



## **2019 General Shareholders' Meeting Meeting Agenda**

**Jun. 18, 2019 at 9:00am  
B1, No. 8, Dongxing Rd.,  
Taipei City, Taiwan, R.O.C.**

Translation – In case of any discrepancy between the Chinese and English versions,  
the Chinese version shall prevail.

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# **President Securities Corp.**

## **2019 Annual Shareholders' Meeting Agenda**

(1) Time : 9:00 a.m., June 18, 2019

(2) Place : B1, No. 8, Dongxing Rd., Taipei City, Taiwan, R.O.C.

(3) Agenda for the 2019 General Shareholders' Meeting

- 1) Meeting called to order (Report on the total number of shareholders and shareholder representatives in attendance)
- 2) Opening Remarks from the Chairman
- 3) Report Items
  - i. 2018 Business Report
  - ii. 2018 Audit Committee's Review Report
  - iii. 2018 Remuneration of Employees and Directors
  - iv. The Result of Treasury Share Repurchase Program

(4) Items to be Adopted

- i. 2018 Business Report, Consolidated Financial Statements and Financial Statements
- ii. 2018 Earnings Distribution Proposal

(5) Items for Discussion

- i. Amendment to the Articles of Incorporation.
- ii. Amendment to the "Procedures for the Acquisition or Disposal of Assets."
- iii. Amendment to the "Operating Procedures for Endorsement and Guarantee."

(6) Election Items

The by-election for the vacant position of the 11th board of Directors

(7) Extraordinary Motions

(8) Meeting Adjourned

## 2. Report Items

### (1) 2018 Business Report

Explanation:

The Company's Business Report for 2018, please see Appendix I (page 7).

### (2) 2018 Audit Committee's Review Report

Explanation:

For 2018 Audit Committee's Review Report, please see Appendix II (page 9).

### (3) 2018 Remuneration of Employees and Directors

Explanation:

- 1) Comply with the Ordinance No. 10402413890(June 11, 2015) and the Ordinance No. 10402427800(October 15, 2015) issued by the Ministry of Economic Affairs.
- 2) In accordance with Article 23 of the Company's bylaws, 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.
- 3) The proposal of 2018 Remuneration of Employees and Directors has been approved by the 3th meeting of the 4th Remuneration Committee and the 6th meeting of 11th Board of Directors. It is proposed that a total of NT\$28,867,634 (2%) to be distributed to employees and NT\$28,867,634 (2%) to be distributed to Directors in accordance with the allocation rules of the 1st meeting of the 10th Board of Directors and the 1st meeting of the 11th Board of Directors. The above mentioned compensation will be in cash.

### (4) The Result of Treasury Share Repurchase Program

Explanation: The implementation of 12 th shares buyback is as follows:

- 1) The Reported information of Shares Buyback
  - (1) Purpose of the buyback: cancellation of shares
  - (2) Scheduled number of shares buyback: 30,000,000 shares
  - (3) Scheduled period for the buyback : 2019/01/02~2019/02/27
- 2) The Implementation of Shares Buyback
  - (1) Number of shares bought back: 18,038,000 shares
  - (2) Total monetary amount of shares repurchased : NT\$ 231,821,838
  - (3) Average repurchase price per share: NT\$12.85
- 3) Capital Reduction:
  - (1). In accordance with the article 28-2, paragraph 1, subparagraph 3 of the Securities and Exchange Act, amendment registration shall be effected within six months from the date of buyback.
  - (2). Details are as follows:
    - (A) Date and Ordinance No. of the Authority's approval: March 5, 2019 FSC Ordinance No. 1080305980
    - (B) Reduction record date resolved by: the 7th meeting of 11th Board of Directors
    - (C) Record date for capital reduction: May 9, 2019
    - (D) Amount of the capital reduction: NT\$ 180,380,000
    - (E) Paid in capital after the capital reduction: NT\$13,723,900,280

### 3. Items to be Adopted

#### ■ Motion 1 (proposed by the Board of Directors)

Topic: Adoption of the 2018 business report, consolidated financial statements and financial statements

Explanation:

- (1) The 2018 consolidated financial statements and the financial statements have already been successfully audited by CPA SK, Lin and CPA Chin-Mu, Hsiao of PricewaterhouseCoopers Taiwan.
- (2) The business report, the consolidated financial statements and the financial statements have been reviewed by the Audit Committee and approved by the Board of Directors (March 22, 2019).
- (3) For the business report, the consolidated financial statements and the financial statements, please see Appendix I (page 7) and Appendix III (page 10).

