide small-scale investors into the TWSE market. Furthermore, the Central Bank also amended the "Regulations Governing Foreign Exchange Business of Securities Enterprises" and allowed securities firms to operate "spot foreign exchange transactions in NTD" and "foreign exchange derivative financial products." The operations and operating scope of securities firms are able to expand with the opening of various regulations and new businesses. The Company shall conduct necessary evaluations on their benefits and formulate related business plans for each newly-opened business.

Faced with a challenging future, President Securities shall review all operating procedures, strictly lower costs, and complete and abide by various risk management measures. The Company shall remain vigilant in strengthening overall operating efficiency

and performance to continue to create and increase the Company's value.

I hereby extend my most sincere gratitude to shareholders for your long-term trust and support for President Securities.

I wish you all good health and prosperity.



Chung-Shen Lin
Chairman



Kuan-Chen Lin
President



II. Company Profile

COMPANY PROFILE

1988

- President Securities Co., Ltd. was incorporated through the memorandum of Securities and Futures Commission, Ministry of Finance with the letter No. (77) Taiwan-Finance-Securities-(II)-20093 in November 19th.

1989

- Amended business name to President Securities Corp. on March 4th.
- Commencement of official operations on April 3rd.

1991

- Merged with Tung-Hsin, Tung-Yung, Tung-Wen, Tung-Ku, Tung-Fu, Tung-Yu, Tung-Hsing, Tung-Wang, Tung-Lai securities agencies.
- Founding capital of NT\$1.4 Billion increased to actual paid-in capital of NT\$3.36 Billion after the merger.

1994

- Performed capital infusion; capital stock after infusion amounted to NT\$4.02 Billion.

1995

- Bolstered capital to NT\$7.03 Billion and made President Securities the largest securities company in the country.
- Became the first Asian securities company to acquire the ISO9002 service quality certification.

1996

- Opened new branches in Yenping, Taoyuan, Sanchung, Tunghsing, and Fengyuan.

1998

- Processed capital infusion; capital stock after infusion amounted to NT\$10.18 Billion in May.

1999

- Obtained official approval for OTC listing.
- Converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$10.91 Billion.

2000

- In August, acquired Ta Feng Securities Co., Ltd.
- Converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$12.26 Billion.

2001

- Executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.28 Billion.

2002

- Listed on the main board in September.
- Executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.41 Billion.

2003

- Obtained business license for structured notes; Fixed Income business unit licensed as the main dealer for business operation of government bonds issued by Central Bank of the Republic of China.

2004

- East Tainan Branch, Neihu Branch and Renai Branch were established.
- Was upgraded from twBBB to twBBB+, and was again upgraded to twA-.

2006

- Obtained business license for wealth management.
- Received the 6th annual National Charity Award, and was the only for-profit business entity among twelve recipients.

2007

- Long-term credit rating was upgraded from TwA- to TwA, and short-term credit rating was upgraded from twA-2 to twA-1.

2008

- Issued the first unsecured convertible corporate bond in Taiwan, and received NT\$ 3 billion from the offering in May.
- Established PSC Xiamen business office in China on August 22nd.

2009

- Executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.86 Billion.

2010

- Obtained trust business license issued by FSC.

2011

- Established remuneration Committee.
- Converted retained earnings to paid-in capital. The capital stock after infusion amounted to NT\$13.05 billion.

2012

- Converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$13.23billion.

2013

- The total branches remain 35 (including head office.)
- Established a subsidiary, PSC Venture Capital Investment Co., Ltd.

2014

- Established an Offshore Securities Unit (OSU) in July of 2014.
- Opened new branches in Xinzhuang, Zhubei, Zhunan, and Xin Taoyuan, bringing the total number of branches to 39.
- Acquired the brokerage business of Standard Chartered Bank in Taiwan.

2015

- Established an Auditing Committee in June of 2015.
- Opened a new branch in Pingzhen, bringing our total number of branches to 40 (Including our headquarters) in October of 2015.

2016

- Conducted a capital reduction by canceling treasury stocks In February of 2016. The capital after capital reduction was NT\$13.037billion.
- Conducted a capital reduction by canceling treasury stocks in May of 2016 and the capital after capital reduction was NT\$12.95 billion.
- Converted earnings to capital in August of 2016 and the capital after capital increase was NT\$13.36billion.
- The branches in Tali, Yenping, and SanMin terminated operations in October of 2016, causing that the total number of branches reduced to 37(including our headquarters).

2017

- In May 2017, the branch in Zhubei terminated operations, causing that the total number of branches reduced to 36(including our headquarters).

Note.

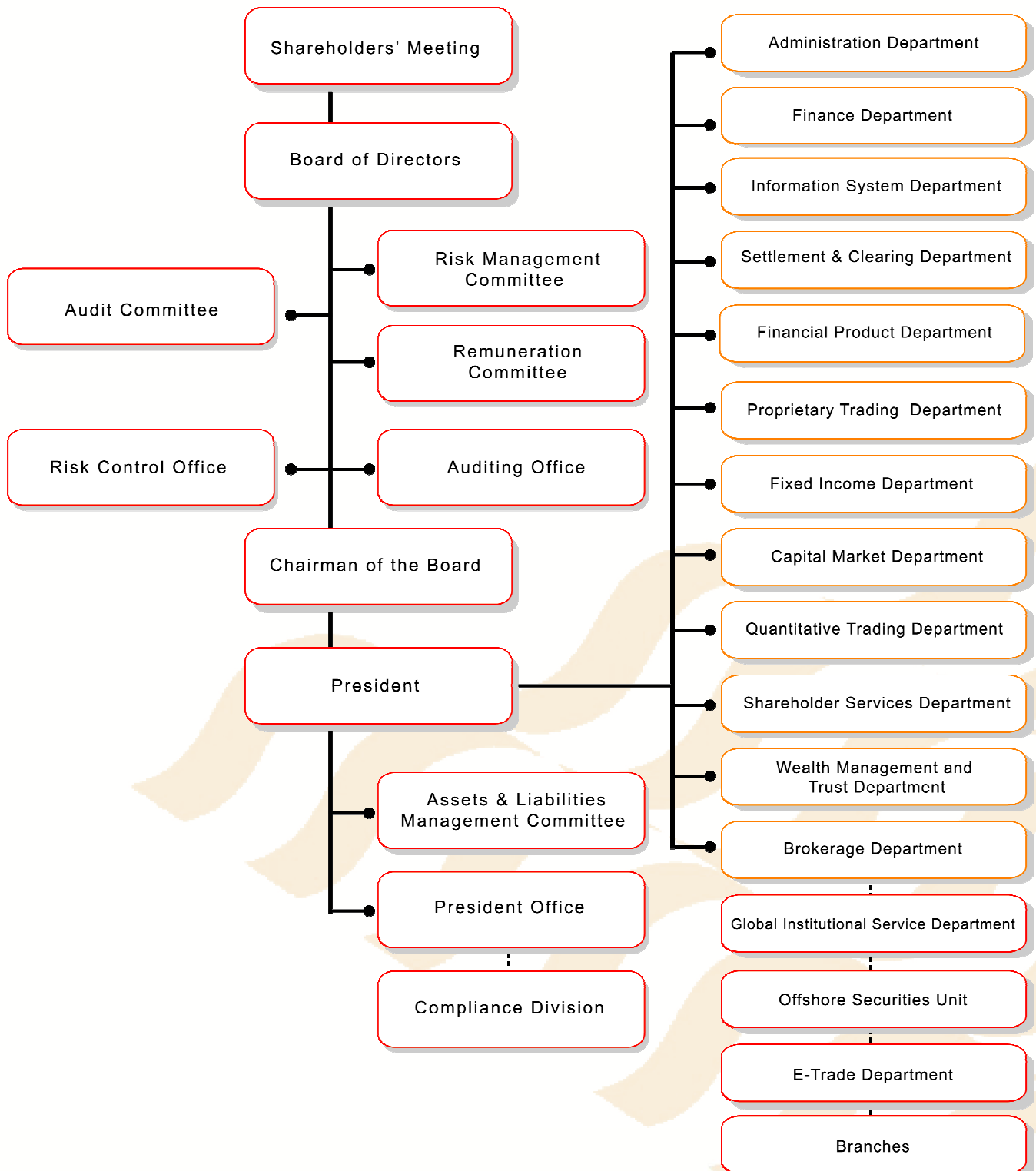
To get a full understanding about President Securities' capital structure in recent years, please see chapter IV.



III. Corporate Governance

Board Composition and Operation

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 the TPEX exchange for execution.
- Manage custodial services for clients.
- Provide margin financing for securities trading.
- Securities Borrowing and Lending 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.
- Use interest rate swaps and other interest rate derivatives, and matches that with physical government bond trading, to create diverse trading strategies and products.
- 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 to financial institutions and corporate clients.

Financial Products

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

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 future 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.

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 deliver of tax forms to shareholders.
- Respond to shareholder enquiries and legal issues.

Professional qualifications and independence analysis of directors and supervisors

Name	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		0
Lin, Kuan-Chen			V	V				V	V	V	V	V	V	0
Cheng, Kao-Huei			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	V	0
Lee, Tong-Liang Delegate of Hui Tung Investment Co.,Ltd.			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		0
Tu, Li-Yang Delegate of Ta Le Investment Holding Co., Ltd.			V	V		V	V	V	V	V	V	V		0
Lee, Shy-Lou			V	V			V	V	V	V	V	V	V	0
Duh, Bor-Tsang			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		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		0
Lin, Cheng-Te Delegate of Kai Nan Investment Co., Ltd.			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		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	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.

1. Not an employee of the Company or any of its affiliates.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Compensation for Directors

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)				Exercisable Employee Stock Options (H)					New Restricted Employee Shares (I)		
	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC	Group	PSC		Group		PSC	Group	PSC	Group		PSC	Group	
															Cash	Stock	Cash	Stock								
Total Directors (Including Independent Directors)	0	0	0	0	18,080	18,080	11,160	11,160	3.5370	3.5370	12,599	12,599	185	185	147	0	147	0	0	0	0	0	0	5.1012 %	5.1012 %	None

Note 1: 2016 After-tax profit: for President Securities and for President Securities on a consolidated basis: NT\$826.69 million.

Note 2: Compensation was calculated as of December 31, 2016; Compensation distribution proposal is based on said earnings.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	18(Note1,3)	18(Note1,3)	17(Note1)	17(Note1)
NT\$2,000,000 ~ NT\$5,000,000	0	0	0	0
NT\$5,000,000 ~ NT\$10,000,000	1(Note2)	1(Note2)	1(Note2)	1(Note2)
NT\$10,000,000 ~ NT\$15,000,000	0	0	1(Note3)	1(Note3)
NT\$15,000,000 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,000~ NT\$50,000,000	0	0	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	19	19	19	19

Note 1: Leg Horn Investment Co., Ltd. / Hui Tung Investment Co., Ltd. / Kai Nan Investment Co., Ltd.(4 seats) / Ta Le Investment Holding Co., Ltd. / China F.R.P. Corp. / Lee , Shy-Lou / Duh, Bor-Tsang / Cheng, Kao-Huei / Kao, Shioh-Ling/ Teng, Wen- Hwi/ Wu, Tsai-Yi/ Lee, Kwang-Chou/ Fu, Kai-Yun/ Liang, Yann-Ping

Note 2: Kai Nan Investment Co., Ltd.: Lin, Chung-Shen

Note 3: Lin, Kuan-Chen

Compensation 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)		PSC	PSC Group	
	PSC	PSC Group	PSC	PSC Group	PSC	PSC Group	PSC	PSC Group			
President, Vice President, and Chief Auditor	23,265	23,265	1,170	1,170	46,756	46,756	627	627	8.6874	8.6874	None

Note 1: 2016 After-tax profit: for President Securities and for President Securities on a consolidated basis: NT\$826.69 million.

Note 2: Compensation was calculated as of December 31, 2016; Employee Compensation was booked as of December 31, 2016.

Note 3: Vice President Peng, Bow-Win and Huang, Chiung-Huang was dismissed on September 1, 2016.

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000 (Note 1)	2	2
NT\$2,000,000 ~ NT\$5,000,000 (Note 2)	5	5
NT\$5,000,000 ~ NT\$10,000,000 (Note 3)	2	2
NT\$10,000,000 ~ NT\$15,000,000 (Note 4)	1	1
NT\$15,000,000 ~ NT\$30,000,000 (Note 5)	1	1
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	11	11

Comparison of Remuneration in the Most Recent Two Fiscal Years and Remuneration Policy

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	To directors	To presidents and vice presidents
2015	3.45	7.95
2016	3.54	8.69

Note 1: Peng, Bow-Win/ Huang, Chiung-Huang

Note 2: An, Chi-Li/ Lee, Wen-Sheng/ Chen, Kai-Ching/ Kuo, Li-Yun/ Pan, Chun-Hsien

Note 3: Huang, Jun-Jen/ Yang, Kai-Chih

Note 4: Lin, Kuan-Chen

Note 5: Tsai, Sen-Bu

Information regarding directors, supervisors, management team and branch manager

As of April 24, 2017

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	3,100,613	0.23	0	0	0	0	1.Chairman of President Futures Corp. 2.Vice Chairman and President of President Securities Corp. 3.Director of President Securities (Nominee) Ltd. 4.Director of President Securities (BVI) Ltd. 5.Director of President Wealth Management (HONG KONG) 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. President of Fonmau Cereal Industrial Co., Ltd.	
Capital Market Department Vice President	Republic Of China	Kuo, Li-Yun	F	2000.06.08	184,033	0.01	0	0	0	0	1.Vice President of Grand Asia Asset Management 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	300,924	0.02	0	0	0	0	1.Senior Deputy Manager of China Bills Finance Corporation 2.Project Manager of President Securities Corp.	N/A
Finance Department Vice President	Republic Of China	An, Chi-Li	F	2004.06.30	150,087	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 (HONG KONG) Ltd. 5. Supervisor of President Insurance Agency Corp.
Proprietary Trading Department Vice President	Republic Of China	Yang , Kai-Chih	M	2006.03.21	131,050	0.01	0	0	0	0	1.Assistant Vice President of President Securities Corp. 2.Manager of President Securities Corp.	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	%		
Quantitative Trading Department Vice President	Republic Of China	Huang, Jun-Jen	M	2009.03.26	103,128	0.01	0	0	0	0	1.Vice President of Oriental Securities Corporation 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	29,497	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	Chen, Kai-Ching	M	1996.03.02	93,169	0	0	0	0	0	1.Senior Manager of President Securities 2.Chief Auditor of President Securities	N/A
Settlement & Clearing Department Assistant Vice President	Republic Of China	Cheng, Yao-Tung	M	2005.06.21	64,982	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	648,907	0	0	0	0	0	1.Vice President of President Securities Corp. 2.Special Assistant of Uni-President Assets Management Corp.	N/A
Compliance Division Assistant Vice President	Republic Of China	Hung, Ying-Che	M	2008.03.19	52,497	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	367	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	N/A
Mainland China Business Division Assistant Vice President	Republic Of China	Chen, Long-Chien	M	2013.06.01	88	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	2,251	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	Accountant In Charge of President Insurance Agency Co., Ltd Accountant In Charge of PSC Venture Capital Investment Co., Ltd

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	%		
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	40,122	0	209	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	N/A
Administration Department Assistant Vice President	Republic Of China	Yu, Hung-Chieh	M	2016.09.01	5,500	0	0	0	0	0	1.Senior Manager of President Securities 2.Special Assistant of President Securities	Director of President Insurance Agency Corp.
Shareholder Services Department Assistant Vice President	Republic Of China	Chang, Shao-Ping	M	2016.09.01	0	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	82	0	0	0	0	0	1.Senior Manager of President Securities 2.Manager of President Securities	Director of President Futures Corp.
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

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	%		
Risk Control Office Senior Manager	Republic Of China	Chang, Ping-Chuan	M	2015.11.09	14,497	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	59	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 Senior District Assistant Vice President	Republic Of China	Chang, Hung-Shuo	M	2003.05.21	1,350	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	159,209	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	1,031	0	3,093	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	5,870	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	232,692	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.
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

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	%		
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
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
Tunghsing Equity Department Manager	Republic Of China	Kao, Jung	M	2009.04.01	390	0	0	0	0	0	1.Sales 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	Chen, Te-Chang	M	2015.07.01	0	0	0	0	0	0	1.Deputy Manager of President Securities 2.Sales of President Securities	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 Deputy 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

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	%		
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	Shao, Yun-Wen	M	2016.10.01	0	0	0	0	0	0	1. Manager of President Securities 2. Deputy Manager of President Securities	N/A
Tainan Branch Manager	Republic Of China	Tu, Ching-Feng	M	2009.12.17	232,692	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.
Taichung Branch Manager	Republic Of China	Liao, Chen-Yin	F	2001.11.12	0	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	0	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
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	88	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

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	%		
Changhua Branch Manager	Republic Of China	Huo, Ju-Liang	M	2009.08.27	0	0	0	0	0	0	1.Senior Assistant Vice President of KGI Securities 2.Senior Assistant Vice President of Pacific Securities	N/A
Taoyuan Branch Manager	Republic Of China	Tung, Chiu-An	M	2013.04.01	196	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	Yu, Fu-Tsun	M	2005.06.21	0	0	0	0	0	0	1.Manager of Yuanta Securities 2.Sales of Yuanta Securities	N/A
Sanchung Branch Manager	Republic Of China	Kao, Hao-Chen	M	2013.04.01	99,914	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, Cheng -Feng	M	2011.01.01	41,423	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
Szichih 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	Chiu, Ming-Kai	M	2013.12.01	0	0	0	0	0	0	1.Sales Manager of China Securities Co., Ltd. 2.Administrator of Panasonic Taiwan Co., Ltd.	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	%		
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	Lai, Chueh-An	F	2015.07.01	0	0	0	0	0	0	1.Deputy Manager of Capital Securities 2.Manager of Horizon Securities	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 Securities	N/A
Xindian Branch Manager	Republic Of China	Huang, Chien-Hsin	M	2013.09.11	0	0	0	0	0	0	1.Senior Manager of KGI Securities 2.Manager of Taiwan Securities Co., Ltd.	N/A
Xinzhuang Branch Manager	Republic Of China	Kao, Min-Chou	M	2014.07.21	0	0	0	0	0	0	1.Manager of KGI Securities 2.Sales Deputy Manager of Capital Securities	N/A
Xinzhuang 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
Zhubei Branch Manager	Republic Of China	Chiu, Shyh-Tyng	M	2016.03.22	1,031	0	3,093	0	0	0	1.Manager of President Securities 2.Deputy Manager of President Securities	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

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	%		
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	N/A

Board of Directors Meeting

Total of 6 meetings of the board of directors were held in the year of 2016. Directors' attendance condition was as follows:

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	5	1	83%
Director	Kao, Shiow-Ling	2	4	33%
Director	Teng, Wen-Hwi	1	5	17%
Director	Hui Tung Investment Co., Ltd. Rep. Lee, Tong-Liang	6	0	100%
Director	Leg Horn Investment Co., Ltd. Rep. Chang, Ming-Chen	6	0	100%
Director	Ta Le Investment Holding Co., Ltd. Rep. Tu, Li-Yang	6	0	100%
Director	Lee, Shy-Lou	5	1	83%
Director	Duh, Bor-Tsang	5	1	83%
Director	China F.R.P Corp. Rep. Lee, Shu-Fen	5	1	83%

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh Hong, Hui-Tzu	6	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Liu, Tsung-Yi	6	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Cheng-Te	3	3	50%
Director	Kai Nan Investment Co., Ltd. Rep. Lu, Li-An	5	1	83%
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%

Audit Committee

The Company established its Audit Committee in June of 2015.

There were 5(A) meetings held in 2016. The attendance by Independent Directors was as follows:

Title	Name	Actually Number of Times Attended (B)	Number of Times Attended by Proxy	Actual Attendance Rate (%) (B/A)
Independent Director	Liang, Yann-Ping	5	0	100%
Independent Director	Lee, Kwang-Chou	5	0	100%
Independent Director	Fu, Kai-Yun	5	0	100%
Independent Director	Wu, Tsai-Yi	5	0	100%

Remuneration Committee

Professional Qualifications and Independence Analysis of Remuneration Committee Members

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 a 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	V	0
Independent Director	Lee, Kwang-Chou			V	V	V	V	V	V	V	V	V	V	0
Independent Director	Fu, Kai-Yun			V	V	V	V	V	V	V	V	V	V	0
Independent Director	Liang, Yann-Ping	V		V	V	V	V	V	V	V	V	V	V	0

The committee is composed of four members. The tenure of the committee is effective from June 29th, 2015 to June 17th, 2018. Total of 3 meetings of the committee were held and the attendance condition was as follows:

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

Corporate Governance

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.

Board Operation

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.

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

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/GTSM Listed Companies and in accordance with the companies own Rules of Procedure for Board of Directors Meetings.

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.

Communicate with Interested Parties

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.

Information Transparency

On President Securities corporate 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. 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:

- i) Company introduction in English and Chinese.
- ii) Disclosure of company's financial and business information, and corporate governance.
- iii) Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments received.

Implementation of Customer Policy

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.

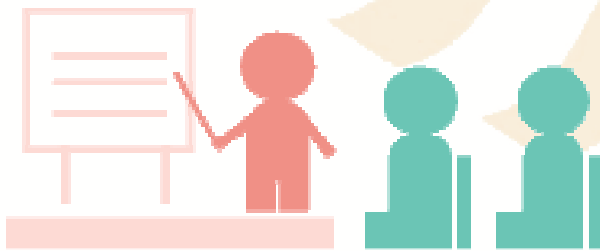
Implementation

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.

Training for Directors and Supervisors

The Company's Directors and Supervisors shall conduct independent studies and the Company shall also organize related corporate governance courses periodically and invite all Directors and Supervisors to participate in the courses. In 2016, in addition to independent studies conducted by Directors and Supervisors, the Company collaborated with the Taiwan Corporate Governance Association and jointly organized courses for all Directors and Supervisors of the Company.