#### ■ Motion 2 (proposed by the Board of Directors)

Topic: Adoption of the Proposal for the 2018 earnings distribution

Explanation:

- (1) The proposal for distribution of 2018 earnings are prepared in accordance with regulations and the Company's Articles of Incorporation. Please refer to the 2018 Earnings Distribution Proposal as Appendix IV (Page 34).
- (2) After first being increased by \$17,538,290 as the effect of adoption of IFRS 9 and \$23,270,549 as a result of actuarial gains on remeasurement of defined benefit plans, and then setting aside legal reserve(10%) , special reserve(20%), 0.5% as special reserve for employees' training in response to development in financial technology and reversing special reserve, in compliance with Jing-Guang-Zheng-Chuan Letter No.10500278285, and reversing special reserve in response of the debit balance of other equity items, unappropriated earnings available for distribution for 2018 is \$972,063,563. Proposed cash dividend is \$959,395,340, which is equivalent to \$0.69 per share. Upon the approval of Shareholders' Meeting, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date.
- (3) In the event that the shares outstanding changes, it is proposed that the Board of Directors be authorized to adjust the amount per share to be distributed to shareholders based on the number of actual shares outstanding on the record date for distribution. Dividends of less than \$1 shall be transferred to the Company's Employee Benefit Council.

### 4. Items for Discussion

#### ■ Motion 1 (Proposed by the Board of Directors)

Topic: Amendment to the Articles of Incorporation. Please proceed to vote.

Explanation:

- (1) According to Company Act Article 392-1, a company may apply for registration of corporate name in a foreign language to the competent authority.
- (2) The major amendment is changing corporate name from PRESIDENT SECURITIES CORP. into PRESIDENT SECURITIES CORPORATION.
- (3) For chart comparing the changes, please see Appendix V (page 35).

#### ■ Motion 2 (Proposed by the Board of Directors)

Topic: Amendment to the Company's Procedures for Acquisition or Disposal of Assets

Explanation:

- (1) In accordance with the order issued by FSC(order number Jin Guan Zheng Fa No.

1070341072)

- (2) In accordance with the order issued by FSC on Nov 26,2018, the Procedures for Acquisition or Disposal of Assets should be amended.
- (3) For the comparison table of amendments to " Procedures for Acquisition or Disposal of Assets", please see Appendix VI (page 36).

■ **Motion 3 (Proposed by the Board of Directors)**

Topic: Amendments to the "Operating Procedures for Endorsement and Guarantee".

Explanation:

- (1) For conforming the guidelines for the internal control system of securities firms and strengthening the supervision and management of subsidiary, the Operating Procedures for Endorsement and Guarantee should be amended.
- (2) For the comparison table of amendments to" Operating Procedures for Endorsement and Guarantee", please see Appendix VII (page 59).

**5. Election item**

Topic: The by-election for the vacant position of the 11th board of Directors

Explanation:

- (1) Director Kao, Xiu-Ling resigned from the 11th board of Directors on July 6, 2018, the vacant position is intended to be filled through the by-election at the 2019 Shareholders' Meeting.
- (2) The director's term shall be from June 18, 2019 (the date of the by-election) to June 20, 2021 (the expiration of the term of the 11<sup>th</sup> board of Directors). Directors shall be elected from among the nominees listed in the roster of candidates by adopting candidate nomination system.
- (3) The list of the director candidate, as reviewed and approved by the board, is as the attachment.
- (4) Election-related matters shall be handled in accordance with the Company's Rules Governing the Election of Directors (refer to Appendix VIII ,page 60).
- (5) Please cast your vote.

Title	Shareholder's No.	Name	Education	Experience	Current Positions	Number of shares owned	Remarks
Director	42740	CHEN, YI-LING	● University of Dallas Master of Business Administration	● Financial Planning Division Manager of Uni-President Enterprises Corp.	● Financial Planning Division Manager of Uni-President Enterprises Corp.	● 39,831,460	● Representative of Kai Nan Investment Co., Ltd.

**6. Extraordinary Motions**

**7. Meeting Adjourned**

## 2018 Business Report

### [Macroeconomic Environment and Business Plan]

At the beginning of 2018, influenced by the rise of the international stock market and the steady recovery of the global economy, the Taiwan economy still performed quite well in the first half of the year as the economic growth rate was above 3%, and the stock market also stood above 10,000 points with the TAIEX at as high as 11,270.18 points on January 23, 2018. Starting from the third quarter, as the US-China trade war began to ferment and the US interest rate hike has driven a strong dollar, global capital started to move, financial fluctuations in emerging markets and developing economies have intensified, and US bond yields soared. This in turn affected the major economies, including the United States, Europe, and Japan, and Taiwan's financial market, where the TAIEX started a downward trend in the second half of the year, and hit 9,400.69 points on October 26, 2018. TAIEX continued to be bearish, and it closed at 9,727 points at the end of 2018, down by 915 points, or about -8.6%. In 2018, with the uncertain international political and economic situations, the Company observed the global market trends and sought profitable business opportunities in various business activities. The brokerage business benefited from the growth of trading volume in the Taiwan Stock Market, and the proprietary trading businesses were relatively robust.

### [Implementation and Results]

Taiwan Stock Index in 2018 dropped 915 points with the amplitude of 1,869 points; the average daily volume was NT\$166 billion, which increased by approximately 20% from NT\$138 billion in 2017. In terms of the development of various business activities, the average brokerage market share in 2018 was 3.16%, ranking 10th among the top 12 domestic securities firms; the overall profit of the brokerage business was greater than the previous year. In the underwriting business, the Company served as lead underwriter or co-underwriter with a total of 41 cases in 2018, and the total amount of underwriting cases ranked 7th in the industry. As for the proprietary trading business, despite the global stocks and bond market turbulence in 2018, the Company grasped the trends of the industry in a timely manner, strictly controlled the upper limit of the positions in the stocks held, selected great investment targets with excellent liquidity and credit rating, along with various hedging tools, to create good profits. In the future, the management team will continue to monitor risks, pay attention to macroeconomic and policy shifts, and carefully select investment targets and timing for investment, in order to diversify risks and facilitate investment.

### [Profitability Analysis and Operating Income/Expenditure Budget Execution]

With robust operating experience and stringent risk control, the Company maintained a stable profit; the annual revenue was about NT\$4.7 billion, the net income after taxes was about NT\$1.2 billion, and earnings per share was NT\$0.87, of which ranked 5th among the top 12 domestic securities firms with the return on assets (ROA) of 2.30% and return on equity (ROE) of 4.74%.

### [Future Operations]

Looking into 2019, the major international forecast agencies predict that the global economic growth in 2019 will not be as good as that in 2018. However, since the beginning of this year, foreign investment has poured in and overbought Taiwan stocks, driving the TAIEX to reach the 10,000-point mark and

continue to soar. Since the beginning of January 2019, an upward trend has brought the Taiwan stocks to rise by nearly 1,000 points and to successfully reach above 10,000 points, but still it would be affected by the uncertainties, including the US-China trade war, China's economic slowdown, and emerging market risks. In addition, Taiwan's economy is highly correlated to the world economy, particularly the two major economies—the US and China, which are also Taiwan's most important export markets. This has also posed challenges to Taiwan's economy, and trading difficulties will be more daunting than before. In the year of 2019, the Company's management team will continue to carefully evaluate the benefits and make good use of the Group's advantages, keep abreast of market trends, continue to plan and actively strive for new types of business activities, respond to market changes prudently, maintain a robust investment, and implement risk control strictly, in order to provide better products and services, so as to fulfill the social responsibilities and create the Company's and shareholders' values with robust and pragmatic business strategies.



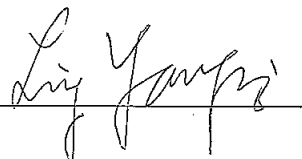
 **PRESIDENT SECURITIES CORP.***Audit Committee's Review Report*

*To: The General Meeting of Shareholders as of year 2019*

*The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and Earnings Distribution Plan. The financial statements have been audited and certified by SK, Lin and Chin-Mu, Hsiao 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:*



*April 19, 2019*

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002107

To the Board of Directors and Shareholders of President Securities Corporation

***Opinion***

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of President Securities Corporation and subsidiaries as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, and “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” , and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

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

***Key audit matters***

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

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

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

Please refer to Note 4(8) for the accounting policies on unlisted stocks without active market (shown as “financial assets at fair value through other comprehensive income”) and Note 5(2) for details of

critical accounting judgements, estimates and assumption uncertainty. As at December 31, 2018, the unlisted stocks without active market held by the President Securities Corporation and subsidiaries totalled \$604,579 thousand and were shown as “financial assets at fair value through other comprehensive income” (Level 3 fair value).