The Company invited Director Ming-Hui Chang to speak on "Trends in Corporate Governance" in March and invited Executive Director Chang, Chin-Rui to speak on "Big Data Analysis and Corporate Anti-Fraud Investigation and Prevention" in August to provide Directors and Supervisors with a more profound understanding of corporate governance.





Risk Management Policy and Risk Evaluation Standards

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.

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

- 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.
- We evaluate the completeness of our evaluation models on various business areas, and review the assumptions, parameters, and data used for various product models, and then test that the models for the various products are reasonable.
- We evaluate the effectiveness of risk control models: regularly perform backtesting to ensure the effectiveness of the models used.

Credit Risk

- Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp.
- 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.
- 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

- 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.
- We create operations risk policy handbooks that entail every level of operations.
- Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled.

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 initiated. Setting risk control guidelines for each level of operations allows for comprehensive monitoring of 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.

- **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 and Legal Affairs** 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.

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, supervisors, and key employees (Policy Value: US\$10 million; Policy Term: September 1, 2016, to September 1, 2017).

The Corporate Governance Evaluation System

The Company's final score in the Corporate Governance Evaluation System in 2015 was 97.52, which was among the top 5% of all listed companies. The Company was also the only listed securities company that received such recognition in two 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.

As for investor conference, we have already held an investor conference in March of 2017 and proposed to held another in August.

The Implementation of the Corporate Governance

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 is put on our website.

Implemental reports of "President Securities Corporate Responsibility Principles" were proposed in board meeting every year, and report of the year 2016 was proposed in the 11th meeting of the 10th Board of the company. Our Company uses multiple avenues by which to promote corporate responsibility education, including holding corporate governance training classes (March 22, 2016, and August 8, 2016, for 6 hours each time); another such class is scheduled for May and August of 2017. 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 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

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 2015 was published in November 2016 year 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



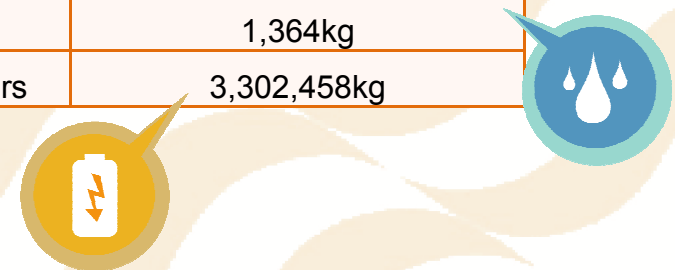
Environmental Protection Measures

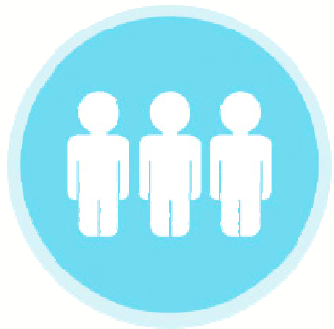
In an effort to reduce our carbon footprint, the Company adheres to government policies on indoor climate controls, as well as removing and replacing outdated equipment with more energy-efficient models, followed-up by regular inspections. Every year a table is generating showing monthly water and electricity 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.

In 2016, the Company's headquarters consumed 18,938 cubic meters of water which emitted 1,364kg in carbon dioxide emissions and consumed 6,254,655 kilowatt-hours of electricity which emitted 3,302,458kg of carbon dioxide. The annual carbon emissions were reduced by approximately 1.3% from 2015. 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 2017 to build a greener enterprise.

Item	Consumption	Carbon Emissions
Water Consumption	18,938 cubic meters	1,364kg
Power Consumption	6,254,655 kilowatt-hours	3,302,458kg

Carbon Emissions ↓ 1.3%





Employee Rights And Hiring Concerns

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. The related mechanisms are as below:

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

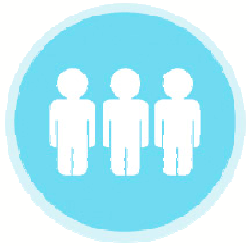
In accordance with sexual harassment protection bill and sex equality in work place bill, our company has worked out measures of preventing, grievance-airing, investigating and handling sexual harassment. A committee is also set up to take charge of the related matters in order to prevent sexual harassment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

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.



Employee Rights And Hiring Concerns

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.

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

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

The company has a clear salary and bonus policy that is based on employee performance, which makes our salary and bonus system not only extremely competitive but also very effective in motivating employee our employees.

In an effort to respond to trends in the finance industry, and the advent of the Internet of Things and the Bank 3.0 initiative, we have developed a number of employee training classes aimed at financial innovation, with each class tailored to each specific department, e.g., training camp for management trainees, cross-selling project training, special training for managers, etc. We attempt to build strong skills and a keen sense of direction in every department and at all levels of the Company.



Our Service (and production) Policy

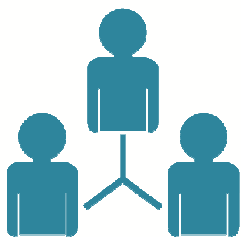
- In keeping with the laws and regulations laid out by the regulators, and in an effort to protect the rights of our customers, we have established a complaint hotline where customers may seek assistance. We have put in place processes that protect the personal information and rights of the customers. Also, President Securities has received BSI and BS-10012 certification for its new account application process, and undergoes two audits each year for this. 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.
- 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.
- 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.



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.



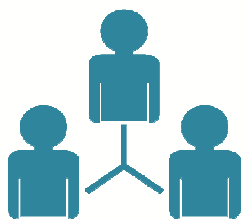
Integrity Application

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.

- 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 first annual corporate governance evaluation in 2014, 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.

Integrity 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 governance (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.



Integrity Application

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.

The Company has established "Guidelines for Handling Reports of Unlawful or Unethical Behavior". Please see the following for more information

- 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).

Other Disclosure

Information Regarding Independent Auditor

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PwC Taiwan	Hsiao, Chin-Mu	2016.01.01- 2016.12.31	Attestation of Financial Statements
	Chang, Ming-Hui		
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		
PricewaterhouseCoopers (PwC) Taiwan	Hsiao, Chin-Mu	5,270	-	80	-	424 (Note)	504	2016	Attestation of Financial Statements
	Chang, Ming-Hui								
	Hsu, Chi-Chang	980							Attestation of Tax Returns

Note: CSR report attestation fee and transfer pricing report fee.

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000	0	504	504
2	NT\$2,000 ~ NT\$4,000	0	0	0
3	NT\$4,000 ~ NT\$6,000	0	0	0
4	NT\$6,000 ~ NT\$8,000	6,250	0	6,250
5	NT\$8,000 ~ NT\$10,000	0	0	0
6	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	Parties	CPA	The Company
	Status	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	✓	
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, 2017

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.	12,400,000	100.00%	0	0	12,400,000	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	42.50%
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	2016		As of Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Kai Nan Investment Co., Ltd.	1,157,841	0	0	-138,000
Director and President	Lin, Kuan-Chen	100,613	0	0	0
Director	Cheng, Kao-Huei	81,605	0	0	0
Director	Leg Horn Investment Co., Ltd.	360,682	0	0	0
Director	Teng, Wen- Hwi	746,276	0	0	0
Director	Hui Tung Investment Co., Ltd.	296,485	0	0	0
Director	Ta Le Investment Holding Co., Ltd.	208,497	0	0	0
Director	Lee, Shy-Lou	243,612	0	0	0
Director	Duh, Bor-Tsang	121,795	0	0	0
Director	Kao, Shio-Ling	110,129	0	0	0
Director	China F.R.P Corp.	156,749	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	5,568	0	0	0
Fixed Income Department Vice President	Tsai, Sen-Bu	9,106	0	0	0
Quantitative Trading Department Vice President	Huang, Jun-Jen	3,120	0	0	0
Finance Department Vice President	An, Chi-Li	4,541	0	0	0
Financial Product Department Vice President	Pan, Chun- Hsien	892	0	0	0
Proprietary Trading Department Vice President	Yang, Kai-Chih	3,965	0	0	0
President Office Project Vice President	Lin, Chung-Heng	-364	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Auditing Office Chief Auditor	Chen, Kai-Ching	2,819	0	0	0
Settlement & Clearing Department Assistant Vice President	Cheng, Yao-Tung	1,966	0	0	0
Capital Market Department Sales Vice President	Chueh, Chih-Chung	0	0	0	0
Compliance Division Assistant Vice President	Hung, Yung-Che	1,588	0	0	0
Administration Department Assistant Vice President	Yu, Hung-Chieh	5,500	0	0	0
Shareholder Services Department Assistant Vice President	Chang, Shao-Ping	0	0	0	0
President Office Assistant Vice President	Chen, Nai-Chen	11	0	0	0
Mainland China Business Division Assistant Vice President	Chen, Long-Chien	2	0	0	0
Finance Department Assistant Vice President	Lu, Chia-Chen	68	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	1,214	0	0	0
Fixed Income Department Assistant Vice President	Yeh, Ming-Chieh	0	0	0	0
Risk Control Office Senior Manager	Chang, Ping-Chuan	438	0	0	0
Brokerage Department Vice President	Lee, Wen-Sheng	1	0	0	0
Brokerage Department District Vice President	Chang, Hung-Shuo	40	0	0	0
Brokerage Department District Vice President	Chiu, Shyh-Tyng	31	0	0	0
Brokerage Department District Vice President	Chuang, Chi-Hung	4,817	0	0	0
Brokerage Department District Vice President	Lin, Li-Lin	177	0	0	0
Brokerage Department District Vice President	Tu, Ching-Feng	7,041	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

Title	Name	2016		As of Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Wealth Management and Trust Department Senior Manager	Chu, Po-Lin	0	0	0	0
Tunghsing Equity Department Manager	Kao, Jung	11	0	0	0
Tunghsing Equity Department Manager	Hung, Yu-Ting	0	0	0	0
Tunghsing Equity Department Manager	Chen, Te-Chang	0	0	0	0
Tunghsing 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	Shao, Yun-Wen	0	0	0	0
Tainan Branch Manager	Tu, Ching-Feng	7,041	0	0	0
Taichung Branch Manager	Fang, Wu- Hsin	0	0	0	0
Taichung Branch Manager	Liao, Chen-Yin	0	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	2	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	Huo, Ju-Liang	0	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Taoyuan Branch Manager	Tung, Chiu-An	5	0	0	0
Yuanlin Branch Manager	Yu, Fu-Tsun	0	0	0	0
Sanchung Branch Manager	Kao, Hao-Chen	99,914	0	0	0
Fengyuan Branch Manager	Lin, Cheng -Feng	1,253	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
Szichih 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
Kuting Branch Manager	Chiu, Ming-Kai	0	0	0	0
Kinmen Branch Manager	Chung, Hui-Ju	0	0	0	0
Tucheng Branch Manager	Chen, Chun-Ming	0	0	0	0
Songjiang Branch Manager	Lai, Chueh-An	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 Senior Manager	Huang, Chien-Hsin	0	0	0	0
Xinzhuang Branch Manager	Kao, Min-Chou	0	0	0	0
Xinzhuang Branch Manager	Chen, I-Ju	0	0	0	0
Zhubei Branch Manager	Chiu, Shyh-Tyng	31	0	0	0
Xin Taoyuan Branch Manager	Wu, Shao-Kuang	0	0	0	0
Zhunan Branch Manager	Peng, Hsiu-Chin	0	0	0	0

Title	Name	2016		As of Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
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.	11,440,976	0	0	0



IV. Capital Structure

Capital and Shares

Capitalization

Month/Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stork		Remark	
		1,000 Shares	Amount (NT\$ thousands)	1,000 Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash
Jun-2006	10	1,500,000	15,000,000	1,137,072	11,370,720	Cancellation of Treasury Shares	None
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

Capital and Shares

Unit : Share

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	1,335,665,732	164,334,268	1,500,000,000

Structure of Shareholders

As of April 24, 2017

Structure of Shareholders Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Holders	0	1	118	37,498	137	37,754
Shares	0	37,187,290	777,091,302	413,745,296	107,641,844	1,335,665,732
%	0	2.784%	58.18%	30.976%	8.059%	100%

Distribution Profile of Share Ownership

As of April 24, 2017

Shareholder Ownership (Unit : Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	22,729	2,164,515	0.162
1,000 ~ 5,000	7,373	16,415,396	1.229
5,001 ~ 10,000	2,545	17,702,623	1.325
10,001 ~ 15,000	1,525	18,351,741	1.374
15,001 ~ 20,000	569	9,957,086	0.745
20,001 ~ 30,000	848	20,541,797	1.538
30,001 ~ 40,000	413	14,306,960	1.071
40,001 ~ 50,000	280	12,565,636	0.941
50,001 ~ 100,000	667	46,547,417	3.485
100,001 ~ 200,000	394	54,633,718	4.090
200,001 ~ 400,000	209	57,623,707	4.314
400,001 ~ 600,000	72	34,902,994	2.613
600,001 ~ 800,000	31	21,589,634	1.616
800,001 ~ 1,000,000	20	18,075,964	1.353
Over 1,000,001	79	990,286,544	74.142
Total	37,754	1,335,665,732	100

Major Shareholders

As of April 24, 2017

Shareholders	Number of Shares	Ownership (%)
Uni-Present Enterprises Corp.	378,085,072	28.31
Nan Shan Life Insurance Company, Ltd	113,262,623	8.48
Kai Nan Investment Co., Ltd.	38,262,690	2.86
President Securities' comprehensive Employee Stock Ownership Trust under Chinatrust's custody	37,187,290	2.78

Shareholders	Number of Shares	Ownership (%)
President Chain Store Corp.	36,715,907	2.75
Eternal Chemical Co., Ltd	32,903,346	2.46
Tainan Spinning Co., Ltd	30,875,963	2.31
Kao Chyuan Investment Co., Ltd.	29,716,414	2.22
Dr. C. Y. Kao's Non-Profit Foundation of Culture & Education (In Memory of His Mother)	17,183,271	1.29
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	16,702,954	1.25

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

Item		2015	2016	2017Q1	
Market Price Per Share	Highest	17.99	13.77	13.85	
	Lowest	10.25	10.5	11.35	
	Average	14.49	11.51	12.93	
Net Worth Per Share	Before Distribution	17.42	17.28	17.70	
	After Distribution	-	-	-	
Earnings Per Share	Weighted Average Shares (thousand shares)		1,319,707	1,337,200	1,335,666
	Earnings Per Share	Before Distribution	0.72	0.62	0.54
		After Distribution	0.70	0.62	-
Dividends Per Share	Cash Dividends (NT\$)		0.20	-	-
	Stock Dividends	Retained Earnings	0.31	0.41	-
		Additional paid-in Capital.	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		20.13	18.56	-
	Price/Dividend Ratio		72.46	-	-
	Cash Dividend Yield		1.38	-	-

Dividend Policy & Implementation Status

Dividend Policy

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:

- 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.

Distribution of Profit

The Board adopted a proposal for 2016 profit distribution at its Meeting on March 23th, 2017, and the proposal to distribute 2016 profits is listed as follows:

Stock Dividends

NT\$0.41 per share

Employees', Directors' and Supervisors' Remuneration

Articles of Incorporation

- 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.

Estimate Foundation of Employees', Directors' and Supervisors' Remuneration

The company estimated employees' compensation in 2016 and 2015 to the amount of NT\$18,079,749 and NT\$22,292,609, respectively; And NT\$18,079,749 and NT\$22,292,609 for Directors' and Supervisors' Remuneration. These amounts are estimated as the account of salary expenses.

Board of Director Passes Proposed Distribution of Employees', Directors' and Supervisors' Remuneration:

On March 23rd, 2017, our Board of Directors passed the proposed allocation of employees' compensation and remuneration for directors and supervisor as follows: Total employees' compensation of NT\$18,079,749(2% of pre-tax profits) and total directors' remuneration of

NT\$18,079,749(2% of pre-tax profits). There was no difference between the estimates and the actual distributions approved at the Board Meeting for Employee bonus and Director/Supervisor compensation.

Actual Distribution of Employees', Directors' and Supervisors' Remuneration for the Former Year

On March 22nd, 2016, the Board of Directors passed the proposed allocation of employees' compensation and remuneration for directors and supervisor as follows: Employees' compensation amounted to NT\$22,292,609 while remuneration for directors and supervisors amounted to NT\$22,292,609. There was no difference between the estimates and the actual distributions approved at the Board Meeting.

Buyback of Common Stock :

On Jan. 27th, 2016, the 5th meeting of the 10th board approved to buy back 8,548,000 shares and the company conducted a capital reduction by canceling treasury stocks on May 20th, 2016.

Long-Term Borrowings : None.

Issuance of Preferred Stocks : None.

Issuance of Global Depositary Receipts : None.

Issuance of Employee's Stock Options : None.

Merge and Acquisition : None.

Working Capital Plans : None.



V. Overview of Business Operation

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
- Other business areas approved by the SFC

Breakdown of Revenues for Latest Three Years

Unit: NT\$ thousands

Item	2014		2015		2016	
	Operating revenue	(%)	Operating revenue	(%)	Operating revenue	(%)
Brokerage	2,323,736	53.09	2,170,495	61.82	1,712,998	49.04
Proprietary Trading	1,900,716	43.43	1,195,609	34.06	1,580,483	45.24
Underwriting	152,400	3.48	144,715	4.12	199,953	5.72
Total	4,376,852	100	3,510,819	100	3,493,434	100

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.

Business highlights

Brokerage

- In 2016, the market share for our brokerage business stood at 2.89%, ranking us as the 8th largest brokerage house. With 36 branches currently in operation, President has a per branch average market share of 0.08%, leading President to be the 4th among the top-10 largest firms in Taiwan, showing that President's operation outperforms other securities firms.
- Our company dedicates to promote electronic transactions, which accounted for 43.43% of company's trading volume in 2014 and up to 45.05% in 2015 and 49.71% in 2016 with sustained growth.
- We have developed an integrated online order entry system that allows customers to trade equities, futures, options, emerging stock, and sub-brokerage foreign futures all from the same application. This allows our customers to take full control of their trading objectives and, at the same time, encourages clients to trade a wider range of products.
- 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.

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

- In 2016, President Securities was ranked 13th in terms of market share for the monthly outright purchase and sales of government bonds with a monthly average market share of 1.38%. As bond trading volume shrinks alongside diminishing market opportunities, we are gradually reducing our domestic bond trading volume and shifting our attention to the international bond market.
- In 2016, we held 1.10% of the market in Interest Rate Swap brokerage, giving us an overall 8th place ranking within the industry.

Quantitative Trading

- **Operating Performance :**
We have consistently ranked among the top brokerage houses and futures proprietary trading department for the last 3 years.
- **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

- In 2016, our Financial Products Division was primarily engaged in issuing new warrants, structured note products, and other derivative products authorized by the Taiwan's regulators.
- **Market Position :**
 - i) Warrants: We issued a total of 1,457 warrants in 2016, for a total dollar value of NT\$20.93 billion.
 - ii) Structured Products: In 2016, the company undertook contracts amounting to a principal of NT\$6.54 billion, an overall 8th place ranking within the industry, and had a total NT\$5.80 billion worth of structure note products in the market, ranked the 6th in the industry .
- **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.

Business highlights

Underwriting (Capital Market)

- **Market Position :**

The company underwrote 34 issues in 2016, for a total dollar value of NT\$2.03 billion.

- **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.

Shareholder Services

- **Market Position :**

- By the end of 2016, we served as shareholder services representative for 139 companies, including 89 listed or OTC companies, which accounted for 64% of all companies serviced.
- The average size of companies that we represent has increased. As of the end of 2016, the total number of shareholders that we serviced stood at roughly 1.68million.

- **Operating Performance :**

- The number of serviced companies in 2016 was equivalent to the number of service companies in 2015.
- The average number of shareholders we serviced in 2016 also stayed the same as 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

- **Market Position :**

- The 1st and the only securities dealer in Taiwan that has started wealth management business, a brokerage that assists customers to do assets arrangement under the "asset management account".
- The 1st brokerage that has got the approval letter of having a side business of trust business.
- First domestic securities dealer to receive the Central Bank's foreign exchange license and be permitted to engage in trust-related wealth management.

- **Operating Performance :**

As of end of 2016, the number of the trust account customer totals 7,822 and the amount of the management customers' assets totals NT\$4.25 billion, ranked the 7th in the industry.

- **Long-term objectives :**

- Establish "wealth management platform" for Taiwan customers through wealth management and trust.
- Develop "characteristic cross-strait financial business" through Offshore Securities Unit.



New Products and Services to be developed

In response to the Finance 3.0 trends, the Company plans to establish various platforms to provide customers with more convenient services. In addition, the Company shall also make use of its professional advantages in the financial engineering sector for the development and promotion of derivative financial products to refine the product line and satisfy customer demands.

Analysis of the Securities Industry

Overall Economic Environment

The global economy slowly headed toward recovery in the past year and slowly led the growth in global stock markets. As China's economy continued to slow down at the start of the year, the People's Bank of China began devaluation of the RMB and the new circuit breaker mechanisms adopted in China's stock markets caused panic among investors. Investors were also concerned about rumors of a debt default by Deutsche Bank and together these incidents sent shock waves across global financial markets. The passage of the United Kingdom's European Union membership referendum also caused investor concerns. However, the Bank of Japan imposed negative interest rates, the European Central Bank lowered interest rates and expanded the scale of public bond purchases, and the United States Federal Reserve System continued to delay an increase in its interest rates and issued dovish declarations. These measures supported investor confidence.

In Taiwan, the domestic economic growth rate raised from 0.72% to 1.50% in 2016 mainly due to the gradual rebound of international agricultural and industrial raw material prices as well as the high demand for semiconductors stimulated by the launch of new technological

products which led to a 2.12% growth in product and service exports. Private consumption grew by 2.16% due to vehicle sales and the catering industry. In the domestic stock market, the TWSE fell to 7,627 points earlier in the year as China's stock markets tumbled. However, as the Bank of Japan and the European Central Bank continued to execute quantitative easing and the FED continued to delay interest hikes, TWSE gradually recovered and the annual weighted index rose by 11.0% from 8,338 points to 9,253 points. However, the taxation system and population structure lowered interest in investments in domestic funds and TWSE relied on foreign investment to maintain its growth. The average trading volume on the exchange market dropped from NT\$92.2 billion to NT\$77.5 billion.