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

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

#### How our audit addressed the matter

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

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

#### ***Impairment assessment of investments accounted for under equity method***

##### Description

Please refer to Note 4(14) for accounting policies on investments accounted for under equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(12) for details of investments accounted for under equity method.

President Securities Corporation and subsidiaries held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2018, the amount was \$569,693 thousand. Impairment assessment is based on the expected future cash flow of the security brokerage segment, discounted at an appropriate discount rate, to measure the recoverable amount of the cash generating unit.

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

#### How our audit addressed the matter

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

1. Obtained the impairment assessment report prepared by an external valuation expert who was commissioned by the management;
2. Assessed the reasonableness of expected future cash flows, discount rate and other significant

assumptions applied in the cash flow model; and

3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

***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, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “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 statement that are free from material misstatement, whether due to fraud or error.

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

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

***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of President Securities Corporation and subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on President Securities Corporation and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause President Securities Corporation and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Securities Corporation and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Se-Kai

Independent Accountants

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2019

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, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>110000 Current assets</b>					
111100 Cash and cash equivalents	6(1)	\$ 5,932,669	9	\$ 6,463,345	8
112000 Financial assets at fair value through profit or loss - current	6(2)	27,680,473	39	38,692,385	45
113200 Financial assets at fair value through other comprehensive income - current	6(3)	296,304	1	-	-
113400 Available-for-sale financial assets - current		-	-	1,044,031	1
114010 Bonds purchased under resale agreements	6(4)	93,193	-	-	-
114030 Margin loans receivable	6(5)	8,020,488	11	11,415,870	13
114040 Refinancing security deposits		4,402	-	79,350	-
114050 Receivables from refinance guaranty		8,387	-	67,160	-
114070 Customer margin account	6(6)	11,591,302	17	9,918,089	11
114090 Receivables from security lending		78,316	-	88,318	-
114100 Security lending deposits		785,431	1	745,882	1
114110 Notes receivable		1,185	-	1,471	-
114130 Accounts receivable	6(7)	8,726,852	12	11,154,566	13
114150 Prepayments		19,116	-	30,749	-