Looking ahead in 2017, the IMF's estimated global economic growth rate of 3.4% will need to rely mainly on policy support from the United States and China as well as improvements in the German, British, and Spanish economies. However, the rises of global trade protectionist policies and uncertainties in general elections across Europe have become potential risks to the global economy. In Taiwan, advantages in the semiconductor manufacturing process and rising prices in international agricultural and industrial materials fueled economic recovery. Forecast of the Directorate General of Budget, Accounting and Statistics places the annual economic growth rate in Taiwan at 1.92%.

In the securities industry, the Financial Supervisory Commission allowed securities operators to provide commissioned investments made in periodic fixed amounts starting in December of last year. This measure is expected to attract small-scale investors into the TWSE market. At the same time, the Central Bank also announced amendments to the "Regulations Governing Foreign Exchange Business of Securities Enterprises" and allowed securities

I. <i>Letter to Shareholders</i>	II. <i>Company Profile</i>	III. <i>Corporate Governance</i>	IV. <i>Capital Structure</i>	V. Overview of Business Operation	VI. <i>Financial Information</i>	VII. <i>Financial Status, Operating Results and Risk Management</i>	VIII. <i>Other Disclosures</i>
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firms to operate spot foreign exchange transactions in NTD and foreign exchange derivative financial products. In addition, a competent regulatory authority formulated a draft of the "Financial Technology Innovation Experiment Act" to encourage the financial services industry to adopt innovative technologies and increase the efficiency, quality, and popularity of financial services. The Act seeks to provide operators with an environment for developing financial technologies while ensuring order in the financial markets and consumer protections to embrace development trends in global FinTech. These new measures are expected to expand the business scope of securities operators while providing customers with more supplementary services. Securities operators can also assess their own strengths and formulate business strategies.

Product Trends and Relevant Competition

Brokerage

In 2016, because of an increase in the internationalization of investors and lack of domestic investors' confidence, there was a noticeable drop in the value of trading volume on the TWSE by 15.9%, for a total trading volume for the year of roughly NT\$18.9 trillion. As for the Taipei Exchange (formerly known as Greta exchange), an increase in trading volume of 4.2%, or NT\$ 56.9 trillion overall for the year was primarily results from the increase in repurchase /reverse repurchase agreement trading volume, by 6.5%.

Proprietary Trading

i) Equities Markets

Many uncertainties including the circuit breaker mechanism in China's stock markets, the rotation of the ruling party in Taiwan, Brexit, the election of Donald Trump in the U.S. Presidential Elections, and interest rate increases in the U.S. occurred in 2016. However, these uncertainties

did not affect TWSE, whose growth in points and by percentage was second only to the Dow Jones Industrial Average. TWSE continued its volatile growth from its low point in January to 9,399 points in October mainly due to the continued investment of foreign funds in weighted stocks. The cost of domestic stock trading and taxes remained high in comparison with international stock markets. The unequal cost of transactions and taxation between domestic and foreign investors has caused indignant investors to invest overseas due to problems with fiscal policies which caused continued stagnation in transaction volume in 2016. The annual trading volume of NT\$18.6 trillion fell by NT\$3.6 trillion from the previous year and the turnover rate of 62.7% hit a 28-year low. The TWSE was mainly propelled by foreign investors in 2016 as performance of related domestic investors tumbled. Therefore, the Proprietary Trading Department faced the most severe challenge in TWSE operations in its history.

The Proprietary Trading Department quickly responded with short-term investment positions to make flexible adjustments to the stock inventory positions in accordance with changes in the stock market and minimized systemic risks. It also remained vigilant in monitoring 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 were held back by A shares which affected overall performance; the annual revenue fell to NT\$80 million. In the future, the Department shall continue to intensify global macroeconomic research and flexibly adjust domestic and foreign positions and strategies as its main principle of operations. It shall grasp opportunities for profits in bull markets and diversify investments to

expand sources for department revenue. The Department plans to be among the leaders in profitability in the industry while maintaining 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.

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. Considering the stagnation and low fluidity in the trading volume of the domestic public bonds market in 2016, it is advisable to maintain a low-level trading strategy for outright purchases and sales of public bonds.

ii) Convertible Bonds ,Futures and Options

President has lowered its overall convertible bond positions in 2016 and the positions held dropped from NT\$1 billion to approximately NT\$800 million. The main reason was that after assessments, there were fewer major projects with upside potential, and older bonds continued to expire or were converted. Compared to the industry, the Company's investment strategy for convertible bonds mainly involves investment

targets with low downside risks. Main investments include bank-guaranteed convertible bonds and unsecured convertible bonds with stable cash flows that are issued by sizable companies. The Company holds fewer unsecured convertible bonds of small and medium companies and therefore assumes smaller 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)

Because the monetary policy of R.O.C remained the same, IRS rates remained low in five years. Since last year, foreign hedge funds reduced the flow into IRS in Taiwan, causing the liquidity decreased. Under such circumstance, it was hard to gain profit in IRS market. The company has gradually decreased IRS operations with observing strategy.

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.

Financial Products Business

i) Equity Warrants

In 2016, there was a strong expansion in Taiwan's equity warrant market, with all securities firms aggressively issuing warrant products. A total of 24,446 equity warrants were issued in 2016, for a total dollar value of just over NT\$254.04 billion.

The total dollar value of all equity warrants issued by the company in 2016 was NT\$20.93 billion and the market share was 8.24%, 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 2016, for the whole year, a total of NT\$579.94 billion in structure note products were issued with NT\$427.07 billion. For the year of 2016, President undertook contracts amounting to a principal of NT\$6.54 billion and was ranked 8th in the market.

Underwriting Business (Capital Markets)

i) Domestic Bond and Equity Underwriting

As of the end of 2016, there were a total of 892 companies listed on the TWSE, and a total of 732 companies listed on the Taipei Exchange Market, a growth of 2.06% and 2.81% from 2015 respectively. The international market was affected by the increase of U.S. interest rates and the U.S. Presidential Elections which shook the stock market. However, markets in Taiwan remained relatively stable and the Department has actively fought for cases while maintaining risk management. Five underwriting cases led by the Company were submitted in 2016. Listed companies included NT\$200 million in secured convertible corporate bonds of Joinson

Electronics, NT\$200 million in secured convertible corporate bonds of High-Tek Harness Enterprise, and NT\$300 million raised in the IPO of Brighton-Best International (IPO market value of NT\$9.3 billion), as well as cash capital increase of 38 million shares for Capital Futures (raised NT\$1.192 billion) and cash capital increase of 180 million shares for Bank of Kaohsiung (raised NT\$1.8 billion). All applications have been validated for underwriting. 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 the issuance of Neo Solar Power's US\$120 million secured foreign convertible corporate bonds and the RMB 1 billion Formosa Bond of Uni-President China Holdings in 2014; the Company shall once again participate in Neo Solar Power's US\$120 million ECB. 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 2016. There were 271 companies listed on the Emerging Stock Board, a 4.58% decrease from 2015. 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 32 at the end of 2016. 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.

Wealth Management

In September of 2009, the FSC opened up trust fund and stock trust businesses for Taiwan's domestic brokerage houses; but, it wasn't until 2013 that the regulators relaxed the qualifications for securities specialists to hold a concurrent post, allowing sales personnel with wealth management and trust sales qualification to concurrently provide wealth management services, and to open up new wealth management business opportunities for Taiwan's domestic brokerage houses. By the end of 2016, there were 10 domestic brokerage houses engaged in trust fund business. Nearly all major brokerage houses are now engaged in specified trust fund business and stock trust businesses. The market has reached significant asset levels, which means that competition now shifts to product lines and platforms. In 2016, the total asset of specific individual management of trust fund was 94.09 billion, securities trust fund was 39.83 billion, and the total asset of these two types was 133.92 billion, which increased 9.83 billion comparing to 2015. With total assets under management growing by 8%, it is clear that the trust and wealth management businesses are becoming a major

priority for domestic brokerage houses. Our Company currently has NT\$3.37 billion in assets under our money trust business, and NT\$884 million under our stock trust business, for a total of NT\$4.25 billion, putting us in 7th place among the securities industry. Our main wealth management products include: re-consigned foreign securities, foreign ETFs, domestic funds, foreign funds, structured ELN and PGN products, securities lending trusts, in an effort to provide our clients with investment options beyond domestic stocks and derivatives.

The overall market remains in the hands of the strongest and various securities firms make use of their own niches to gain their shares in the market, particularly with the entrance of securities firms under financial holding systems into the market. With regard to new businesses, the competent authority has allowed securities firms to operate designated joint trust management business. No securities firm has officially launched services but many are in preparation. In addition, the opening of the Offshore Securities Unit (OSU) operations also provides securities firms with an additional opportunity for wealth management development. Major securities firms are now actively pursuing development and planning in this business area.

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 2016 Electronic Trading System R&D Plan

System	R&D capabilities
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.
Online signature for consent forms via portable devices	<ul style="list-style-type: none"> Provide a multi-function system in response to Finance 3.0 trends. Allow customers to sign consent forms through portable devices.
Wealth management order entry system	<ul style="list-style-type: none"> Allow customers to place online fund trading via app. Strengthen service of portable devices to attract smart phone users.
Optimized Sub-brokerage Order Entry System	<ul style="list-style-type: none"> Enhance order placing processes and interface, and add international order execution (Shenzhen Stock). Adjust system processes to enhance backup procedure. Increase the flexibility of our AP order function.
Futures trading monitor system Systems	<ul style="list-style-type: none"> Reinforce e-trading stability. Detecting situation in advance to shorten the processing time.

ii) 2017 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
Bank 3.0	Enhance Company's competitiveness and create a finance-based technology environment, thereby integrating services and digitalizing operations.	Intergrade online account opening services and trading systems; also, continue the digitalization of the operations platform in accordance with market requirements and related regulation relaxation of the competent authority.	25 million	Ongoing	Achieve phased objective	Completed project and all testing process finished step by step.
Improvement of Electronic Trading System	<ul style="list-style-type: none"> Better electronic trading for wealth management business. Better foreign securities sub-brokerage trading system. E-service across all trading platforms. Mobile devices e-trading smart order service. Futures high frequency trading system. 	Respond to the roll out of new business areas and improve service quality while optimizing processes and intergrading systems.	19 million	Ongoing	Excepted to provide services in third-quarter, 2017	Completed design process; business process planning.

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 Group, 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.

Market Conditions

Breakdown of Market Share According to Business Area

Business Area	Component	Market Share	Rank
Brokerage	Equity Brokerage Trading Volume	2.89%	8
	Individual Branch	0.08%	4
Financial Products	Warrants Issued (Volume)	8.24%	5
	Structure Commodity Business Volume	1.53%	8
Fixed Income Dealing	Repo Transactions	0.95%	10
	Outright Purchases / Sales	1.38%	13
	Interest Rate Swaps	1.10%	8
Underwriting	Lead Underwriting Deals(No./ Volume)	3 /0.92%	15/15
	Co-Lead Underwriting Deals(No./ Volume)	34 /2.43%	6/13

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

Looking ahead this year, the FSC has allowed securities firms to provide commissioned investments made in periodic fixed amounts and the Central Bank also plans to allow securities firms to operate spot foreign exchange transactions in NTD and foreign exchange derivative financial products. In addition, the FSC also plans to formulate the "Financial Technology Innovation Experiment Act" to allow operators to conduct R&D and experiments in financial technologies. The new measures of the competent authority are expected to expand the securities firms' scope of operations. Securities firms can also assess their own strengths and formulate differentiated business strategies to create opportunities for profits.

At the aspect of our brokerage business, the

FSC has proposed the advanced version of the program to boost securities market in 2016. Its main measures include "allowing securities firms to operate loans with no limits on designated usage", "enlarging the scope of targets for day-trading of spot shares", "allowing securities firms to expand sources of bonds in two-way bond loans with customers and other firms", "allowing all day-trading of spot shares for all stocks in financial bonds" etc. Therefore, the average daily trading volume in 2016 was maintained at NT\$98.03 billion and greatly assisted agency businesses.

In addition, the competent authority continued to open up related bond businesses, including enlarging the scope of business for equity fundraising platforms, allowing Chinese investors to invest in funds and ETFs in Taiwan to stimulate market transaction volume and increase business for securities firms. The Company has also remained active in planning related businesses 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 49.71% in 2016 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 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 trading operations in 2017 are due to uncertainties in politics. 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 outlook in the United States has improved and remains bullish. China's main policy goal this year is to prevent risks and it

offers relatively limited investment opportunities. The favorable investment period for 2017 is in the first half of the year where there is little pressure in raising interest rates. The Company shall take variables and risks into account because uncertainties in the market this year is similar to challenges in 2016. The strategy of the Proprietary Trading Department shall remain active and vigilant.

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.

The regulators have also continued to open up new areas in wealth management, which we have been adept in taking advantage of. We expect 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. And, in accordance with the government's "Bank 3.0" initiatives, we will be improving our online trading platform, which will include a downloadable smart phone APP, and it is expected that these added services will translate into increased revenues. Plus, with our new Offshore Securities Unit business, we will have the opportunity to expand our client base and to attract exceptional foreign talent. We believe that there are several key factors that will drive the appetite for and growth of our wealth

management business both domestically and abroad.

Market supply forecast, growth opportunity, and business competitiveness

• Our Competitive Strengths

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

• Positive Factors

- i) The global economy is in recovery; consumption and investment are picking up, which will drive domestic economic growth.
- ii) Capital is readily available and the cost of capital is quite low.
- iii) FSC permits day trading to boost volume of market, and increase company profit.
- iv) With competent authorities gradually widening the business scope of securities firms, the breadth of the company's operations will also be increased as well.
- v) Flexibility in proprietary trading business with industry-leading performance.
- vi) 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.
- vii) 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.
- viii) 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.

- ix) Through President Group, the firm and our employees have access to superb sales channels and myriad resources.
- x) 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.
- xi) 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.
- xii) 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.
- xiii) The company encourages a corporate culture that emphasizes innovation and rising to challenges.
- xiv) As financial markets continue to mature and the numbers of participants continue to increase, market liquidity and efficiency keep rising.

• Obstacles

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

Strategies for Dealing with the Obstacles Identified

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.

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.

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.

Financial Products

- In terms of future opening to daily trade of stocks and warrants, aim to increase 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.

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.

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. and 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.

Shareholder Services Coordination

- Improve quality of service
 - i) 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.
 - ii) 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.

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.
- Following the open policy of Offshore Securities Unit, provide customers with segmentation and differentiated products services.
- 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.

Employee Data

Analysis of Average Tenure, Age, and Education, for Sales Force in 2015, 2016, and the first quarter of 2017

Item		2015	2016	2017 Q1
Number of Employees	Management	108	108	109
	Regular Staff	1,500	1,390	1,381
	Total	1,608	1,498	1,490
Average Age		43.36	44.18	44.39
Average Tenure		11.53	12.39	12.57
Education (%)	Doctorate Degree	0.06	0.13	0.13
	Master's Degree	12.19	11.95	12.28
	Bachelor Degree / Junior College Graduate	72.70	73.43	73.29
	Senior High School	15.05	14.49	14.30
	High School or Less	--	--	--

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

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.

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 and 2016. 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.

Every year since 2001, the company has called together all staff members from across all of our different divisions, along with many of our clients, to participate in the "Send Them Our Love" charity event, which raises money for donation to charity groups. We began working with the Taiwan Fund for Children and Families to provide scholarships for underprivileged primary school students.

In 2006, the company held what would be its first annual employee blood donation drive. From the following year, in 2007, this successful annual blood donation drive was scaled up to twice a year. In 2010, the blood donation drive was increased to three times a year and was further expanded to bring in members of the local community to participate.

President Securities Group will continue to hold the spirit of "giving to society what you get from society", and will continue to support underprivileged groups and strive to support charitable activities.

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.

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.

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.

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 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.

I. <i>Letter to Shareholders</i>	II. <i>Company Profile</i>	III. <i>Corporate Governance</i>	IV. <i>Capital Structure</i>	V. Overview of Business Operation	VI. <i>Financial Information</i>	VII. <i>Financial Status, Operating Results and Risk Management</i>	VIII. <i>Other Disclosures</i>
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Loss or Damages Suffered as a result of Employee Disputes for recent 3 years: None.

Value of Present and Future Events with the Potential to Result in Financial Loss, and Corresponding Strategies for Dealing with These Events: None

Internal Legal Compliance and Material Information Management

- On June 29, 2010, our Board of directors has passed and promulgated “internal material information handling procedures”, assigning the Compliance Office to be in charge of internal major information in order to do coordination and prevent internal trading. 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. 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 comprehensive 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.



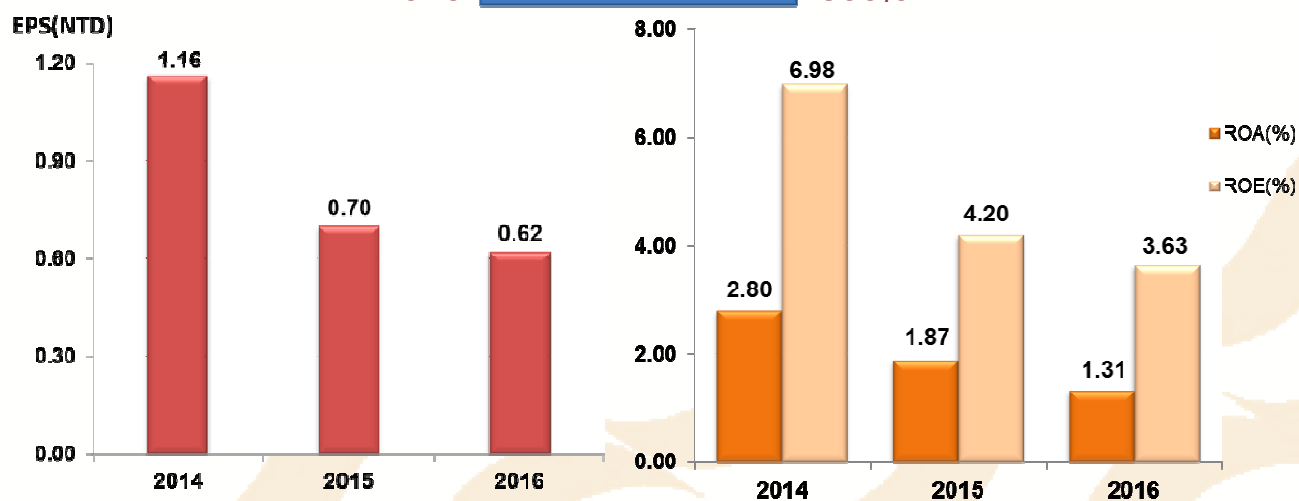
VI. Financial Information

2016 Business Review

● Breakdown of Revenues

Item	2016	Percentage
Brokerage	1,712,998	49.04%
Proprietary Trading	1,580,483	45.24%
Underwriting	199,953	5.72%
Total	3,493,434	100%

● Operation Overview (Consolidated basis)



● Credit Ratings

Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook
Taiwan Ratings	TWA	TWA-1	Stable

● Outstanding Performances

Description	Rank
The 1 st and 2 nd Annual Corporate Governance Evaluation System	top 5%
12 th Information Disclosure and Transparency Ranking System	A++
2016 Taiwan Excellence in Corporate Social Responsibility Award	14

Consolidated Balance Sheet

Unit: NT\$ thousands

ROC GAAP		IFRS					
Item	2012	Item	2013	2014	2015	2016	2017Q1
Current Assets	42,679,412	Current Assets	54,044,709	59,972,212	65,185,471	81,275,723	85,293,786
Funds & Long-term investments	551,409	Property and equipment	2,583,250	2,562,705	2,520,596	2,467,163	2,459,205
Fixed Assets	2,657,269	Intangible Assets	25,648	160,276	144,659	129,771	123,520
Intangible Assets	1,166	Other Assets	2,129,369	2,252,353	2,238,807	2,183,539	2,230,156
Other Assets	1,561,969	Total Assets	58,782,976	64,947,546	70,089,533	86,056,196	90,106,667
Total Assets	47,749,837						
Current Liabilities	before distri. 25,937,950 after distri. 26,625,972	Current Liabilities	before distri. 36,354,161 after distri. 37,333,270	41,811,986	47,265,147	62,877,634	66,338,717
Long-term Liabilities	-	Non-current liabilities	22,612	60,084	60,335	48,933	83,135
Other Liabilities	4,845	Total Liabilities	before distri. 36,376,773 after distri. 37,355,882	41,872,070	47,325,482	62,926,567	66,421,852
Total Liabilities	before distri. 25,942,795 after distri. 26,630,817					Note.	Note.
Capital Common Stock	13,231,191	Equity attributable to shareholders of the parent	22,365,280	23,032,624	22,718,012	23,080,930	23,636,133
Capital Reserve	255,676	Capital Common Stock	13,231,191	13,231,191	13,231,191	13,356,658	13,356,658
Retained Earnings	before distri. 8,567,531 after distri. 7,879,509	Capital Reserve	256,116	256,116	256,116	142,702	142,702
Unrealized gain or loss on financial instruments	1,134	Retained Earnings	before distri. 8,877,942 after distri. 7,898,833	9,431,778	9,307,717	9,432,286	10,154,069
Cumulative Translation Adjustments	-288,029	Other equity interest	31	113,539	201,014	149,284	-17,296
Net loss unrecognized as pension cost	-	Treasury Stocks	-	-	-278,026	-	-
Total Equity	before distri. 21,807,042 after distri. 21,119,020	Non-controlling interests	40,923	42,852	46,039	48,699	48,682
		Total Equity	before distri. 22,406,203 after distri. 21,427,094	23,075,476	22,764,051	23,129,629	23,684,815
						Note.	Note.

Note. : Distributed earnings from 2016 have yet to be approved by shareholders.

Individual Balance Sheet

Unit: NT\$ thousands

ROC GAAP		IFRS					
Item	2012	Item	2013	2014	2015	2016	2017Q1
Current Assets	33,145,665	Current Assets	44,043,845	48,083,939	52,172,205	63,516,085	69,621,988
Funds & Long-term investments	3,631,900	Property and equipment	2,409,970	2,393,640	2,354,427	2,295,097	2,289,146
Fixed Assets	2,476,474	Intangible Assets	13,644	115,878	103,000	85,761	78,763
Intangible Assets	-	Other Assets	5,456,000	5,914,021	6,121,445	6,094,357	6,016,637
Other Assets	1,342,837	Total Assets	51,923,459	56,507,478	60,751,077	71,991,300	78,006,534
Total Assets	40,596,876						
Current Liabilities	before distri. 18,758,995 after distri. 19,447,017	Current Liabilities	before distri. 29,525,131 after distri. 30,504,240	33,408,421	37,963,799	48,852,745	54,278,295 Note.
Long-term Liabilities	-	Non-current liabilities	33,048	66,433	69,266	57,625	92,106
Other Liabilities	21,476	Total Liabilities	before distri. 29,558,179 after distri. 30,537,288	33,474,854	38,033,065	48,910,370	54,370,401 Note.
Total Liabilities	before distri. 18,829,373 after distri. 19,517,395						
Capital Common Stock	13,231,191	Capital Common Stock	13,231,191	13,231,191	13,231,191	13,356,658	13,356,658
Capital Reserve	255,676	Capital Reserve	256,116	256,116	256,116	142,702	142,702
Retained Earnings	before distri. 8,567,531 after distri. 7,879,509	Retained Earnings	before distri. 8,877,942 after distri. 7,898,833	9,431,778	9,307,717	9,432,286	10,154,069 Note.
Unrealized gain or loss on financial instruments	1,134	Other equity interest	31	113,539	201,014	149,284	-17,296
Cumulative Translation Adjustments	-288,029	Treasury Stocks	-	-	-278,026	-	-
Net loss unrecognized as pension cost	-	Non-controlling interests	-	-	-	-	-
Total Equity	before distri. 21,767,503 after distri. 21,079,481	Total Equity	before distri. 22,365,280 after distri. 21,386,171	23,032,624	22,718,012	23,080,930	23,636,133 Note.

Note. : Distributed earnings from 2016 have yet to be approved by shareholders.

Consolidated Condensed Income Statements

Unit: NT\$ thousands

ROC GAAP		IFRS					
Item	2012	Item	2013	2014	2015	2016	2017Q1
Operating Revenue	4,218,013	Operating Revenue	4,613,318	5,163,297	4,580,843	4,497,543	1,981,591
Gross Profit	3,580,145	Gross Profit	4,026,842	4,509,102	3,709,350	3,730,502	1,746,102
Operating Income	785,133	Operating Income	1,213,703	1,237,025	252,740	518,530	776,568
Non-operating Income	556,495	Non-operating Income	275,784	554,338	855,964	418,981	68,185
Non-operating Expenses	101,799						
Income before tax	1,239,829	Income before tax	1,489,487	1,791,363	1,108,704	937,511	844,753
Income from operations of continued segments - after tax	1,116,860	Net income (Loss) from operations of continued segments	1,365,453	1,587,281	962,535	833,042	721,843
Income from discontinued operations	-	Net income (Loss) from discontinued operations	-	-	-	-	-
Net income	1,116,860	Net income (Loss)	1,365,453	1,587,281	962,535	833,042	721,843
Earnings Per Share	0.82	Other comprehensive income (income after tax)	67,690	63,567	78,630	-88,465	-166,657
		Total comprehensive income	1,433,143	1,650,848	1,041,165	744,577	555,186
		Net income attributable to shareholders of the parent	1,361,715	1,583,169	956,613	826,690	721,783
		Net income attributable to non-controlling interests	3,738	4,112	5,922	6,352	60
		Comprehensive income attributable to Shareholders of the parent	1,429,496	1,646,453	1,035,140	737,775	555,203
		Comprehensive income attributable to non-controlling interests	3,647	4,395	6,025	6,802	-17
		Earnings Per Share	1.00	1.16	0.70	0.62	0.54

Individual Condensed Income Statements

Unit: NT\$ thousands

ROC GAAP		IFRS					
Item	2012	Item	2013	2014	2015	2016	2017Q1
Operating Revenue	3,667,819	Operating Revenue	3,879,401	4,376,852	3,510,819	3,493,434	1,781,876
Gross Profit	3,258,045	Gross Profit	3,544,028	4,001,642	2,976,415	3,086,106	1,623,547
Operating Income	894,851	Operating Income	1,140,334	1,161,197	65,588	384,592	769,752
Non-operating Income	402,403	Non-operating Income	327,338	606,199	1,004,456	511,418	70,202
Non-operating Expenses	77,230						
Income before tax	1,220,024	Income before tax	1,467,672	1,767,396	1,070,044	896,010	839,954
Income from operations of continued segments - after tax	1,113,770	Net income (Loss) from operations of continued segments	1,361,715	1,583,169	956,613	826,690	721,783
Income from discontinued operations	-	Net income (Loss) from discontinued operations	-	-	-	-	-
Net income	1,113,770	Net income (Loss)	1,361,715	1,583,169	956,613	826,690	721,783
Earnings Per Share	0.82	Other comprehensive income (income after tax)	67,781	63,284	78,527	-88,915	-166,580
		Total comprehensive income	1,429,496	1,646,453	1,035,140	737,775	555,203
		Earnings Per Share	1.00	1.16	0.70	0.62	0.54

Consolidated Financial Analysis for the Past 5 Years

Unit: NT\$ thousands

ROC GAAP			IFRS						
Item		2012	Item	2013	2014	2015	2016	2017Q1	
Financial Structure (%)	Debt Ratio	54.33	Financial Structure (%)	Debt Ratio	61.88	64.47	67.52	73.12	73.71
	Ratio of long-term capital to fixed assets	820.66		Ratio of long-term capital to property and equipment	867.36	900.43	903.12	937.50	963.11
Solvency (%)	Current Ratio	164.54	Solvency (%)	Current Ratio	148.66	143.43	137.91	129.26	128.57
	Quick Ratio	164.43		Quick Ratio	148.51	143.37	137.83	129.19	128.49
Profitability Analysis	Return on total assets (%)	2.64	Profitability Analysis	Return on total assets (%)	2.63	2.80	1.87	1.31	0.92
	Return on stockholders' equity (%)	5.25		Return on stockholders' equity (%)	6.20	6.98	4.20	3.63	3.08
	Operating Income to Paid-in Capital Ratio (%)	5.93		Pre-tax income to paid-in capital (%)	11.26	13.54	8.38	7.02	6.32
	Pre-tax Income to Paid-in Capital Ratio (%)	9.37							
	Profit ratio (%)	26.48		Earnings Per Share (NT\$)	1.00	1.16	0.70	0.62	0.54
	Earnings Per Share (NT\$)	0.82							
Cash Flow	Cash Flow Ratio (%)	-	Cash Flow	Cash Flow Ratio (%)	-	0.92	7.59	-	1.95
	Cash Flow Adequacy Ratio (%)	907.63		Cash Flow Adequacy Ratio (%)	513.83	366.25	452.90	123.28	151.30
	Cash Reinvestment Ratio (%)	-		Cash Reinvestment Ratio (%)	-	-	10.82	-	5.35
Other Ratio (%)	Debt to Equity Ratio	118.97	Other Ratio (%)	Debt to Equity Ratio	162.35	181.46	207.90	272.06	280.44
	Ratio of fixed assets to total asset	6.64		Ratio of property and equipment to total asset	5.34	4.82	4.46	3.55	3.37
	Total Underwriting to Quick Assets Ratio	1.43		Total Underwriting to Quick Assets Ratio	1.53	0.49	0.35	0.75	0.06
	Total Margin Loan Balance to Equity Ratio	44.81		Total Margin Loan Balance to Equity Ratio	51.40	58.11	45.84	37.58	40.54
	Total Short Sales Amount to Equity Ratio	7.37		Total Short Sales Amount to Equity Ratio	7.14	7.98	7.66	6.56	4.07

Individual Financial Analysis for the Past 5 Years

Unit: NT\$ thousands

ROC GAAP			IFRS						
Item		2012	Item	2013	2014	2015	2016	2017Q1	
Financial Structure (%)	Debt Ratio	46.38	Financial Structure (%)	Debt Ratio	56.93	59.24	62.60	67.94	69.7
	Ratio of long-term capital to fixed assets	878.97		Ratio of long-term capital to property and equipment	928.03	962.24	964.91	1,005.66	1,032.53
Solvency (%)	Current Ratio	176.69	Solvency (%)	Current Ratio	149.17	143.93	137.43	130.02	128.27
	Quick Ratio	176.56		Quick Ratio	149.09	143.86	137.34	129.93	128.20
Profitability Analysis	Return on total assets (%)	3.03	Profitability Analysis	Return on total assets (%)	2.99	3.16	2.11	1.51	1.08
	Return on stockholders' equity (%)	5.24		Return on stockholders' equity (%)	6.19	6.97	4.18	3.61	3.09
	Operating Income to Paid-in Capital Ratio (%)	6.76		Pre-tax income to paid-in capital (%)	11.09	13.36	8.09	6.71	5.76
	Pre-tax Income to Paid-in Capital Ratio (%)	9.22							
	Profit ratio (%)	30.37							
	Earnings Per Share (NT\$)	0.82		Earnings Per Share (NT\$)	1.00	1.16	0.70	0.62	0.54
Cash Flow	Cash Flow Ratio (%)	0.46	Cash Flow	Cash Flow Ratio (%)	-	1.08	8.51	-	2.27
	Cash Flow Adequacy Ratio (%)	939.77		Cash Flow Adequacy Ratio (%)	482.87	358.52	432.31	118.15	132.79
	Cash Reinvestment Ratio (%)	0.39		Cash Reinvestment Ratio (%)	-	-	9.33	-	5.11
Other Ratio (%)	Debt to Equity Ratio	86.50	Other Ratio (%)	Debt to Equity Ratio	132.16	145.34	167.41	211.91	230.03
	Ratio of fixed assets to total asset	7.15		Ratio of property and equipment to total asset	5.53	5.06	4.70	3.86	3.53
	Total Underwriting to Quick Assets Ratio	1.84		Total Underwriting to Quick Assets Ratio	1.87	0.61	0.44	0.95	0.07
	Total Margin Loan Balance to Equity Ratio	44.91		Total Margin Loan Balance to Equity Ratio	51.49	58.22	45.93	37.66	40.62
	Total Short Sales Amount to Equity Ratio	7.38		Total Short Sales Amount to Equity Ratio	7.15	8.00	7.68	6.57	4.08

Auditors' Opinions from 2012 to 2016

Year	Accounting Firm	CPA	Audit Opinion
2012	PricewaterhouseCoopers (PwC) Taiwan	Lin, SK / Huang, James	Unqualified Opinion
2013	PricewaterhouseCoopers (PwC) Taiwan	Lin, SK / Huang, James	Unqualified Opinion
2014	PricewaterhouseCoopers (PwC) Taiwan	Lin, SK / Huang, James	Unqualified Opinion
2015	PricewaterhouseCoopers (PwC) Taiwan	Lin, SK / Huang, James	Unqualified Opinion
2016	PricewaterhouseCoopers (PwC) Taiwan	Hsiao, Chin-Mu / Chang, Ming-Hui	Unqualified Opinion

Audit Committee's Report for the Most Recent Year



Audit Committee's Review Report

To: The General Meeting of Shareholders as of year 2017

The Board of Directors has prepared the Company's 2016 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 blue ink, which appears to read "Ling Jau Bo", is written over a horizontal line.

April 20, 2017



VII. Financial Status, Operation Performance & Risk Management

I. Letter to Shareholders	II. Company Profile	III. Corporate Governance	IV. Capital Structure	V. Overview of Business Operation	VI. Financial Information	VII. Financial Status, Operating Results and Risk Management	VIII. Other Disclosures
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Financial Status

Item	2016	2015	Unit: NT\$ thousands	
			Fluctuation	
			Amount	(%)
Current Assets	81,275,723	65,185,471	16,090,252	24.68%
Non-Current Assets	4,780,473	4,904,062	(123,589)	(2.52%)
Total Assets	86,056,196	70,089,533	15,966,663	22.78%
Current Liabilities	62,877,634	47,265,147	15,612,487	33.03%
Non-Current liabilities	48,933	60,335	(11,402)	(18.90%)
Total Liabilities	62,926,567	47,325,482	15,601,085	32.97%
Capital Stock	13,356,658	13,231,191	125,467	0.95%
Capital Surplus	142,702	256,116	(113,414)	(44.28%)
Retained Earnings	9,432,286	9,307,717	124,569	1.34%
Other interests	149,284	201,014	(51,730)	(25.73%)
Attributable to parent's ownership interest	23,080,930	22,718,012	362,918	1.60%
Non-controlling interests	48,699	46,039	2,660	5.78%
Total Equity	23,129,629	22,764,051	365,578	1.61%

Analysis of Operating Results

Item	2016	2015	Unit: NT\$ thousands	
			Fluctuation	
			Amount	(%)
Operating Revenue	4,497,543	4,580,843	(83,300)	(1.82%)
Operating Expenses	3,979,013	4,328,103	(349,090)	(8.07%)
Operating Income	518,530	252,740	265,790	105.16%
Non-operating Income	418,981	855,964	(436,983)	(51.05%)
Income before tax	937,511	1,108,704	(171,193)	(15.44%)
Income tax expense	104,469	146,169	(41,700)	(28.53%)
Net Income (Loss)	833,042	962,535	(129,493)	(13.45%)
Other Comprehensive Income (after tax)	(88,465)	78,630	(167,095)	(212.51%)
Total Comprehensive Income	744,577	1,041,165	(296,588)	(28.49%)
Net income attributable to				
Shareholders of the parent	826,690	956,613	(129,923)	(13.58%)
Non-controlling interests	6,352	5,922	430	7.26%
Comprehensive income attributable to				
Shareholders of the parent	737,775	1,035,140	(297,365)	(28.73%)
Non-controlling interests	6,802	6,025	777	12.90%

Long-term Investment Policy and Results

In 2016, 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.

Analysis of Risk Management

Our Risk Management Policies

- In order to ensure that we have a solid and 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.

Related Risk Management System Architecture

Board of Directors

- Audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, and is ultimately responsible for risk management.

Risk Control 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

- Supervisors 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, sets limits for different businesses, collects and analyzes domestic and international interest rates, exchange rates, and economic changes.

Auditing Office

- Sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, and implements daily check routines..

Risk Control Office

- Has established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations.
- Trading Business Risk Management Team is responsible for trading department risk management, for amendments to the business operational risk regulations, for the construction of a back-office risk control system, for ensuring compliance with trading regulations, and for creating trading business risk reports.
- Operating Risk Management Team 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.

Compliance Division and Legal Matters Department

- 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.

Sales Department

- 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 General Manager Office.

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.

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.

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.

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Risk Factors and Corresponding Responses

Management Crisis Risk:

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:

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.

Response: 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:

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.

Response: 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:

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.

Response: 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:

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.

Response: In order to reduce our exposure to legal/regulatory risks, we have created a Compliance Division and Legal Matters Department.

Liquidity Risk:

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.

Response: 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 of departments that are required to 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:

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.

Response: 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

An Evaluation of Key Risks in Recent Years and the Status of those Risks at the Time of Printing of this Annual Report

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

• Interest Rates:

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.

i) Bond and interest derivative product business:

The amount of our company's major interest products At March 31st, 2017, and the likely loss of NT\$507,497 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	2,048,300	-3,298
Corporate bond	2,500,000	-26,165
Financial bond	100,000	-1,254
International bond	5,674,696	-197,388
Foreign bond	15,450,261	-279,391
Interest rate exchange	900,000	-1
Sum	26,673,257	-507,497

Countermeasures:

Our Company has risk management rules and operational procedures on government bond, corporate bond, foreign/international bond and interest rate exchange. Our company has put the interest risk under good control by means of buying by evaluation beforehand and risk control afterward.

ii) 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\$12.82billion on the end of 2017 Q1. They are both borrowing with interest rate risks. With every 1bp change in market interest rate, our company has to pay NT\$1.28 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 December of 2016, a downward shift was predicted in the global economic structure which will result in slower economic growth in the coming year, which, in turn, will result in a lower domestic economic growth for the coming year, a widening negative domestic output gap, and lowered inflation forecasts. All of these factors are led the central bank to adjust its interest rate policy downwards, to maintain its M2 target of 2.5%-6.5% growth, to maintain a loose monetary policy, all in the hopes of stimulating the economy. It is expected that interest rates will fall over the coming year and that our Company's lending rates will also be lowered.

● **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, 2017, the company's main exchange rate product positions, and 1% exchange rates fluctuation may result in a loss of NT\$215,720 thousand (as show in the following table).

Unit: NT\$ thousands

Item	Position	Loss resulted by 1% exchange rates fluctuation
US stock	17,722	-2,709
HK stock	308,787	-671
China stock	504,497	-4,209
Japan stock	18,085	-707
International bond	5,674,696	-54,314
Foreign bond	15,450,261	-153,110
Total	21,974,048	-215,720

Countermeasures:

Our company's transactions of US stock, HK stock, China 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 Q1 was 0.78%, which had no meaningful effect on operations or on profits

➤ **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 Q1, 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.

Looking at our wealth management and trust business, we saw a clear increase in both our number of clients and in total assets managed. In 2017, we are planning to implement a new account system architecture that will allow for online trading of mutual funds and for automatic withdrawals. We will also launch a mobile trading app. All of these efforts, together, we believe will strengthen our connections with our clients. We will also continue to follow the government's initiative towards an integrated product platform, or Bank 3.0, so as to offer clients more convenience and instantaneous trading, and will also expand our trust client base.

➤ **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.

- On January 18, 2016, the FSC issued the Order No. Financial-Supervisory-Securities-Firms-1040053607, which permitted securities firms to issues non-designated loans. The measure will provide investors with broader use of securities and satisfy increasingly diversified investment and wealth management requirements. It will also expand the Company's business scope and increase sources of revenue. President is currently in the application process.
- On April 27, 2016, the FSC issued the Order No. Financial-Supervisory-Securities-Firms-1050002195 to allow securities firms to use their domestic parent companies to provide guarantee or provide properties as collateral for guarantee for the issuance of corporate bonds by overseas subsidiaries. The Company has adjusted related internal control systems in accordance with the opening measures stipulated in the Order to facilitate compliance if the need for applications arises in the future.
- On August 5, 2016, the FSC issued the Order No. Financial-Supervisory-Securities-Firms-10500278285 to allow securities firms, securities investment trusts, and futures firms to set aside special reserves from earnings for the transition of employees due to the development of finance technologies. The special reserves set aside as a response to the development of finance technologies will protect the interests of employees in the finance industry and help their transition and employment transfer. President plans to follow instructions in the Order and to plan its implementation.

- Taiwan Stock Exchange Corporation issued the Letter No. Taiwan-Stock-Trading-1050024514 on December 23, 2016 to include the "Operating Regulations on the Periodic Fixed Amounts in Commissioned Investments for Securities Firms." The Regulations will help investors make long-term robust investments in the stock market and increase the convenience of small investments while lowering investment risks. President shall plan its implementation after analysis and evaluation.
- 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). The FSC issued the Order No. Financial-Supervisory-Securities-Corporate-1060002350 on January 26, 2017 to amend 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 Accounting Research and Development Foundation issued the No. 58 Statement of Auditing Standards on April 12, 2016 regarding "Communicating Key Audit Matters in the Independent Auditor's Report." It mainly referenced the International Standards on Auditing (ISA) 701 in requiring the auditor to communicate key audit matters in the auditor's report as well as the format and content in the judgment and communication of matters that require communication in the Auditor's Report. The FSC also stated that the listed /OTC-listed companies and related finance industries shall comply with international standards and the measures shall be applicable in advance starting in the 2016 reports. President has adopted the measures in the 2016 Financial Statements.

➤ **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 the Finance 3.0 project and global FinTech trends, the Company established a dedicated team and invested large amounts of resources to not only keep abreast of FinTech competition, but to also increase the Company's financial innovation skills and knowledge. A project team, personnel knowledge training, and guidance from a team of external consultants have been established for this goal. The Company shall also advance the linkage of information systems and system upgrades to allow the Company to maintain momentum for growth and create 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. 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.

➤ **Expected Benefits from On-Going M&A Activities, Potential Risks, and Measures for Dealing with Those Risks : None.**

➤ **Expected Benefits from Expansion of Facilities, Potential Risks, and Measures for Dealing with Those Risks : None.**

➤ **Potential Inventory Risks and Measures for Dealing with Those Risks : None.**

➤ **Effects of Large Transfers or Large Conversions of Company Stock by Directors, Supervisors, or Shareholders Holding More than 10% of the Company's Shares, Potential Risks, and Measures for Dealing with Those Risks : None.**

➤ **Effects of Change in Management Control, Potential Risks, and Measures for Dealing with Those Risks : None.**

➤ **Litigation and Non-litigation Issues**

- 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 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.