114170 Other receivables	6(8)	31,973	-	66,900	-
114600 Current tax assets		5,542	-	584	-
119000 Other current assets	6(9)	1,640,223	2	1,792,864	2
<b>110000 Total current assets</b>		<b>64,915,856</b>	<b>92</b>	<b>81,561,564</b>	<b>94</b>
<b>120000 Noncurrent assets</b>					
122000 Financial assets at fair value through profit or loss - noncurrent	6(2)	66,354	-	50,342	-
123100 Financial assets at cost - noncurrent		-	-	40,173	-
123200 Financial assets at fair value through other comprehensive income - noncurrent	6(3)	604,579	1	-	-
124100 Investments accounted for under equity method	6(12)	569,693	1	496,497	1
125000 Property and equipment, net	6(13)	2,442,370	4	2,434,389	3
126000 Investment property	6(14)	274,703	-	276,803	-
127000 Intangible assets	6(15)	124,210	-	112,096	-
128000 Deferred tax assets	6(46)	125,448	-	140,740	-
129000 Other assets - noncurrent	6(16)	1,258,060	2	1,199,090	2
<b>120000 Total noncurrent assets</b>		<b>5,465,417</b>	<b>8</b>	<b>4,750,130</b>	<b>6</b>
<b>906001 Total Assets</b>		<b>\$ 70,381,273</b>	<b>100</b>	<b>\$ 86,311,694</b>	<b>100</b>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>210000 Current liabilities</b>					
211100 Short-term loans	6(17)	\$ 939,879	1	\$ 6,445,318	8
211200 Commercial papers payable	6(18)	-	-	3,649,631	4
212000 Financial liabilities at fair value through profit or loss - current	6(19)	866,097	1	1,206,401	1
214010 Bonds sold under repurchase agreements	6(20)	15,066,599	21	20,911,658	24
214040 Deposits on short sales		1,767,269	3	1,861,947	2
214050 Short sale proceeds payable		2,007,202	3	2,197,656	3
214070 Guarantee deposit received on borrowed securities		621	-	225,395	-
214080 Futures traders' equity	6(6)	11,574,634	16	9,892,808	12
214130 Accounts payable	6(21)	8,289,115	12	9,280,487	11
214150 Advance receipts		975	-	955	-
214160 Collections on behalf of third parties		362,578	1	439,578	1
214170 Other payables	6(22)	916,900	1	1,185,207	1
214200 Other financial liabilities - current	6(23)	2,687,009	4	3,199,298	4
214600 Current tax liability		136,729	-	292,629	-
219000 Other current liabilities		21,281	-	11,952	-
<b>210000 Total current liabilities</b>		<b>44,636,888</b>	<b>63</b>	<b>60,800,920</b>	<b>71</b>
<b>220000 Noncurrent liabilities</b>					
228000 Deferred tax liability	6(46)	16,073	-	15,939	-
229000 Other liabilities-noncurrent	6(24)	15,865	-	59,873	-
<b>220000 Total noncurrent liabilities</b>		<b>31,938</b>	<b>-</b>	<b>75,812</b>	<b>-</b>
<b>906003 Total Liabilities</b>		<b>44,668,826</b>	<b>63</b>	<b>60,876,732</b>	<b>71</b>
<b>300000 Equity attributable to owners of the parent company</b>					
<b>301000 Capital</b>					
301010 Common stock	6(26)	13,904,281	20	13,904,281	16
302000 Capital reserve		142,702	-	142,702	-
304000 Retained earnings	6(26)				
304010 Legal reserve		2,755,737	4	2,503,765	3
304020 Special reserve		6,945,453	10	6,373,559	7
304040 Unappropriated earnings		1,278,472	2	2,519,721	3
305000 Other equity interest		619,340	1	(58,374)	-
<b>300000 Total</b>		<b>25,645,985</b>	<b>37</b>	<b>25,385,654</b>	<b>29</b>
306000 Non-controlling interests		66,462	-	49,308	-
<b>906004 Total Equity</b>		<b>25,712,447</b>	<b>37</b>	<b>25,434,962</b>	<b>29</b>
<b>906002 Total liabilities and equity</b>		<b>\$ 70,381,273</b>	<b>100</b>	<b>\$ 86,311,694</b>	<b>100</b>

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			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>400000 Revenues</b>					
401000 Brokerage handling fee revenue	6(28)	\$ 2,551,963	44	\$ 2,333,171	32
404000 Revenues from underwriting business	6(29)	53,228	1	56,114	1
406000 Gain on wealth management		18,665	-	16,233	-
410000 Gain on sale of operating securities	6(30)	255,087	4	2,938,178	40
421100 Revenue from providing agency service for stock affairs		74,814	1	77,280	1
421200 Interest revenue	6(31)	1,308,644	23	1,471,954	20
421300 Dividend revenue		209,781	4	232,339	3
421500 Valuation (loss) gain on operating securities at fair value through profit or loss	6(32)	( 352,009)	( 6)	329,459	5
421600 Gain (loss) on covering of borrowed securities and bonds with resale agreements-short sales	6(33)	27,788	1	( 102,116)	( 1)
421610 Valuation gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(34)	22,067	-	2,975	-
421750 Realised loss on financial assets measured at fair value through other comprehensive income-bonds	6(35)	( 24,289)	-	-	-
422200 Gain from issuance of call (put) warrants	6(36)	1,060,385	18	305,912	4
424400 Gain (loss) on derivatives	6(37)	396,874	7	( 142,478)	( 2)
425300 Impairment loss	6(38)	( 63,261)	( 1)	-	-
428000 Other operating income (loss)	6(39)	234,539	4	( 248,955)	( 3)
<b>Total revenues</b>		<u>5,774,276</u>	<u>100</u>	<u>7,270,066</u>	<u>100</u>
<b>500000 Expenses</b>					
501000/					
502000/					
503000 Handling charges	6(40)	( 512,618)	( 9)	( 392,276)	( 5)
521200 Financial costs	6(41)	( 414,308)	( 7)	( 395,054)	( 5)
524100 Futures commission expense		( 83,305)	( 1)	( 88,968)	( 1)
524300 Expense of clearing and settlement		( 119,731)	( 2)	( 108,737)	( 2)
528000 Other operating expenditure		( 46)	-	( 36)	-
531000 Employee benefits expense	6(42)	( 2,155,691)	( 37)	( 2,309,829)	( 32)
532000 Depreciation and amortization	6(43)	( 93,698)	( 2)	( 106,949)	( 2)
533000 Other operating expenses	6(44)	( 1,373,736)	( 24)	( 1,474,299)	( 20)
<b>Total expenditures and expenses</b>		<u>( 4,753,133)</u>	<u>( 82)</u>	<u>( 4,876,148)</u>	<u>( 67)</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			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Operating profit</b>		\$ 1,021,143	18	\$ 2,393,918	33
601000 Share of profit or loss of associates and joint ventures accounted for under the equity method	6(12)	101,586	2	79,787	1
602000 Other gains and losses	6(45)	314,158	5	370,268	5
902001 <b>Profit before tax</b>		1,436,887	25	2,843,973	39
701000 Income tax expense	6(46)	(219,254)	(4)	(219,316)	(3)
902005 <b>Net income</b>		\$ 1,217,633	21	\$ 2,624,657	36
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
805510 Remeasurements of defined benefit plans		\$ 9,671	-	(\$ 128,158)	(2)
805540 Unrealised gain from investments in equity instruments at fair value through other comprehensive income		37,273	1	-	-
805550 Other comprehensive gain of associates and joint ventures accounted for under equity method		4,915	-	29	-
805599 Income tax benefit relating to components of other comprehensive income		10,990	-	21,787	1
<b>Items may be reclassified to profit or loss subsequently</b>					
805610 Translation gain (loss) on the financial statements of foreign operating entities		85,342	2	(213,712)	(3)
805615 Unrealised losses from investments in debt instruments at fair value through other comprehensive income		(2,223)	-	-	-
805620 Unrealized gain on available-for-sale financial assets		-	-	5,096	-
<b>Current other comprehensive income (post-tax)</b>		145,968	3	(314,958)	(4)
902006 <b>Total current comprehensive income</b>		\$ 1,363,601	24	\$ 2,309,699	32
<b>Income attributable to:</b>					
913100 Parent company		\$ 1,210,323	21	\$ 2,618,769	36
913200 Non-controlling interest		\$ 7,310	-	\$ 5,888	-
<b>Current comprehensive income attributable to:</b>					
914100 Parent company		\$ 1,355,594	24	\$ 2,304,724	32
914200 Non-controlling interests		\$ 8,007	-	\$ 4,975	-
<b>Earnings per share</b>	6(47)				
975000 <b>Basic earnings per share (in dollars)</b>		\$	0.87	\$	1.88
985000 <b>Diluted earnings per share (in dollars)</b>		\$	0.87	\$	1.88