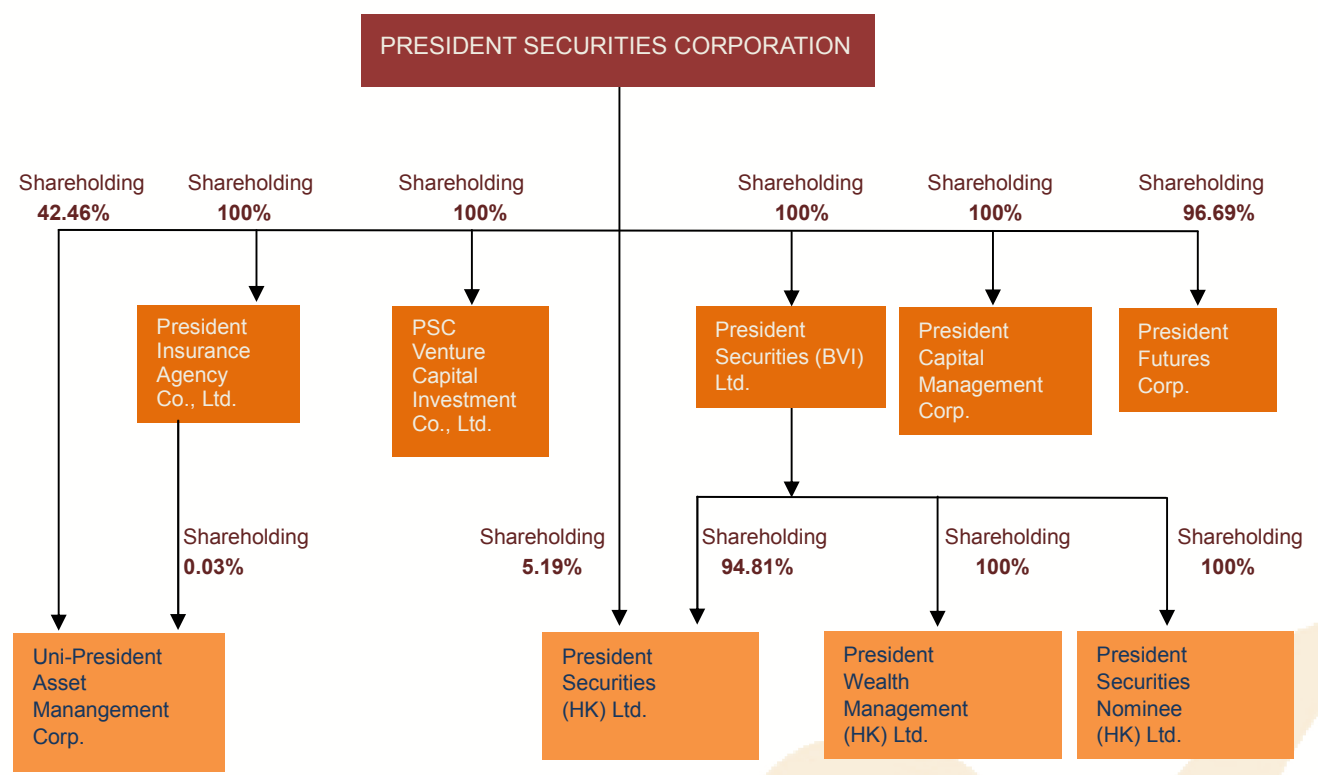
➤ **Other Important Risks:**

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

Affiliated Companies Chart



Basic Information of Affiliates

Unit: NT\$ thousands
As of April 30, 2017

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	124,000	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	Investment, management consultant, and venture capital investment

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, 2016 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	14,964,253	13,499,985	1,464,268	842,603	106,302	192,086	2.91
President Capital Management Corp.	NTD	124,000	152,144	5,980	146,164	40,662	(642)	433	0.03
Uni-President Asset Management Corp	NTD	351,000	855,894	144,254	711,640	635,267	204,468	165,944	4.73
President Insurance Agency Co., Ltd.	NTD	10,000	77,869	19,008	58,861	63,484	21,498	20,448	20.45
PSC Venture Capital Investment Co.,Ltd.	NTD	300,000	313,966	590	313,376	14,774	11,879	10,242	0.34
President Securities (HK) Ltd.	HKD	192,600	759,210	430,745	328,465	25,930	(9,198)	(6,053)	(0.03)
President Securities Nominee (HK) Ltd.	HKD	1,000	551	15	536	0	(21)	(18)	(0.02)
President Wealth Management (HK) Ltd.	HKD	23,400	14,822	18	14,804	0	(40)	47	0.002
President Securities (BVI) Ltd.	USD	67,746	69,929	3	69,926	0	(68)	(410)	(0.006)

Notes : Foreign exchange rates:

USD/NTD (end of 2016)=32.2500 USD/NTD (2016 average)=32.2419

HKD/NTD (end of 2016)=4.1580 HKD/NTD (2016 average)=4.1534

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 2017, our capital adequacy rate stood at 434%, 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 2.89% in 2016, ranked 8th among top 10 competitors. Average single branch market share was 0.078%, 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, 2016 AND 2015**

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.

PRESIDENT SECURITIES CORPORATION
Declaration of Consolidated Financial Statements of Affiliated Enterprises

The companies included in the consolidated financial statements of affiliated enterprises prepared by the Company for 2016 (from January 1, 2016 to December 31, 2016) in accordance with Article 33 of the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with those to be included in the consolidated financial statements of the parent company and subsidiaries in accordance with IFRS 10, “Consolidated Financial Statements”. The relevant information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statements of the parent company and subsidiaries. Therefore, the Company does not prepare the consolidated financial statements of affiliated enterprises separately.

Hereby declare

PRESIDENT SECURITIES CORPORATION

Responsible person:

LIN, CHUNG-SHEN

March 23, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16003158

President Securities Corporation

Opinion

We have audited the accompanying consolidated balance sheets of President Securities Corporation and its subsidiaries (“President Securities Group”) as of December 31, 2016 and 2015, 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 Group as at December 31, 2016 and 2015, 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 Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment assessment of investments accounted for under equity method

Description

Please refer to Note 4(15) for accounting policies on investments accounted for under equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(13) for details of investments accounted for under equity method.

President Securities Group held 38.69% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2016, the amount was \$440,676 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 Group's acceptance of transfer of the retail banking security brokerage business of Standard Chartered (Taiwan) Bank amounting to \$ 42,004 thousand New Taiwan Dollars as of December 2016. 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, 2016 and 2015.

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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate President Securities Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing President Securities Group’s financial reporting process.

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

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

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

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

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

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

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

Hsiao, Chin-Mu

Chang, Ming-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2017

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, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
110000 Current assets					
111100 Cash and cash equivalents	6(1)	\$ 6,909,469	8	\$ 5,115,617	7
112000 Financial assets at fair value through profit or loss - current	6(2)	41,521,141	48	29,976,972	43
113400 Available-for-sale financial assets - current	6(3)	1,332,776	2	402,961	1
114010 Bonds purchased under resale agreements	6(4)	2,093,498	3	770,353	1
114030 Margin loans receivable	6(5)	8,692,164	10	10,434,581	15
114040 Refinancing security deposits		18,694	-	2,159	-
114050 Receivables from refinance guaranty		33,381	-	4,135	-
114070 Customer margin account	6(6)	12,100,445	14	7,686,554	11
114090 Receivables from security lending		157,775	-	74,345	-
114100 Security lending deposits		261,136	-	75,703	-
114110 Notes receivable		1,080	-	3,142	-
114130 Accounts receivable	6(7)	6,104,874	7	5,517,496	8
114150 Prepayments		44,517	-	38,211	-
114170 Other receivables	6(8)	64,190	-	1,530,833	2
114600 Current tax assets		683	-	1,092	-
119000 Other current assets	6(9)	1,939,900	2	3,551,317	5
110000 Total current assets		81,275,723	94	65,185,471	93
120000 Noncurrent assets					
122000 Financial assets at fair value through profit or loss - noncurrent	6(2)	50,621	-	50,980	-
123100 Financial assets at cost - noncurrent	6(12)	41,581	-	41,581	-
123400 Available-for-sale financial assets - noncurrent	6(3)	74,401	-	59,479	-
124100 Investments accounted for under equity method	6(13)	440,676	1	444,541	1
125000 Property and equipment, net	6(14)	2,467,163	3	2,520,596	4
126000 Investment property	6(15)	278,903	-	281,003	-
127000 Intangible assets	6(16)	129,771	-	144,659	-
128000 Deferred tax assets	6(45)	64,681	-	56,331	-
129000 Other assets - noncurrent	6(17)	1,232,676	2	1,304,892	2
120000 Total noncurrent assets		4,780,473	6	4,904,062	7
906001 Total Assets		\$ 86,056,196	100	\$ 70,089,533	100

(Continued)

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

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
210000 Current liabilities					
211100 Short-term loans	6(18)	\$ 7,180,550	8	\$ 3,736,439	5
211200 Commercial papers payable	6(19)	6,298,316	7	5,599,149	8
212000 Financial liabilities at fair value through profit or loss - current	6(20)	2,419,106	3	1,440,081	2
214010 Bonds sold under repurchase agreements	6(21)	23,085,262	27	15,602,560	22
214040 Deposits on short sales		1,286,589	2	1,509,258	2
214050 Short sale proceeds payable		1,516,795	2	1,744,273	3
214070 Guarantee deposit received on borrowed securities		59,196	-	348,570	1
214080 Futures traders' equity	6(6)	12,090,637	14	7,678,157	11
214130 Accounts payable	6(22)	6,305,245	7	5,267,876	8
214150 Advance receipts		1,417	-	1,672	-
214160 Collections on behalf of third parties		413,491	-	1,087,027	2
214170 Other payables	6(23)	742,505	1	2,294,947	3
214200 Other financial liabilities - current	6(24)	1,392,297	2	851,796	1
214600 Current tax liability		80,691	-	97,481	-
219000 Other current liabilities		5,537	-	5,861	-
210000 Total current liabilities		62,877,634	73	47,265,147	68
220000 Noncurrent liabilities					
228000 Deferred tax liability	6(45)	35,823	-	48,487	-
229000 Other liabilities-noncurrent	6(25)	13,110	-	11,848	-
220000 Total noncurrent liabilities		48,933	-	60,335	-
906003 Total Liabilities		62,926,567	73	47,325,482	68
300000 Equity attributable to owners of the parent company					
301000 Capital					
301010 Common stock	6(27)	13,356,658	16	13,231,191	19
302000 Capital reserve		142,702	-	256,116	-
304000 Retained earnings	6(27)				
304010 Legal reserve		2,423,914	3	2,328,253	3
304020 Special reserve		6,209,865	7	6,018,542	9
304040 Unappropriated earnings		798,507	1	960,922	1
305000 Other equity interest		149,284	-	201,014	-
305500 Treasury shares	6(27)	-	-	(278,026)	-
300000 Total		23,080,930	27	22,718,012	32
306000 Non-controlling interests		48,699	-	46,039	-
906004 Total Equity		23,129,629	27	22,764,051	32
906002 Total liabilities and equity		\$ 86,056,196	100	\$ 70,089,533	100

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

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

Items	Notes	Year ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
400000 Revenues					
401000 Securities brokerage fees	6(29)	\$ 1,779,466	40	\$ 2,135,628	47
404000 Underwriting fees	6(30)	46,521	1	67,179	1
406000 Net income of wealth management		14,286	-	9,872	-
410000 Gains on trading of securities	6(31)	102,203	2	377,810	8
421100 Stock custodian income		71,080	2	69,157	2
421200 Interest income	6(32)	1,248,274	28	1,332,497	29
421300 Dividend income		428,497	9	147,095	3
421500 Loss on valuation of trading securities	6(33)	(102,873)	(2)	(500,565)	(11)
421600 Gain on short covering and trading securities - RS financing covering	6(34)	22,947	-	9,048	-
421610 Gain on valuation of borrowed securities and bonds with resale agreements	6(35)	1,986	-	55,208	1
422200 Gain on warrants issuance	6(36)	486,183	11	618,375	14
424400 Gain on derivative financial instruments	6(37)	208,150	5	93,895	2
428000 Other operating income	6(38)	190,823	4	165,644	4
Total revenues		<u>4,497,543</u>	<u>100</u>	<u>4,580,843</u>	<u>100</u>
500000 Expenses					
501000 Handling charges	6(39)	(316,519)	(7)	(324,188)	(7)
521200 Interest expenses	6(40)	(226,225)	(5)	(357,778)	(8)
524100 Futures commission expense		(108,328)	(2)	(79,729)	(2)
524300 Clearing charges		(115,828)	(2)	(109,729)	(2)
528000 Other operating costs		(141)	-	(69)	-
531000 Employee benefits	6(41)	(1,800,920)	(40)	(1,922,879)	(42)
532000 Depreciation and amortization	6(42)	(120,542)	(3)	(123,702)	(3)
533000 Other operating expenses	6(43)	(1,290,510)	(29)	(1,410,029)	(31)
Total expenditures and expenses		<u>(3,979,013)</u>	<u>(88)</u>	<u>(4,328,103)</u>	<u>(95)</u>

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
Operating profit (loss)		\$ 518,530	12	\$ 252,740	5
601000 Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(13)	64,393	1	82,130	2
602000 Other gains and losses	6(44)	354,588	8	773,834	17
902001 Profit before tax		937,511	21	1,108,704	24
701000 Income tax expense	6(45)	(104,469)	(2)	(146,169)	(3)
902005 Net income		833,042	19	962,535	21
Other comprehensive income					
Components that will not be reclassified to profit or loss subsequently					
805510 Remeasurement of defined benefit plans		(48,693)	(1)	(8,120)	-
805550 Other comprehensive gain (loss) of associates and joint ventures accounted for under equity method		3,187	-	(2,216)	-
805599 Income tax benefit relating to components of other comprehensive income		8,278	-	1,380	-
Items may be reclassified to profit or loss subsequently					
805610 Translation (loss) gain on the financial statements of foreign operating entities		(46,151)	(1)	90,578	2
805620 Unrealized loss on financial instruments		(5,086)	-	(2,992)	-
Current other comprehensive (loss) income (post-tax)		(88,465)	(2)	78,630	2
902006 Total current comprehensive income		\$ 744,577	17	\$ 1,041,165	23
Income attributable to:					
913100 Parent company		\$ 826,690	18	\$ 956,613	21
913200 Non-controlling interests		\$ 6,352	-	\$ 5,922	-
Current comprehensive income attributable to:					
914100 Parent company		\$ 737,775	16	\$ 1,035,140	23
914200 Non-controlling interests		\$ 6,802	-	\$ 6,025	-
Earnings per share	6(46)				
975000 Basic earnings per share (in dollars)		\$	0.62	\$	0.70
985000 Diluted earnings per share (in dollars)		\$	0.62	\$	0.70

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

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

	Equity attributable to owners of the parent											
	Notes	Retained Earnings					Other equity interest			Total	Non-controlling 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			
For the year ended December 31, 2015												
Balance at January 1, 2015		\$ 13,231,191	\$ 256,116	\$ 2,173,255	\$ 5,708,547	\$ 1,549,976	\$ 103,194	\$ 10,345	\$ -	\$ 23,032,624	\$ 42,852	\$ 23,075,476
Appropriations of 2014 earnings:												
Legal reserve	6(27)	-	-	154,998	-	(154,998)	-	-	-	-	-	-
Special reserve	6(27)	-	-	-	309,995	(309,995)	-	-	-	-	-	-
Cash dividends	6(28)	-	-	-	-	(1,071,726)	-	-	-	(1,071,726)	-	(1,071,726)
Net income for the year		-	-	-	-	956,613	-	-	-	956,613	5,922	962,535
Other comprehensive income (loss) for the year		-	-	-	-	(8,948)	90,578	(3,103)	-	78,527	103	78,630
Acquisition of treasury stocks	6(27)	-	-	-	-	-	-	-	(278,026)	(278,026)	-	(278,026)
Changes in non-controlling interests	6(27)	-	-	-	-	-	-	-	-	-	(2,838)	(2,838)
Balance at December 31, 2015		<u>\$ 13,231,191</u>	<u>\$ 256,116</u>	<u>\$ 2,328,253</u>	<u>\$ 6,018,542</u>	<u>\$ 960,922</u>	<u>\$ 193,772</u>	<u>\$ 7,242</u>	<u>(\$ 278,026)</u>	<u>\$ 22,718,012</u>	<u>\$ 46,039</u>	<u>\$ 22,764,051</u>
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		-	-	-	-	826,690	-	-	-	826,690	6,352	833,042
Other comprehensive income (loss) for the year		-	-	-	-	(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>

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	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 937,511	\$ 1,108,704
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(42)	88,754	94,478
Amortization	6(42)	31,788	29,224
Write-off of bad debts classified as income	6(17)	(9,317)	(176)
Provision for bad debts	6(7)(17)	22,032	161,237
Loss on valuation of trading securities	6(33)	102,873	500,565
Gain on valuation of borrowed securities and bonds with resale agreements	6(35)	(1,986)	(55,208)
Financial expense	6(40)	226,225	357,778
Interest income (include financial income)	6(32)(44)	(1,395,801)	(1,476,709)
Dividend income		(445,901)	(162,216)
Share of the profit of associates and joint ventures accounted for using the equity method	6(13)	(64,393)	(82,130)
Loss on disposal of property and equipment	6(14)	1,769	1,234
Loss on valuation of non-operating financial instrument	6(44)	2,164	1,664
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(11,649,456)	(7,765,047)
Available-for-sale financial assets - current		(949,823)	(409,316)
Bonds purchased under resale agreements		(1,323,145)	732,011
Margin loans receivable		1,720,832	2,976,169
Refinancing security deposits		(16,535)	(1,940)
Receivables from refinance guaranty		(29,246)	(2,465)
Customer margin account		(4,413,891)	(2,117,326)
Receivables from security lending		(83,430)	(62,121)
Security lending deposits		(185,433)	(64,661)
Notes receivable		2,062	(2,148)
Accounts receivable		(425,572)	1,329,922
Prepayments		(6,306)	(10,417)
Other receivables		(9,801)	287,732
Other current assets		1,611,417	(444,759)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		981,011	(572,961)
Bonds sold under repurchase agreements		7,482,702	6,518,090
Deposits on short sales		(222,669)	(9,794)
Short sale proceeds payable		(227,478)	(98,118)
Guarantee deposit received on borrowed securities		(289,374)	(587,001)
Futures traders' equity		4,412,480	2,125,008
Accounts payable		871,442	(1,162,767)
Advance receipts		(255)	1,188
Collections on behalf of third parties		(673,536)	817,072
Other payables		(77,317)	(341,651)
Other financial liabilities - current		540,501	557,211
Other current liabilities		(324)	729

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

	Notes	Years ended December 31	
		2016	2015
Cash (outflow) inflow generated from operations		(\$ 3,465,426)	\$ 2,171,085
Dividends received		517,173	221,921
Interest received		1,409,488	1,384,375
Income tax paid		(133,586)	(190,463)
Net cash flows (used in) from operating activities		(1,672,351)	3,586,918
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Return of share capital due to capital reduction in financial assets at cost	6(12)	-	7,827
Acquisition of property and equipment	6(14)	(17,705)	(26,668)
Proceeds from disposal of property and equipment		70	183
Acquisition of intangible assets		(9,796)	(3,825)
Decrease in other non-current assets		28,169	31,239
Increase in prepayment for equipment		(29,105)	(39,314)
Net cash flows used in investing activities		(28,367)	(30,558)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans		3,444,111	(5,024,538)
Increase in commercial papers payable		700,000	1,850,000
Increase in other non-current liabilities		1,262	864
Acquisition of treasury stocks	6(27)	(114,098)	(278,026)
Interest paid		(225,653)	(360,276)
Changes in non-controlling interest		(4,142)	(2,838)
Distribution of cash dividends	6(27)	(260,759)	(1,071,726)
Net cash flows from (used in) financing activities		3,540,721	(4,886,540)
Effect of exchange rate changes		(46,151)	90,578
Net increase (decrease) in cash and cash equivalents		1,793,852	(1,239,602)
Cash and cash equivalents at beginning of year		5,115,617	6,355,219
Cash and cash equivalents at end of year		\$ 6,909,469	\$ 5,115,617

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

PRESIDENT SECURITIES CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(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, 2016, the Company had 37 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 1,744 and 1,858 as of December 31, 2016 and 2015, 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 23, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- 1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
None.
- 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 2017 are as follows:

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

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfer of investment property (amendments to IAS40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRS 2014–2016 cycle- Amendments to IAS 28,	January 1, 2018

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

A. IFRS 9, "Financial instruments"

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company 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. IFRS 16, "Leases"

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

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

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

D. Annual improvements to IFRSs 2014-2016 cycle

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

When an investment in an associate or a joint venture is held by, or is held

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

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 Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Available-for-sale financial assets measured at fair value.
 - (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) control by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidated of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (B) Intercompany transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling

interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2016	December 31, 2015
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 Personal Insurance Agency Co., Ltd. (President Personal Insurance Agency) (Note 2)	Insurance Agent	-	100%
"	President Insurance Agency Corp. (President Insurance Agency) (Note 2)	Insurance Agent	100%	100%
"	PSC Venture Capital Investment Company Limited (President Venture Capital)	Venture Capital	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).

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

4) Classification of current and non-current items

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

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

sheet date;

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

5) 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 recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income.

C. Translation of foreign operations

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

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

6) Cash and cash equivalents

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

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

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

8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost.’
- D. If there has been objective evidence of impairment, the Group will account for impairment. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss.
- 9) Notes and accounts receivable, other receivables and margin loans receivable
- A. Notes and accounts receivable and margin loans receivable are claims resulting from the sales of goods or services; other receivables are receivables other than the above. Notes and accounts receivable and margin loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment loss.
- B. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of financial asset is established when there is objective evidence that it is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss being recognised in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not make the asset’s carrying amount greater than its amortised cost without impairment loss being recognised. The recoveries of amounts are recognised in profit or loss.
- 10) Bonds sold under repurchase agreements and bonds purchased under resale agreements
Bond transactions under repurchase or resale agreements are stated at the amount of actual payment or receipt. When transactions of bonds with a condition of resale agreements occur, the actual payment or receipt shall be recognised in ‘bonds purchased under resale agreements’ under current assets. When transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognised in ‘bonds sold under repurchase agreements’ under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognised in interest income or interest expense.
- 11) Financial assets at cost – non-current
- A. Financial assets measured at cost are initially recognised at fair value plus transaction costs of acquisition. On a regular way purchase or sale basis, financial assets measured at cost are recognised and derecognised using trade date accounting.
- B. If the variability in the range of reasonable fair value estimate vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be measured at cost.

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

12) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is an objective evidence of an impairment loss is as follows:
- (A) Significant financial difficulty of the issuer or debtor;
 - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (C) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties;
 - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made in accordance with aforesaid accounting policies of various financial assets.

13) Derecognition of financial instruments

A. Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

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

B. Derecognition of financial liabilities

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

14) Offsetting financial instruments

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

15) Investments accounted for under the equity method - associates

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

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

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

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

E. When there are objective evidences of impairment, as stated in Note 4 (12), at balance sheet date, the Group considers the whole 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 recognised. The loss will not be allocated to any of the components (including goodwill), which comprise the carrying amount of the investment. An impairment loss recognised 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in

which they are incurred.

- C. Land is not depreciated. Other property and equipment are subsequently measured using the cost model and depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property and equipment are as follows:

	<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 recognised as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognised in profit or loss as incurred.
- D. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

18) Intangible assets

- A. The cost of computer software is amortised using the straight-line method over the useful lives based on acquisition cost, with an amortization period of 4 years.
- B. Customer relationships is amortised evenly over its estimated useful life of 3.6 years.
- C. Membership in a foreign futures exchange is stated at acquisition cost and has an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. It is not amortised, but is tested annually for impairment.
- D. In accordance with IFRS 3 'Business combinations' as endorsed by FSC, goodwill

arises when the acquisition cost exceeds the fair value of identifiable assets and liabilities of the consolidated subsidiary on the consolidation date.

19) Impairment of non-financial assets

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

20) Contingent liabilities

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

21) Employee benefits

A. Short-term employee benefits

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

B. Termination benefits

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

C. Pensions

(A) Defined contribution plans

Effective July 1, 2005, the Group established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New

Plan are portable upon termination of employment. Net defined benefit asset can only be recognised when there is a cash refund or elimination in the future accrued pension liabilities.

(B) Defined benefit plans

- a. In a defined benefit plan, the pension paid is determined based on the amount that an employee shall receive upon retirement, which could vary with age, work seniority and salary compensations. The Group recognises the accrued pension obligations in the consolidated balance sheet based on the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net of past service cost recognised as liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The present value of the defined benefit obligation is determined using the market yield of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.
- b. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

D. Employees' remuneration and directors' remuneration

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

22) Revenues and expenses

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

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

23) Income tax

A. Current income tax

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

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included

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

- C. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions for income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

24) Share capital

- A. Incremental costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, from equity. Dividends from common stocks are recognised as equity in the financial period in which they are approved by the Company's shareholders. If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

25) Earnings per share

- A. Earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.
- B. When the Group calculates earnings per share, basic earnings per share and diluted earnings per share for all potential ordinary shares shall all be disclosed in accordance with IAS 33 "Earnings per share".

26) Operating segments

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

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

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

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Petty cash	\$ 181	\$ 188
Checking deposits	621,365	533,845
Current deposits:		
Deposits denominated in NTD	348,409	376,246
Deposits denominated in foreign currencies	2,657,709	589,484
Time deposits	<u>3,281,805</u>	<u>3,615,854</u>
	<u>\$ 6,909,469</u>	<u>\$ 5,115,617</u>

As of December 31, 2016, and 2015, the annual interest rates of time deposits, including foreign time deposits were 0.04% ~ 4.80% and 0.20% ~ 5.18%, respectively.

(Blank below)

2) Financial assets at fair value through profit or loss

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
<u>Open-ended funds and money market instruments and securities investment by brokers</u>		
Open-ended mutual funds beneficiary certificates	\$ 90,000	\$ 227,000
Overseas stocks and funds	241,068	245,367
Listed (TSE and OTC) stocks	<u>77,151</u>	<u>56,714</u>
Subtotal	408,219	529,081
Adjustment of open-ended funds and money market instruments and securities investment by brokers	(59,317)	(58,257)
Total	<u>348,902</u>	<u>470,824</u>
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	3,441,347	2,517,841
Government bonds	3,417,519	3,055,644
Corporate bonds	8,958,921	5,699,163
Convertible corporate bonds	845,892	1,209,904
Emerging stocks	151,026	81,265
Overseas stocks	19,146,988	12,881,521
Exchange-traded funds	623,026	33,389
Others	<u>66,548</u>	<u>41,000</u>
Subtotal	36,651,267	25,519,727
Adjustment of trading securities - dealer	<u>117,895</u>	(20,419)
Total	<u>36,769,162</u>	<u>25,499,308</u>
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	507,139	137,777
Convertible corporate bonds	<u>236,415</u>	<u>232,134</u>
Subtotal	743,554	369,911
Adjustment of trading securities - underwriter	<u>66,010</u>	<u>46,091</u>
Total	<u>809,564</u>	<u>416,002</u>
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	1,489,455	1,406,312
Convertible corporate bonds	21,157	20,232
Warrants	4,859	22,152
Overseas stocks	5,678	-
Exchange-traded funds	<u>174,751</u>	<u>69,975</u>
Subtotal	1,695,900	1,518,671
Adjustment of trading securities - hedging	(3,595)	(28,753)
Total	<u>1,692,305</u>	<u>1,489,918</u>

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Options bought - futures</u>	\$ 3,272	\$ 33,288
<u>Futures guarantee deposits receivable</u>	1,833,511	1,860,069
<u>Derivative financial instrument assets - OTC</u>	64,425	207,563
Total	<u>\$ 41,521,141</u>	<u>\$ 29,976,972</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Non-current items:		
Trading securities - dealer - government bonds	\$ 50,173	\$ 50,271
Adjustment of trading securities	448	709
Total	<u>\$ 50,621</u>	<u>\$ 50,980</u>

3) Available-for-sale financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current items:		
Trading securities - dealer		
Listed (TSE and OTC) stocks	\$ 538,757	\$ 306,677
Overseas bonds	820,389	102,654
Adjustment of trading securities - dealer	(26,370)	(6,370)
Total	<u>\$ 1,332,776</u>	<u>\$ 402,961</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 45,416	\$ 45,416
Adjustment of trading securities	28,985	14,063
Total	<u>\$ 74,401</u>	<u>\$ 59,479</u>

4) Bonds purchased under resale agreements

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Overseas bonds	<u>\$ 2,093,498</u>	<u>\$ 770,353</u>

The above bonds purchased under resale agreements as of December 31, 2016 and 2015 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 and \$771,380, respectively. The annual interest rates of every currency were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Foreign currencies (Note)	-4.0625%~0.00%	-0.3125%~2.14%
(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, 2016</u>	<u>December 31, 2015</u>
Bank deposit	\$ 9,915,890	\$ 5,412,834
Futures clearing house	1,029,502	902,890
Other futures commission merchant	1,150,283	1,366,153
Securities	4,770	4,677
Total	<u>\$ 12,100,445</u>	<u>\$ 7,686,554</u>

The difference between the customer margin deposits accounts and futures traders' equity as of December 31, 2016 and 2015 were outlined below:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Customer margin deposits accounts	\$ 12,100,445	\$ 7,686,554
Add: Early customer margin deposits	2,734	645
Less: Service fee income pending for transfer	(11,062)	(6,681)
Futures exchange tax pending for transfer	(473)	(438)
Net interest income pending for transfer	(22)	(505)
Temporary receipts	(985)	(1,418)
Futures traders' equity	<u>\$ 12,090,637</u>	<u>\$ 7,678,157</u>

7) Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable - non related parties		
Settlement price receivable-brokers	\$ 4,120,802	\$ 4,128,216
Settlement price receivable-dealer	273,506	37,181
Accounts receivable-foreign bonds	93,400	-
Spot exchange receivable, foreign currencies	164,658	-
Interest receivable	402,851	414,394
Settlement price	989,094	893,860
Others	60,563	43,845
	<u>\$ 6,104,874</u>	<u>\$ 5,517,496</u>

8) Other receivables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other receivables-FX Swap	\$ -	\$ 1,475,078
Dividends receivable	1,731	1,562
Interest receivable	19,670	21,205
Others	42,789	32,988
	<u>\$ 64,190</u>	<u>\$ 1,530,833</u>

9) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Pending settlements	\$ 570,970	\$ 680,508
Pledged time deposits	1,256,835	1,634,368
Deposits-in for foreign currency securities	58,608	458,073
Underwriting share proceeds collected on behalf of customers	50,703	775,119
Others	2,784	3,249
	<u>\$ 1,939,900</u>	<u>\$ 3,551,317</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 derecognised as the Group is still exposed to interest rate risk and credit risk.

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

<u>December 31, 2016</u>		
<u>Financial assets category</u>	<u>Carrying amount of transferred financial assets</u>	<u>Carrying amount of related financial liabilities</u>
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
<u>December 31, 2015</u>		
<u>Financial assets category</u>	<u>Carrying amount of transferred financial assets</u>	<u>Carrying amount of related financial liabilities</u>
Financial assets measured at fair value through profit or loss		
Repurchase agreement	\$ 16,361,768	\$ 15,501,953
Available-for-sale financial assets		
Repurchase agreement	102,654	100,607

11) Offsetting financial assets and financial liabilities

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

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

1. The offsetting of financial assets and financial liabilities are set as follows:
 (1) Financial assets

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	2,093,498	-	2,093,498	2,017,512	-	75,986
Total	<u>\$ 2,157,894</u>	<u>\$ -</u>	<u>\$ 2,157,894</u>	<u>\$ 2,053,437</u>	<u>\$ -</u>	<u>\$ 104,457</u>

December 31, 2015

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	\$ 207,544	\$ -	\$ 207,544	\$ 51,566	\$ -	\$ 155,978
Bonds purchased under resale agreements	770,353	-	770,353	734,662	-	35,691
Total	<u>\$ 977,897</u>	<u>\$ -</u>	<u>\$ 977,897</u>	<u>\$ 786,228</u>	<u>\$ -</u>	<u>\$ 191,669</u>

(2) Financial liabilities

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 under 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>

December 31, 2015

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	\$ 66,221	\$ -	\$ 66,221	\$ 51,566	\$ -	\$ 14,655
Bonds sold under repurchase agreements	10,014,973	-	10,014,973	10,014,973	-	-
Total	<u>\$ 10,081,194</u>	<u>\$ -</u>	<u>\$ 10,081,194</u>	<u>\$ 10,066,539</u>	<u>\$ -</u>	<u>\$ 14,655</u>

12) Financial assets at cost – non-current

	<u>December 31, 2016</u>	<u>December 31, 2015</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	1,408
Total	<u>\$ 41,581</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 June, 2015, Hua Liu Venture Capital Corporation resolved for a capital reduction of \$90,000 through its Board of Directors, cancelling 9,000 thousand shares. The Company received a refund of \$7,827 in accordance with its held share percentage and reduced the carrying amount by \$7,827.

13) Investments accounted for under equity method

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Uni-President Asset Management Corp.	<u>\$ 440,676</u>	<u>\$ 444,541</u>

A. The Group's share of its associates' profits or losses recognised in long-term equity investment accounted for under equity method for the years ended December 31, 2016 and 2015 were \$64,393 and \$82,130, respectively.

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

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

<u>Company name</u>	<u>Princial place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Methods of measurement</u>
		<u>December 31, 2016</u>	<u>December 31, 2015</u>		
Uni-President Asset Management Corp.	Taipei city	38.69%	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

	<u>Uni-President Asset Management Corp.</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current assets	\$ 388,911	\$ 376,603
Non-current assets	466,982	525,013
Current liabilities	(110,416)	(135,692)
Non-current liabilities	(33,837)	(43,840)
Total net assets	<u>\$ 711,640</u>	<u>\$ 722,084</u>
Share in joint venture's net assets	\$ 275,387	\$ 279,429
Goodwill and others	<u>165,289</u>	<u>165,112</u>
Carrying amount of the joint venture	<u>\$ 440,676</u>	<u>\$ 444,541</u>

Statement of comprehensive income

	<u>Uni-President Asset Management Corp.</u>	
	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Revenue	<u>\$ 635,267</u>	<u>\$ 705,673</u>
Profit for the period from continuing operations	\$ 165,944	\$ 210,975
Other comprehensive income (loss)- net of tax	<u>8,238</u>	<u>(5,730)</u>
Total comprehensive income	<u>\$ 174,182</u>	<u>\$ 205,245</u>
Dividends received from associates	<u>\$ 71,446</u>	<u>\$ 61,394</u>

14) Property and equipment

	Land	Buildings	Equipment	Leasehold improvements	Total
January 1, 2016					
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 ended December 31, 2016					
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>
December 31, 2016					
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>
January 1, 2015					
Cost	\$ 1,680,129	\$ 1,093,542	\$ 248,456	\$ 108,684	\$ 3,130,811
Accumulated depreciation and impairment	-	(358,220)	(146,134)	(63,752)	(568,106)
Total	<u>\$ 1,680,129</u>	<u>\$ 735,322</u>	<u>\$ 102,322</u>	<u>\$ 44,932</u>	<u>\$ 2,562,705</u>
For the year ended December 31, 2015					
January 1, 2015	\$ 1,680,129	\$ 735,322	\$ 102,322	\$ 44,932	\$ 2,562,705
Additions	-	3,375	22,000	1,293	26,668
Disposal	-	-	(1,417)	-	(1,417)
Reclassifications	-	-	9,487	15,530	25,017
Depreciation	-	(31,282)	(42,058)	(19,037)	(92,377)
December 31, 2015	<u>\$ 1,680,129</u>	<u>\$ 707,415</u>	<u>\$ 90,334</u>	<u>\$ 42,718</u>	<u>\$ 2,520,596</u>
December 31, 2015					
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>

A. No interest was capitalized for property and equipment for the years ended December 31, 2016 and 2015.

B. The information on property and equipment pledged or restricted as of December 31, 2016 and 2015 is described in Note 8.

15) Investment property

<u>January 1, 2016</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</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
<u>January 1, 2015</u>			
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(22,071)	(22,071)
Total	\$ 198,099	\$ 85,005	\$ 283,104
<u>For the year ended December 31, 2015</u>			
January 1, 2015	\$ 198,099	\$ 85,005	\$ 283,104
Depreciation	-	(2,101)	(2,101)
December 31, 2015	<u>\$ 198,099</u>	<u>\$ 82,904</u>	<u>\$ 281,003</u>
<u>December 31, 2015</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(24,172)	(24,172)
Total	\$ 198,099	\$ 82,904	\$ 281,003

- A. For the years ended December 31, 2016 and 2015, rental income from the lease of the investment property were \$16,269 and \$16,888, respectively, and direct operating expenses arising from the investment property were \$3,490 and \$3,495, 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 others	Total
<u>January 1, 2016</u>	<u>Computer software</u>	<u>Goodwill</u>		
Cost	\$ 105,707	\$ 42,004	\$ 89,829	\$ 237,540
Accumulated amortization 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
Amortization	(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 others	Total
<u>December 31, 2016</u>	<u>Computer software</u>	<u>Goodwill</u>		
Cost	\$ 122,313	\$ 42,004	\$ 89,829	\$ 254,146
Accumulated amortization 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>
			Customer relationships and others	Total
<u>January 1, 2015</u>	<u>Computer software</u>	<u>Goodwill</u>		
Cost	\$ 92,338	\$ 42,004	\$ 89,829	\$ 224,171
Accumulated amortization and impairment	(59,906)	-	(3,989)	(63,895)
Total	<u>\$ 32,432</u>	<u>\$ 42,004</u>	<u>\$ 85,840</u>	<u>\$ 160,276</u>
For the year ended December 31, 2015				
January 1, 2015	\$ 32,432	\$ 42,004	\$ 85,840	\$ 160,276
Additions	3,825	-	-	3,825
Reclassifications	9,544	-	-	9,544
Amortization	(14,082)	-	(14,904)	(28,986)
December 31, 2015	<u>\$ 31,719</u>	<u>\$ 42,004</u>	<u>\$ 70,936</u>	<u>\$ 144,659</u>
			Customer relationships and others	Total
<u>December 31, 2015</u>	<u>Computer software</u>	<u>Goodwill</u>		
Cost	\$ 105,707	\$ 42,004	\$ 89,829	\$ 237,540
Accumulated amortization 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>

A. No interest was capitalized for intangible assets for the years ended December 31, 2016 and 2015.

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>2016</u>	<u>2015</u>
Growth rate	0.00%	0.00%
Discount rate	17.89%	19.12%

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, 2016</u>	<u>December 31, 2015</u>
Operation guaranteed deposits	\$ 692,000	\$ 722,000
Clearing and settlement fund	313,505	325,827
Refundable deposits	151,659	173,948
Deferred expenses	18,219	17,385
Prepaid pension expenses	44,860	58,239
Prepayment for equipment	12,253	7,313
Delinquent accounts	157,702	166,572
Others	180	180
	<u>1,390,378</u>	<u>1,471,464</u>
Less: Allowance for uncollectible accounts-overdue receivables	(157,702)	(166,572)
	<u>\$ 1,232,676</u>	<u>\$ 1,304,892</u>

18) Short-term loans

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Secured loans	\$ 1,317,700	\$ 2,551,248
Unsecured loans	5,862,850	1,185,191
Total	<u>\$ 7,180,550</u>	<u>\$ 3,736,439</u>
Interest rates	<u>0.70%~2.20%</u>	<u>0.85%~5.00%</u>

19) Commercial papers payable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Face value	\$ 6,300,000	\$ 5,600,000
Less: discount on commercial papers payable	(1,684)	(851)
Total	<u>\$ 6,298,316</u>	<u>\$ 5,599,149</u>
Interest rates	<u>0.38%~0.72%</u>	<u>0.40%~0.53%</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Investments in bonds under resale agreements - short sales	\$ 1,845,632	\$ 727,782
Valuation adjustment of financial assets held for trading	8,849	13,952
Subtotal	<u>1,854,481</u>	<u>741,734</u>
Liabilities on sale of borrowed securities - hedged	250,298	150,537
Valuation adjustment on liabilities on sale of borrowed securities - hedged	(12,318)	(8,588)
Liabilities on sale of borrowed securities - non-hedged	28,884	131,059
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	746	(8,593)
Subtotal	<u>267,610</u>	<u>264,415</u>
Issuance of call (put) warrants	12,652,477	12,708,263
Gain on price fluctuation	(5,939,748)	(5,603,884)
Market value (A)	<u>6,712,729</u>	<u>7,104,379</u>
Warrants redeemed	(10,034,465)	(9,603,429)
Loss on price fluctuation	<u>3,559,923</u>	<u>2,856,284</u>
Market value (B)	<u>(6,474,542)</u>	<u>(6,747,145)</u>
Warrants - net (A+B)	<u>238,187</u>	<u>357,234</u>
Options sold - TAIFEX	<u>3,695</u>	<u>10,019</u>
Derivative financial liabilities - OTC	<u>55,133</u>	<u>66,679</u>
Total	<u>\$ 2,419,106</u>	<u>\$ 1,440,081</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 eighteen 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, 2016</u>	<u>December 31, 2015</u>
Government bonds	\$ 3,136,034	\$ 3,182,003
Corporate bonds	1,595,591	300,000
Bank debentures	1,102,701	1,100,693
International bonds	2,855,918	1,004,891
Foreign bonds	14,395,018	10,014,973
Total	<u>\$ 23,085,262</u>	<u>\$ 15,602,560</u>

The above bonds sold under repurchase agreements as of December 31, 2016 and 2015 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after the transaction. The total repurchase amounts were \$23,117,190 and \$15,641,269, respectively, and the annual interest rates in every currency were shown as follows:

<u>Currency</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
NTD	0.20%~0.52%	0.20%~0.47%
Foreign currencies (Note)	-0.20%~9.50%	0.00%~7.00%

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

22) Accounts payable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Settlement accounts payable - brokers	\$ 4,093,975	\$ 4,157,408
Settlement proceeds	922,064	882,689
Settlement accounts payable - dealer	327,836	160,571
Accounts payable - foreign bonds	721,093	-
Spot exchange payable, foreign currencies	164,475	-
Others	75,802	67,208
Total	<u>\$ 6,305,245</u>	<u>\$ 5,267,876</u>

23) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salary and bonus payable	\$ 381,528	\$ 405,832
Employees' and directors' remuneration payable	45,927	54,088
Other payables - Fx Swap	-	1,475,981
Others	315,050	359,046
Total	<u>\$ 742,505</u>	<u>\$ 2,294,947</u>

24) Other financial liabilities - current

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Equity-linked notes (ELN) - Options	\$ 3,600	\$ 5,200
Principal guaranteed notes (PGN) - fixed income	<u>1,388,697</u>	<u>846,596</u>
Total	<u>\$ 1,392,297</u>	<u>\$ 851,796</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, 2016</u>	<u>December 31, 2015</u>
Net defined benefit obligation	\$ 8,053	\$ 7,271
Guarantee deposits received	<u>5,057</u>	<u>4,577</u>
Total	<u>\$ 13,110</u>	<u>\$ 11,848</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, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	\$ 717,768	\$ 688,840
Fair value of plan assets	<u>(754,575)</u>	<u>(739,808)</u>
Net defined benefit assets	<u>(\$ 36,807)</u>	<u>(\$ 50,968)</u>

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

Year ended <u>December 31, 2016</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1	\$ 688,840	(\$ 739,808)	(\$ 50,968)
Current service cost	5,208	-	5,208
Interest expense (income)	<u>11,710</u>	<u>(12,576)</u>	<u>(866)</u>
	<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 assumptions	14,593	-	14,593
Experience adjustments	<u>21,614</u>	<u>-</u>	<u>21,614</u>
	<u>42,493</u>	<u>6,200</u>	<u>48,693</u>
Pension fund contribution	-	(38,874)	(38,874)
Paid pension	<u>(30,483)</u>	<u>30,483</u>	<u>-</u>
	<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>

Year ended December 31, 2015	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1	\$ 673,820	(\$ 697,373)	(\$ 23,553)
Current service cost	5,322	-	5,322
Interest expense (income)	13,477	(13,947)	(470)
	<u>692,619</u>	<u>(711,320)</u>	<u>(18,701)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,709)	(1,709)
Change in financial assumptions	22,368	-	22,368
Experience adjustments	(12,539)	-	(12,539)
	<u>9,829</u>	<u>(1,709)</u>	<u>8,120</u>
Pension fund contribution	-	(40,387)	(40,387)
Paid pension	(13,608)	13,608	-
	<u>(13,608)</u>	<u>(26,779)</u>	<u>(40,387)</u>
Balance at December 31	<u>\$ 688,840</u>	<u>(\$ 739,808)</u>	<u>(\$ 50,968)</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, 2016 and 2015 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, 2016	For the year ended December 31, 2015
Discount rate	<u>1.40%~1.50%</u>	<u>1.70%</u>
Future salary increases	<u>2.00%~3.00%</u>	<u>2.50%~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, 2016</u>				
Effect on present value of defined benefit obligation	(\$ <u>18,643</u>)	<u>\$ 19,328</u>	\$ <u>17,294</u>	(\$ <u>16,797</u>)
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ <u>17,717</u>)	<u>\$ 20,569</u>	\$ <u>18,325</u>	(\$ <u>16,228</u>)

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to \$36,931.

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, 2016 and 2015 were \$59,907 and \$60,789, 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 \$2,585 and \$2,713, respectively, for the years ended December 31, 2016 and 2015.

27) Equity

A. Common stock

(A) As of December 31, 2016, the Company’s authorized capital was \$15,000,000 with a par value of \$10 (in dollars) per share. As of December 31, 2016 and 2015, the common stocks issued were 1,335,666 and 1,323,119 thousand shares, respectively, and the outstanding common stocks were 1,335,666 and 1,303,796 thousand shares, respectively.

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

	(Expressed in thousands)	
	Year ended December 31, 2016	Year ended December 31, 2015
January 1	1,303,796	1,323,119
Acquisition of treasury stocks	(8,548)	(19,323)
Stock dividends	40,418	-
December 31	<u>1,335,666</u>	<u>1,303,796</u>

(B) Treasury shares

In order to maintain the Company's integrity and stockholders' equity, the Company's Board of Directors resolved to buy back outstanding shares on January 27, 2016 and September 17, 2015, respectively. The expected numbers of shares to be bought back are 30,000 thousand shares and 40,000 thousand shares, respectively. The buyback prices are set between \$8.30 and \$19.21 per share and between \$9.03 and \$18.77 per share, respectively.

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

(Expressed in thousands)

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>
Year ended December 31, 2015					
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>-</u>	<u>19,323</u>	<u>-</u>	<u>19,323</u>	<u>\$ 278,026</u>

- Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- 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.
- 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.
- On January 27 and May 5, 2016, the Board of Directors resolved to retire the treasury shares. On March 7 and May 20, 2016, the Company completed the registration of changes in capital. On March 8 and May 23, 2016, the Company obtained the Jing-Shou-Shang Zi. No. 10501036780 and No. 10501102910 issued by the Ministry of Economic Affairs as an approval for retirement of the treasury shares.

B. Capital reserve

	Share premium	Treasury share transactions	Expired stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
January 1, 2016	\$ 25,524	\$ 229,669	\$ 483	\$ 440	\$ 256,116
Retirement of treasury shares	(538)	(112,876)	-	-	(113,414)
December 31, 2016	<u>\$ 24,986</u>	<u>\$ 116,793</u>	<u>\$ 483</u>	<u>\$ 440</u>	<u>\$ 142,702</u>
December 31, 2015	<u>\$ 25,524</u>	<u>\$ 229,669</u>	<u>\$ 483</u>	<u>\$ 440</u>	<u>\$ 256,116</u>

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

C. Legal reserve

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

D. Special reserve

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

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

According to Jing-Guan-Zheng-Chuan Letter No. 10500278285, from fiscal year 2016 to 2018, securities firms 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 provided 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 within 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 2015 and 2014 earnings was resolved by the shareholders on June 14, 2016 and June 18, 2015, respectively. Details are as follows:

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 95,661		\$ 154,998	
Special reserve	191,323		309,995	
Cash dividends	260,759	\$ 0.20	1,071,726	\$ 0.81
Stock dividends	404,177	0.31	-	
	<u>\$ 951,920</u>		<u>\$ 1,536,719</u>	

- E. The earnings distribution for 2016 as resolved by the Board of Directors on March 23, 2017 is set forth below:

	For the year ended December 31, 2016	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 79,851	
Special reserve	159,701	
Special reserve(Note)	3,993	
Stock Dividends	547,623	\$ 0.41
	<u>\$ 791,168</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.

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

29) Brokerage handling fee revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Revenues from brokered trading - TWSE	\$ 726,177	\$ 943,529
Revenues from brokered trading - OTC	304,537	381,072
Revenues from brokered trading - Futures	673,129	673,724
Others	75,623	137,303
Total	<u>\$ 1,779,466</u>	<u>\$ 2,135,628</u>

30) Revenues from underwriting business

	Year ended December 31, 2016	Year ended December 31, 2015
Revenues from underwriting securities on a firm	\$ 17,387	\$ 23,212
Others	29,134	43,967
Total	<u>\$ 46,521</u>	<u>\$ 67,179</u>

31) Gain on trading of securities

	Year ended December 31, 2016	Year ended December 31, 2015
Dealers:		
-TAIEX	\$ 262,516	\$ 321,490
-OTC	(173,461)	256,562
-Overseas trading	84,705	(9,444)
-Dealings of non-listed securities	1,000	-
Subtotal	<u>174,760</u>	<u>568,608</u>
Underwriters:		
-TAIEX	35,996	18,116
-OTC	18,044	24,237
Subtotal	<u>54,040</u>	<u>42,353</u>
Hedging:		
-TAIEX	(64,423)	(155,384)
-OTC	(61,292)	(77,767)
-Overseas trading	(882)	-
Subtotal	<u>(126,597)</u>	<u>(233,151)</u>
Total	<u>\$ 102,203</u>	<u>\$ 377,810</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, 2016 and 2015 were \$59,875 and \$8,240, respectively.

32) Interest income

	Year ended December 31, 2016	Year ended December 31, 2015
Interest income from margin loans	\$ 581,767	\$ 771,559
Interest income from bonds	663,706	557,734
Others	2,801	3,204
Total	<u>\$ 1,248,274</u>	<u>\$ 1,332,497</u>

33) Loss on valuation of securities

	Year ended December 31, 2016	Year ended December 31, 2015
Loss on sale of securities - dealer	(\$ 147,950)	(\$ 378,532)
Gain (loss) on sale of securities - underwriting	19,919	(41,898)
Gain (loss) on sale of securities - hedging	25,158	(80,135)
Total	<u>(\$ 102,873)</u>	<u>(\$ 500,565)</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Gain (loss) from the bond investments under resale agreements	\$ 17,809	(\$ 23,035)
Gain from securities borrowing transactions - warrants	2,299	4,075
(Loss) gain from covering - warrants	(6,372)	700
Gain from securities borrowing transactions - dealer	9,211	27,308
Total	<u>\$ 22,947</u>	<u>\$ 9,048</u>

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

	Year ended December 31, 2016	Year ended December 31, 2015
Valuation gain from the bond investments under resale agreements	\$ 5,442	\$ 38,389
Valuation (loss) gain from securities borrowing transactions - dealer	(2,367)	6,826
Valuation (loss) gain from securities borrowing transactions - warrants	(4,059)	4,931
Valuation gain from covering - warrants	2,970	5,062
Total	<u>\$ 1,986</u>	<u>\$ 55,208</u>

36) Gain on warrants issuance

	Year ended December 31, 2016	Year ended December 31, 2015
Gain on changes in fair value of call (put) warrant liabilities and redemption	\$ 571,670	\$ 783,416
Loss on exercise of call (put) warrants before maturity	(19,248)	(99,991)
Expenses arising out of issuance of call (put) warrants	(66,239)	(65,050)
Total	<u>\$ 486,183</u>	<u>\$ 618,375</u>

37) Gain on derivative financial instruments

	Year ended December 31, 2016	Year ended December 31, 2015
Futures contract (loss) gain	(\$ 77,287)	\$ 132,558
Option trading gain (loss)	196,551	(36,342)
Gain (loss) from asset swap options	1,800	(2,059)
Gain on foreign exchange derivatives	117,202	-
Others	(30,116)	(262)
Total	<u>\$ 208,150</u>	<u>\$ 93,895</u>

38) Other operating income

	Year ended December 31, 2016	Year ended December 31, 2015
Income from securities lending	\$ 20,447	\$ 7,696
Handling fee revenues from funds	38,577	37,131
Others	131,799	120,817
Total	<u>\$ 190,823</u>	<u>\$ 165,644</u>

39) Handling charges

	Year ended December 31, 2016	Year ended December 31, 2015
Brokerage handling fee expense	\$ 208,323	\$ 234,647
Dealer handling fee expense	106,799	88,198
Refinancing processing fee expense	1,397	1,343
Total	<u>\$ 316,519</u>	<u>\$ 324,188</u>

40) Financial expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Interest expense from repurchase agreements	\$ 144,012	\$ 206,096
Loans interest expense	69,039	140,356
Other interest expense	13,174	11,326
Total	<u>\$ 226,225</u>	<u>\$ 357,778</u>

41) Employee benefits

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries	\$ 1,534,259	\$ 1,635,124
Labor and health insurance	114,518	119,515
Pension	66,834	68,354
Other employee benefits	85,309	99,886
Total	<u>\$ 1,800,920</u>	<u>\$ 1,922,879</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 years ended December 31, 2016 and 2015, employees' compensation was accrued at \$18,080 and \$22,293, respectively; directors' remuneration was accrued at \$18,080 and \$22,293, respectively. The aforementioned amounts were recognised in salary expenses.
- C. For 2016, 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. Employees' compensation to be distributed was \$18,080 and directors' remuneration to be distributed was \$18,080. The amounts were resolved by the Board of Directors on March 23, 2017 and were elected to be distributed by cash. There were no differences between the above-mentioned employees' compensation and directors' remuneration amounts to be distributed and the estimated amounts in 2016. Where the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates.
- D. The actual distributed amount of employees' and directors' remuneration for 2015 as resolved by the Board of Directors was in agreement with the estimates in the 2015 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, 2016	Year ended December 31, 2015
Depreciation	\$ 88,754	\$ 94,478
Amortization	31,788	29,224
Total	<u>\$ 120,542</u>	<u>\$ 123,702</u>

43) Other operating expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Rentals	\$ 127,594	\$ 126,400
Taxes	563,239	528,641
Computer information expenses	168,004	165,337
Postage	69,984	70,937
Bad debt expenses	22,032	161,237
Others	339,657	357,477
Total	<u>\$ 1,290,510</u>	<u>\$ 1,410,029</u>

For the years ended Decemberr 31, 2016 and 2015, as a result of the principal being unable to pay off outstanding margin loans within the agreed term, the Group, after evaluating the risk of future defaults, for all margin loans receivables has recognised bad debt expenses of \$0 and \$153,791, respectively.

44) Other gains and losses

	Year ended December 31, 2016	Year ended December 31, 2015
Financial income	\$ 141,866	\$ 135,809
(Loss) gain on disposal of investments	(1,836)	30,308
Loss on valuation of open-ended funds and money-market instruments	(2,164)	(1,665)
Net currency exchange gain	63,006	380,894
Other non-operating revenues	153,716	228,488
Total	<u>\$ 354,588</u>	<u>\$ 773,834</u>

45) Income tax

A. Income tax expense

(A) Components of income tax expense:

	Year ended December 31, 2016	Year ended December 31, 2015
Current tax:		
Current tax on profits for the periods	\$ 120,761	\$ 159,813
Over provision of prior year's income tax	(3,556)	(5,531)
Total current tax	<u>117,205</u>	<u>154,282</u>
Deferred taxes:		
Temporary differences	(12,736)	(8,113)
Total deferred taxes	(12,736)	(8,113)
Income tax expense	<u>\$ 104,469</u>	<u>\$ 146,169</u>

(B) The income tax charge relating to components of other comprehensive income is as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Remeasurement loss of defined benefit plan	(\$ 8,278)	(\$ 1,380)

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2016	Year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 199,493	\$ 223,183
Effects from items disallowed by tax regulation	(9,479)	18,089
Prior year income tax over estimation	(3,556)	(5,531)
Effects from tax exempt income	(140,428)	(105,731)
Minimum tax	<u>58,439</u>	<u>16,159</u>
Income tax expense	<u>\$ 104,469</u>	<u>\$ 146,169</u>

C. Deferred income tax assets or liabilities arising from temporary differences, loss carryforwards, and investment tax credits are as follows:

	Year ended December 31, 2016			
	January 1	Items recognized in profit or loss	Items recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Bad debts expense	\$ 13,071	(\$ 273)	\$ -	\$ 12,798
Others	<u>43,260</u>	<u>423</u>	<u>8,200</u>	<u>51,883</u>
Subtotal	<u>\$ 56,331</u>	<u>\$ 150</u>	<u>\$ 8,200</u>	<u>\$ 64,681</u>
Deferred income tax liabilities:				
Unrealized exchange gain	(\$ 32,162)	\$ 6,529	\$ -	(\$ 25,633)
Others	<u>(16,325)</u>	<u>6,057</u>	<u>78</u>	<u>(10,190)</u>
Subtotal	<u>(\$ 48,487)</u>	<u>\$ 12,586</u>	<u>\$ 78</u>	<u>(\$ 35,823)</u>
Total	<u>\$ 7,844</u>	<u>\$ 12,736</u>	<u>\$ 8,278</u>	<u>\$ 28,858</u>

Year ended December 31, 2015

	January 1	Items recognized in profit or loss	Items recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Bad debts expense	\$ 5,053	\$ 8,018	\$ -	\$ 13,071
Others	<u>42,398</u>	<u>(431)</u>	<u>1,293</u>	<u>43,260</u>
Subtotal	<u>\$ 47,451</u>	<u>\$ 7,587</u>	<u>\$ 1,293</u>	<u>\$ 56,331</u>
Deferred income tax liabilities:				
Unrealized exchange gain	(\$ 27,153)	(\$ 5,009)	\$ -	(\$ 32,162)
Others	<u>(21,947)</u>	<u>5,535</u>	<u>87</u>	<u>(16,325)</u>
Subtotal	<u>(\$ 49,100)</u>	<u>\$ 526</u>	<u>\$ 87</u>	<u>(\$ 48,487)</u>
Total	<u>(\$ 1,649)</u>	<u>\$ 8,113</u>	<u>\$ 1,380</u>	<u>\$ 7,844</u>

D. As of December 31, 2016, the Company's income tax returns through 2013 have been assessed by the National Tax Authority. The income tax returns through 2014 of President Futures, President Capital Management, President Venture Capital, President Personal Insurance Agency and President Insurance Agency have also been assessed.

E. Unappropriated earnings

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
1998 and onwards	<u>\$ 798,507</u>	<u>\$ 960,922</u>

F. Imputation tax system

(A) As of December 31, 2016 and 2015, the balance of the imputation tax credit account and the creditable tax rate are \$503,176 and \$540,186, respectively.

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

G. With respect to the income tax returns of the Company for 2008 and 2010, the Tax Authority assessed to increase income tax payable by \$16,914. However, the Company disagreed with the assessments and had filed for administrative litigation. Moreover, the Company had recognised the income tax expense relating to the additional income tax payable.

46) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 826,690	1,337,200	\$ <u>0.62</u>
<u>Dilutive effect of common stock equivalents</u>			
Employee bonus	-	1,532	
	<u>\$ 826,690</u>	<u>1,338,732</u>	<u>\$ 0.62</u>
	Year ended December 31, 2015		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 956,613	1,360,888	\$ <u>0.70</u>
<u>Dilutive effect of common stock equivalents</u>			
Employee bonus	-	1,670	
	<u>\$ 956,613</u>	<u>1,362,558</u>	<u>\$ 0.70</u>

The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of unappropriated earnings for the year ended December 31, 2015.

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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
President Pharmaceutical Corporation	Other related party
Ton Yi Industrial Corp.	Other related party
President Tokyo Co., LTD	Other related party

2) Significant related party transactions and balances

A. Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 286	\$ 298
Associate:		
Uni-President Assets Management Corp.	-	10
Other related party:		
Others	735	534
	<u>\$ 1,021</u>	<u>\$ 842</u>

B. Guarantee deposit received

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Associate:		
Uni-President Assets Management Corp.	\$ 531	\$ 521
Other related party:		
President Tokyo Co., Ltd.	1,393	1,335
	<u>\$ 1,924</u>	<u>\$ 1,856</u>

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

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Associates:		
Uni-President Assets Management Corp.	\$ 6,224	\$ 5,598

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

D. Other operating income - handling charge revenue

	Year ended December 31, 2016	Year ended December 31, 2015
Associates:		
Uni-President Assets Management Corp.	\$ <u>37,426</u>	\$ <u>35,694</u>

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

E. Rent income

	Period	Deposit	Year ended December 31, 2016	Year ended December 31, 2015
Associates:				
Uni-President Assets Management Corp.	2016.05.01~2019.04.30	\$ 531	\$ 7,078	\$ 6,985
Other related party:				
President Pharmaceutical Corp.	2015.10.01~2018.09.30	-	36	4,496
President Tokyo Co., Ltd.	2015.04.01~2018.03.31	1,393	9,117	7,138
Others		-	315	355
			<u>\$ 16,546</u>	<u>\$ 18,974</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.

F. Stock custodian income

	Year ended December 31, 2016	Year ended December 31, 2015
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 3,526	\$ 3,692
Associate:		
Uni-President Assets Management Corp.	129	130
Other related party:		
Ton Yi Industrial Corp.	1,230	1,244
President Chain Store Corp. (PCSC)	1,593	1,603
Others	2,904	2,700
	<u>\$ 9,382</u>	<u>\$ 9,369</u>

G. Other operating expenses - equipment rental and copy expense

	Year ended December 31, 2016	Year ended December 31, 2015
Other related party:		
President Tokyo Co., Ltd.	\$ 6,372	\$ 6,327
Others	<u>1,382</u>	<u>1,382</u>
	<u>\$ 7,754</u>	<u>\$ 7,709</u>

H. Purchases of trading securities – dealer

	December 31, 2016		Year ended December 31, 2016
	Ending Shares	Ending Balance	Gain (loss)
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)
		<u>\$ -</u>	<u>(\$ 3,049)</u>

	December 31, 2015		Year ended December 31, 2015
	Ending Shares	Ending Balance	Gain (loss)
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	129	\$ 7,082	(\$ 1,018)
Other related parties:			
Ton Yi Industrial Corp.	67	1,059	(352)
President Chain Store Corp.	-	-	(754)
		<u>\$ 8,141</u>	<u>(\$ 2,124)</u>

I. Compensation of key management personnel

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

	Year ended <u>December 31, 2016</u>	Year ended <u>December 31, 2015</u>
Salary and short-term employee benefits	\$ 155,724	\$ 155,917
Retirement benefits	1,906	1,944
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	<u>\$ 157,630</u>	<u>\$ 157,861</u>

(Blank below)

8. PLEGGED ASSETS

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

Assets	December 31, 2016	December 31, 2015	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	\$ 1,600,000	\$ 300,000	Securities for bonds sold under repurchase agreements
- Government bonds	3,105,400	3,012,600	Securities for bonds sold under repurchase agreements
- Overseas bonds	15,000,383	10,913,603	Securities for bonds sold under repurchase agreements
- International bonds	2,972,075	1,009,490	Securities for bonds sold under repurchase agreements
- Bank debentures	1,100,000	1,100,000	Securities for bonds sold under repurchase agreements
Available-for-sale financial assets - current			
- Overseas bonds (par value)	677,250	98,475	Securities for bonds sold under repurchase agreements
Restricted assets:			
- Demand deposits	51,537	777,045	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	1,256,834	1,634,368	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)	1,298,303	1,308,985	Securities for short-term loans and guarantees for issuance of commercial papers
Investment property			
- Land and buildings (book value)	37,209	37,451	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	692,000	722,000	Security deposits
- Refundable deposits	400	800	Security deposits

9. SIGNIFICANT COMMITMENTS

None.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHER

1) Management objective and policy of financial risks

A. Risk management objective

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

B. Risk management system

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

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

C. Risk management organization

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

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

- a. To establish proper risk management system, operating process, and risk management culture in the Group with allocation of necessary resource for better execution and operation.
- b. Policy of risk management review
- c. Review and approval of business application, transaction authorization and risk limit.

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

- a. Review risk management policy
- b. Review the highest risk tolerance
- c. Submit regular reports to the Board of Directors in relation to the risk management status of the whole Group

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

- a. Supervise and monitor daily risk management of the entire Group
- b. Approval of management exceptions

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

- a. Set up the ultimate guidelines for assets and liabilities management of the entire Group
- b. Analyze and control the entire Group’s assets and liabilities portfolio
- c. Approval of various businesses’ quotas
- d. Gather and analyze information on domestic and offshore interest rate,

exchange rate, prosperity fluctuation, political and economic environmental changes, and predict the financial trend in the future

- (E) Risk Control Office implements risk management policy and related regulations and reports to the Risk Management Committee. Risk Control Office also reports daily risk management to the General Manager and is responsible for the following:
 - a. Establish Risk Management Policy of the entire Group
 - b. Develop effective method for measurement and risk management in an entity
 - c. Review risk management system of business units
 - d. Generate risk report through information gathering and consolidation
 - e. Analyze various business risks and report to the General Manager
 - f. Report the risk management situation to the Risk Management Committee according to a meeting's nature and needs
 - g. Carry out duties as designated by the Risk Management Committee and control risks of business units
- (F) Auditing Office is responsible for the following:
 - a. Execute operating risk control
 - b. Include the risk management system into internal audit program and carry out the daily audit schedule.
 - c. Assess the effectiveness of internal control and verify the executed result.
- (G) Compliance segment and legal segment under the Office of General Manager are responsible for the following:
 - a. Compliance segment should make sure that the business operation and risk management system are in compliance with relevant regulations.
 - b. Legal segment is responsible for legal risk control
- (H) Finance segment is responsible for the following:
 - a. Verify the correctness of position information and reasonability of profit and loss calculation.
 - b. Control and analyze self-owned capital adequacy ratio.
 - c. Analyze the appropriateness of structures of the assets and liabilities.
- (I) Business units are responsible for the following:
 - a. Set up risk management details of various businesses according to the risk management policy and other related regulations.
 - b. Provide sufficient position information and risk control information to the Risk Control Office.

D. Risk management policy

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

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

(A) Market risk management

The Group has implemented risk management information system (Risk Manager) in relation to market risk control. All trading positions of the Group

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

(B) Credit risk management

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

(C) Fund liquidity risk

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

E. Hedging and risk-offsetting strategy

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

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

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

2) Credit risk

A. Source and definition of credit risk

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

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

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

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

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

B. Maximum credit risk exposure and credit risk concentration

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

(A) Cash and cash equivalents

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

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

a. Fund

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

b. Debt securities

Debt securities are mainly positions like government bonds, convertible corporate bonds and foreign bonds and the issuers are primarily R.O.C. government, domestic and foreign legal entities. 55% of convertible corporate bond is guaranteed by banks. Details are as follows:

(a) Bonds

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

(b) 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).

(c) 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 and England.

- (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, 2016

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

The table of the credit quality of financial assets

As of December 31, 2015

Financial assets	Normal assets			Impaired	Provisions	Total	Recognised losses	Net
	Low risk	Medium risk	High risk					
Cash and cash equivalents	\$ 5,115,225	\$ 392	\$ -	\$ -	\$ -	\$ 5,115,617	\$ -	\$ 5,115,617
Financial assets at fair value through profit or loss-current								
Open-end mutual funds beneficiary certificates and money market instruments	210,502	-	-	-	-	210,502	-	210,502
Debt security investments	21,537,341	676,374	62,395	-	-	22,276,110	-	22,276,110
Buy Option-TAIFEX	33,288	-	-	-	-	33,288	-	33,288
Derivative instruments-Futures Margin	1,860,069	-	-	-	-	1,860,069	-	1,860,069
Derivative instruments-OTC	207,563	-	-	-	-	207,563	-	207,563
Available-for-sale financial assets-current								
Debt security investments	102,191	-	-	-	-	102,191	-	102,191
Bonds purchased under resale agreements	770,353	-	-	-	-	770,353	-	770,353
Margin loans receivable	10,439,247	-	-	-	-	10,439,247	4,666	10,434,581
Refinancing security deposits	2,159	-	-	-	-	2,159	-	2,159
Receivables from refinance guaranty	4,135	-	-	-	-	4,135	-	4,135
Customer margin account	7,686,554	-	-	-	-	7,686,554	-	7,686,554
Receivables from security lending	74,345	-	-	-	-	74,345	-	74,345
Security lending deposits	75,703	-	-	-	-	75,703	-	75,703
Notes receivable	3,142	-	-	-	-	3,142	-	3,142
Accounts receivable	5,517,496	-	-	-	-	5,517,496	-	5,517,496
Other receivables	1,530,833	-	-	-	-	1,530,833	-	1,530,833
Other current assets	3,551,317	-	-	-	-	3,551,317	-	3,551,317
Financial assets at fair value through profit or loss-non current	50,980	-	-	-	-	50,980	-	50,980
Other assets-non current	1,221,955	-	-	-	166,572	1,388,527	166,572	1,221,955
Total	\$ 59,994,398	\$ 676,766	\$ 62,395	\$ -	\$ 166,572	\$ 60,900,131	\$ 171,238	\$ 60,728,893

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 a crisis response 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, 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>

December 31, 2015

	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	\$ -	\$ 3,736,439	\$ -	\$ -	\$ -	\$ 3,736,439
Commercial papers payable	-	5,600,000	-	-	-	5,600,000
Financial liabilities at fair value through profit or loss-current						
Non-derivative financial liabilities	1,006,149	-	-	-	-	1,006,149
Derivative financial liabilities	410,406	7,189	7,166	9,283	-	434,044
Bonds sold under repurchase agreements	-	15,641,269	-	-	-	15,641,269
Deposits on short sales	1,509,258	-	-	-	-	1,509,258
Deposits payable for securities financing	1,744,273	-	-	-	-	1,744,273
Securities lending refundable deposits	-	290,144	58,426	-	-	348,570
Futures traders' equity	7,678,157	-	-	-	-	7,678,157
Accounts payable	5,229,148	38,728	-	-	-	5,267,876
Collections on behalf of third parties	987,259	6,857	-	92,911	-	1,087,027
Other payables	1,477,639	219,548	597,760	-	-	2,294,947
Other financial liabilities -current	-	851,796	-	-	-	851,796
	<u>\$ 20,042,289</u>	<u>\$ 26,391,970</u>	<u>\$ 663,352</u>	<u>\$ 102,194</u>	<u>\$ -</u>	<u>\$ 47,199,805</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, 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
December 31, 2015	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
Not later than one year	\$ 89,497	\$ 7,025
Later than one year but not later than five years	125,106	3,541
Over five years	6,720	-
Total	\$ 221,323	\$ 10,566

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, 2016	Amount	December 31, 2015	Amount
December 31, 2016	\$ 84,613	December 31, 2015	\$ 76,201
VaR Maximum	137,764	VaR Maximum	161,498
VaR Average	83,221	VaR Average	72,794
VaR Minimum	37,793	VaR Minimum	27,851

Statistical table for VaR of various risk indicators of transactions

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

Year ended			
December 31, 2015	Foreign exchange	Interest	Share ownership
December 31, 2015	\$ 20,875	\$ 22,788	\$ 69,843
VaR Maximum	49,727	58,129	166,019
VaR Average	17,236	29,805	65,912
VaR Minimum	3,691	17,989	19,157

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, 2016 and 2015 :

	December 31, 2016						Total
	USD	EUR	AUD	RMB	HKD	Others	
<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 =32.25 TWD; 1 EUR=33.9 TWD; 1 AUD=23.285 TWD; 1 RMB=4.617TWD; and 1 HKD=4.158 TWD, respectively.

	December 31, 2015						
	USD	EUR	AUD	RMB	HKD	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 728,871	\$ 1,687	\$ 4,694	\$ 666,430	\$ 718,677	\$ 52,627	\$ 2,172,986
Financial assets at fair value through profit or loss	8,038,864	855,281	757,283	7,794,732	158,308	67,527	17,671,995
Available-for-sale financial assets							
- current	102,191	-	-	-	-	-	102,191
Bonds purchased under resale agreements	717,592	-	52,761	-	-	-	770,353
Available-for-sale financial assets - non current	59,479	-	-	-	-	-	59,479
Others	4,744,871	12,065	4,124	226,468	1,958,133	139,476	7,085,137
<u>Financial liabilities in foreign currencies</u>							
Short-term loans	1,617,539	-	30,221	320,179	423,500	-	2,391,439
Financial liabilities at fair value through profit or loss	732,305	-	52,409	103	-	-	784,817
Bonds sold under repurchase agreements	7,895,002	541,649	638,183	1,945,030	-	-	11,019,864
Others	3,642,918	7,187	1,297	132,615	871,110	101,514	4,756,641

Note: As of December 31, 2015, foreign exchange rates of the above currencies to TWD were 1 USD =32.825 TWD; 1 EUR=35.880TWD; 1 AUD=23.985TWD; 1 RMB=4.995TWD; and 1 HKD=4.235 TWD, respectively.

D. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to \$77,228 and \$380,894, 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, 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	\$ -
		December 31, 2015		
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	\$666,669	\$ -	\$ 666,669	\$ -

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

B. Valuation techniques

(A) For financial instruments held for trading purposes which are classified as non-derivative instruments, their fair values are based on their quoted prices in an active market. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. Estimates and assumptions of valuation technique adopted by the 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 years ended December 31, 2016 and 2015, 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, 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	-

Financial instrument items measured at fair value	December 31, 2015			
	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	\$ 5,044,988	\$ 4,952,140	\$ 92,848	\$ -
Bond investments	22,276,110	1,783,082	20,493,028	-
Others	554,954	554,954	-	-
Available-for-sale financial assets-current				
Stock investments	300,770	300,770	-	-
Bond investments	102,191	102,191	-	-
Financial assets at fair value through profit or loss - noncurrent	50,980	-	50,980	-
Available-for-sale financial assets-noncurrent				
Stock investments	59,479	59,479	-	-
Liabilities				
Financial liabilities at fair value through profit or loss -current	1,006,149	1,006,149	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current	2,100,920	1,893,357	207,563	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	433,932	367,253	66,679	-

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, 2016 and 2015, the capital adequacy ratios were 442% and 500%, 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. Details are as follows:

A. Balance sheet of trust accounts

Trust assets	December 31, 2016	December 31, 2015
Bank savings	\$ 149,652	\$ 240,765
Structured notes	494,813	230,020
Stock	482,075	261,346
Fund	2,705,174	2,480,182
Securities lending	280,572	702,467
Accounts receivable	9,765	85,776
Total of trust assets	\$ 4,122,051	\$ 4,000,556
Trust liabilities	December 31, 2016	December 31, 2015
Accounts payable	\$ 11,763	\$ 3,173
Trust capital	4,221,745	4,047,862
Retained earnings	(111,457)	(50,479)
Total of trust liabilities	\$ 4,122,051	\$ 4,000,556

B. Income statement of trust accounts

Items	Year ended December 31, 2016	Year ended December 31, 2015
Trust income		
Interest income	\$ 60	\$ 280
Cash dividends received	15,542	11,844
Income from stock lending	36,147	29,742
Investment gain - realized	17,760	64,196
Investment loss - unrealized	(143,200)	(94,723)
Other gains	-	9
Subtotal	(73,691)	11,348
Trust expenses		
Management fee	1 (60)	
Service fee	(1) (8)	
Borrowing costs	(4,567) (3,373)	
Remittance fee	(2) (2)	
(Loss) income before income tax	(78,260)	7,905
Income tax expense	(5) (28)	
Net (loss) income	(\$ 78,265)	\$ 7,877

C. Property list of trust accounts

Items	December 31, 2016	December 31, 2015
Bank savings	\$ 149,652	\$ 240,765
Structured notes	494,813	230,020
Funds	2,705,174	2,480,182
Stock	482,075	261,346
Securities lending	280,572	702,467
Others	9,765	85,776
Total	\$ 4,122,051	\$ 4,000,556

(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, 2016		December 31, 2015		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	3,086,113	18.42	3,042,810	11.49	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	167,563		264,716			
17	Current assets	3,234,545	183.06	3,287,734	156.42	≥ 1	Met the requirement
	Current liabilities	17,669		21,019			
22	Stockholders' equity	3,086,113	771.53%	3,042,810	760.70%	≥ 60%	Met the requirement
	Minimum paid-in capital	400,000		400,000		≥ 40%	
22	Adjusted net capital	2,940,372	1651.15%	2,929,829	4615.51%	≥ 20%	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	178,080		63,478		≥ 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, 2016		December 31, 2015		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	1,464,268	8.5	1,383,295	7.62	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	172,363		181,471			
17	Current assets	14,391,672	1.07	10,128,952	1.10	≥ 1	Met the requirement
	Current liabilities	13,451,931		9,244,639			
22	Stockholders' equity	1,464,268	227.02%	1,383,295	214.46%	≥ 60%	Met the requirement
	Minimum paid-in capital	645,000		645,000		≥ 40%	
22	Adjusted net capital	1,153,456	65.92%	861,244	62.79%	≥ 20%	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	1,749,892		1,371,682		≥ 15%	

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.

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.

(Blank below)

G. Significant transactions between parent company and subsidiaries

No.(Note1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	President Securities Corp.	President Futures Corp.	1	Futures Margin - Own Funds	\$ 1,236,990	Note 4	1.44%
0	President Securities Corp.	President Futures Corp.	1	Deposit-out	40,000	Note 4	0.05%
0	President Securities Corp.	President Futures Corp.	1	Accounts receivable	4,793	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Future commission revenue	56,700	Note 4	1.26%
0	President Securities Corp.	President Futures Corp.	1	Clearing charges	23,404	Note 4	0.52%
0	President Securities Corp.	President Futures Corp.	1	Deposit-in	16,000	Note 4	0.02%
0	President Securities Corp.	President Futures Corp.	1	Other payables	1,387	Note 4	0.00%
0	President Securities Corp.	President Futures Corp.	1	Other non-operating revenues	7,413	Note 4	0.16%
0	President Securities Corp.	President Capital Management Corp.	1	Expense from investment advisory	36,000	Note 4	0.80%
0	President Securities Corp.	President Capital Management Corp.	1	Other non-operating revenues	3,380	Note 4	0.08%

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

(Blank below)

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
						Balance on December 31, 2016	Balance on January 1, 2016	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%	\$ 1,415,844	\$ 842,603	\$ 192,086	\$ 185,734	\$ 120,615
	President Capital Management Corp.	Taipei	1997.04.15	1997.02.25 (86) Tai-Cai-Zheng (2) Letter No.17769	Securities investment consulting	150,000	150,000	12,400,000	100.00%	146,163	40,662	433	433	231
	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%	70,883	107,697	(25,139)	(1,305)	-
	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%	2,255,108		(13,211)	(13,211)	-
	Uni-President Asset Management Corp.	Taipei	2000.08.18	2000.07.19 (89) Tai-Cai-Zheng (2) Letter No.56407	Investment Trust	624,940	624,940	13,570,830	38.66%	440,314	635,267	165,944	64,335	71,383
	President Personal Insurance Agency Co., Ltd.	Taipei	2006.12.15	(Note 2)	Insurance Agent	-	5,000	-	0.00%	-	50,021	19,121	19,121	17,778
	President Insurance Agency Corp.	Taipei	2008.04.29	(Note 2)	Insurance Agent	10,000	5,000	1,000,000	100.00%	58,861	63,484	20,448	20,448	4,798
	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%	313,376	14,774	10,242	10,242	4,834

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
						Balance on December 31, 2016	Balance on January 1, 2016	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%	362	635,267	165,944	58	63
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%	1,294,874	107,697	(25,139)	(23,834)	-
	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%	61,556		195	195	-
	President Securities (Nominee) Ltd.	Hong Kong	1999.08.06	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Nominee Service	3,403	3,403	1,000,000	100.00%	2,227		(76)	(76)	-
President Securities (HK) Ltd.	Shang Hai Office Agency	Shang Hai	2002.04.17	Registered by President Securities (HK) Ltd. (No reference number approved by FSC)	Research of industrial technic and collection of relevant information	-	-	-	-	-	-	-	-	-

Note 1 : As FSC was established in July, 2004, President Futures Corp. was approved by the Investment Commission, Ministry of Economic Affairs.

Note 2 : When securities corporations invest in domestic business within FSC's limitation, there is no need to acquire the approval from FSC in advance, according to Tai-Cai-Zheng (2) Letter No.0930000005.

Therefore there was no reference numbers for President Personal Insurance Agency Co., Ltd. and President Insurance Agency Corp.

- B. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.
- C. Endorsements and guarantees for others : None.
- D. Acquisitions of real estate exceeding \$300,000 or 20 percent of contributed capital : None.
- E. Disposals of real estate exceeding \$300,000 or 20 percent of contributed capital : None.
- F. Purchases or sales transactions discount on brokers' charges with related parties in excess of \$5,000 : None.

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

H. In 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, 2016 of President Securities (BVI) Ltd :

Securities types and name	Type	Number of shares	Carrying value		Expressed in U.S. Dollars 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 GSC EUROPEAN CDO	STRUCTURED NOTES	2,500,000	\$ 1.000	\$ 2,500,000	\$ 0.663	\$ 1,657,912
FL.R ARES VIR	STRUCTURED NOTES	5,000,000	0.995	4,975,000	0.803	3,996,098
				7,475,000		5,654,010
				(1,820,990)		-
				\$ 5,654,010		\$ 5,654,010
<u>Investments in associates</u>						
President Securities (HK) Ltd.	STOCK	182,600,000	\$ 0.220	\$ 40,151,121	\$ 0.220	\$ 40,151,121
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.082	1,908,717	0.082	1,908,717
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.069	69,044	0.069	69,044
				\$ 42,128,882		\$ 42,128,882

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

As of December 31, 2016, the carrying value of USD5,654,010 of asset securitization for derivatives was undertaken with the Company's own capital of USD7,475,000.

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, 2016 AND 2015

Expressed in U.S. dollars

Assets	December 31, 2016		December 31, 2015		Liabilities and shareholders' equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 22,082,892	32	\$ 21,879,489	31	Others payables	\$ 3,598	-	\$ 3,601	-
Financial assets at fair value through profit or loss - current	5,654,010	8	5,555,635	8	Total liabilities	3,598	-	3,601	-
Other receivables	63,673	-	39,661	-	Shareholders' equity				
Total current assets	27,800,575	40	27,474,785	39	Share capital	67,746,000	97	67,746,000	96
Investment in associates	42,128,883	60	42,894,063	61	Capital reserve	757,813	1	757,813	1
					Retained earnings				
					Retained earnings	689,439	1	1,099,177	2
					Other equity				
					Translation gain or loss on the financial statements of foreign operating entities	732,608	1	762,257	1
					Total shareholders' equity	69,925,860	100	70,365,247	100
Total assets	\$ 69,929,458	100	\$ 70,368,848	100	Total liabilities and shareholders' equity	\$ 69,929,458	100	\$ 70,368,848	100

PRESIDENT WEALTH MANAGEMENT (HK) LTD.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

Expressed in HK dollars

Assets	December 31, 2016		December 31, 2015		Liabilities and shareholders' equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 14,798,570	100	\$ 14,757,410	100	Others payables	\$ 17,730	-	\$ 17,730	-
Other receivables	23,424	-	17,505	-	Total liabilities	17,730	-	17,730	-
Total current assets	14,821,994	100	14,774,915	100	Shareholders' equity				
					Share capital	23,400,000	158	23,400,000	158
					Retained earnings				
					(accumulated deficit)	(8,595,736)	(58)	(8,642,815)	(58)
					Total shareholders' equity	14,804,264	100	14,757,185	100
Total assets	\$ 14,821,994	100	\$ 14,774,915	100	Total liabilities and shareholders' equity	\$ 14,821,994	100	\$ 14,774,915	100

PRESIDENT SECURITIES (NOMINEE) LTD.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

Expressed in HK dollars

Assets	December 31, 2016		December 31, 2015		Liabilities and shareholders' equity	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 550,253	100	\$ 568,720	100	Others payables	\$ 15,410	3	\$ 15,410	3
Other receivables	674	-	575	-	Total liabilities	15,410	3	15,410	3
Total current assets	550,927	100	569,295	100	Shareholders' equity				
					Share capital	1,000,000	181	1,000,000	175
					Retained earnings				
					(accumulated deficit)	(464,483)	(84)	(446,115)	(78)
					Total shareholders' equity	535,517	97	553,885	97
Total assets	\$ 550,927	100	\$ 569,295	100	Total liabilities and shareholders' equity	\$ 550,927	100	\$ 569,295	100

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Expressed in U.S. dollars

Accounts	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	%	Amount	%
Expenditures				
Interest expenses	\$ -	-	(\$ 27)	-
Employee benefits	(50,430)	-	(50,504)	-
Other operating expenses	(17,647)	-	(16,773)	-
Total expenditures and expenses	(68,077)	-	(67,304)	-
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(735,531)	-	1,284,060	-
Other gains and losses	393,870	-	445,365	-
Total non-operating gains and losses	(341,661)	-	1,729,425	-
(Loss) profit before tax	(409,738)	-	1,662,121	-
Income tax expense	-	-	-	-
Net (loss) income	(\$ 409,738)	-	\$ 1,662,121	-

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Accounts	Expressed in HK dollars			
	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 39,710)	-	(\$ 63,680)	-
Total expenditures and expenses	(39,710)	-	(63,680)	-
Non-operating gains and losses				
Other gains and losses	86,789	-	76,415	-
Profit before tax	47,079	-	12,735	-
Income tax expense	-	-	-	-
Net income	\$ 47,079	-	\$ 12,735	-

PRESIDENT SECURITIES (NOMINEE) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Expressed in HK dollars

Accounts	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 20,995)	-	(\$ 41,150)	-
Total expenditures and expenses	(20,995)	-	(41,150)	-
Non-operating gains and losses				
Other gains and losses	2,626	-	2,441	-
Loss before tax	(18,369)	-	(38,709)	-
Income tax expense	-	-	-	-
Net loss	(\$ 18,369)	-	(\$ 38,709)	-

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, 2016	Increase of working capital	Deduction of working capital	Balance on December 31, 2016		
Representative office of President Securities Corpo. 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	-	(\$ 7,168)	-	-	-	-	-	-

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 segment, 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 Department, 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. As the basis for performance appraisal are not measured by the segments' revenues, assets, and liabilities, the Group only discloses the relevant information of segments' profit or loss. 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, 2016							
	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment profit or loss	\$ 34,385	(\$ 219,321)	\$ 717,344	\$ 239,925	\$ 217,355	(\$ 52,177)	\$ 937,511
Year ended December 31, 2015							
	Brokerage segment	Proprietary Trading segment	Fixed Income segment	Reinvestment segment	Other operating segments	Others	Total
Segment profit or loss	\$ 123,189	\$ 563,016	\$ 133,424	\$ 297,811	(\$ 5,611)	(\$ 3,125)	\$ 1,108,704

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.