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

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

Equity attributable to owners of the parent												
Notes	Retained earnings					Other equity interest			Total	Non-controlling interests	Total equity	
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealised gain or loss on financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets				
<b>For the year ended December 31, 2017</b>												
	Balance at January 1, 2017	\$ 13,356,658	\$ 142,702	\$ 2,423,914	\$ 6,209,865	\$ 798,507	\$ 147,621	\$ -	\$ 1,663	\$ 23,080,930	\$ 48,699	\$ 23,129,629
	Appropriations of 2016 earnings:											
	Legal reserve	6(26) -	-	79,851	-	( 79,851 )	-	-	-	-	-	-
	Special reserve	6(26) -	-	-	163,694	( 163,694 )	-	-	-	-	-	-
	Stock dividends	6(27) 547,623	-	-	-	( 547,623 )	-	-	-	-	-	-
	Net income for the year ended December 31, 2017	-	-	-	-	2,618,769	-	-	-	2,618,769	5,888	2,624,657
	Other comprehensive (loss) income for the year ended June 30, 2017	-	-	-	-	( 106,387 )	( 213,712 )	-	6,054	( 314,045 )	( 913 )	( 314,958 )
	Total comprehensive income	-	-	-	-	2,512,382	( 213,712 )	-	6,054	2,304,724	4,975	2,309,699
	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	( 4,366 )	( 4,366 )
	Balance at December 31, 2017	<u>\$ 13,904,281</u>	<u>\$ 142,702</u>	<u>\$ 2,503,765</u>	<u>\$ 6,373,559</u>	<u>\$ 2,519,721</u>	<u>( \$ 66,091 )</u>	<u>\$ -</u>	<u>\$ 7,717</u>	<u>\$ 25,385,654</u>	<u>\$ 49,308</u>	<u>\$ 25,434,962</u>
<b>For the year ended December 31, 2018</b>												
	Balance at January 1, 2018	\$ 13,904,281	\$ 142,702	\$ 2,503,765	\$ 6,373,559	\$ 2,519,721	( \$ 66,091 )	\$ -	\$ 7,717	\$ 25,385,654	\$ 49,308	\$ 25,434,962
	Effects of retrospective application and retrospective restatement	-	-	-	-	17,538	-	563,430	( 7,717 )	573,251	13,293	586,544
	Balance at January 1, 2018 after adjustments	13,904,281	142,702	2,503,765	6,373,559	2,537,259	( 66,091 )	563,430	-	25,958,905	62,601	26,021,506
	Appropriations of 2017 earnings:											
	Legal reserve	6(26) -	-	251,972	-	( 251,972 )	-	-	-	-	-	-
	Special reserve	6(26) -	-	-	571,894	( 571,894 )	-	-	-	-	-	-
	Cash dividends	6(27) -	-	-	-	( 1,668,514 )	-	-	-	( 1,668,514 )	-	( 1,668,514 )
	Net income for the year ended December 31, 2018	-	-	-	-	1,210,323	-	-	-	1,210,323	7,310	1,217,633
	Other comprehensive income for the year ended December 31, 2018	-	-	-	-	23,270	85,342	36,659	-	145,271	697	145,968
	Total comprehensive income	-	-	-	-	1,233,593	85,342	36,659	-	1,355,594	8,007	1,363,601
	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	( 4,146 )	( 4,146 )
	Balance at December 31, 2018	<u>\$ 13,904,281</u>	<u>\$ 142,702</u>	<u>\$ 2,755,737</u>	<u>\$ 6,945,453</u>	<u>\$ 1,278,472</u>	<u>\$ 19,251</u>	<u>\$ 600,089</u>	<u>\$ -</u>	<u>\$ 25,645,985</u>	<u>\$ 66,462</u>	<u>\$ 25,712,447</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	
		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,436,887	\$ 2,843,973
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(43)	71,559	73,833
Amortization	6(43)	22,139	33,116
Write-off of bad debts classified as income	6(16)	-	( 6,068 )
Provision for bad debts		-	63,471
Impairment loss and reversal of impairment loss	6(38)	63,977	-
Valuation (loss) gain on trading securities at fair value through profit or loss	6(32)	352,009	( 329,459 )
Valuation gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(34)	( 22,067 )	( 2,975 )
Financial costs	6(41)	414,308	395,054
Interest income (include financial income)	6(31)(45)	( 1,465,878 )	( 1,599,755 )
Dividend income		( 235,041 )	( 252,056 )
Share of the profit of associates and joint ventures accounted for under the equity method	6(12)	( 101,586 )	( 79,787 )
Loss on disposal of property and equipment	6(13)	17	550
Loss on disposal of investments(financial assets measured at cost)		-	280
Gain on disposal of investments(available-for-sale financial assets)		-	( 45,348 )
Loss (gain) on valuation of non-operating financial instrument	6(45)	9,166	( 32,156 )
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss		10,642,991	3,192,130
Financial assets at fair value through other comprehensive income - current		741,883	-
Available-for-sale financial assets - current		-	322,825
Bonds purchased under resale agreements		( 93,193 )	2,093,498
Margin loans receivable		3,417,807	( 2,781,548 )
Refinancing security deposits		74,948	( 60,656 )
Receivables from refinance guaranty		58,773	( 33,779 )
Customer margin account		( 1,673,213 )	2,182,356
Receivables from security lending		10,002	69,457
Security lending deposits		( 39,549 )	( 484,746 )
Notes receivable		286	( 391 )
Accounts receivable		2,319,284	( 5,244,522 )
Prepayments		11,633	13,768
Other receivables		27,947	( 13,532 )
Other current assets		152,641	147,036
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		( 318,237 )	( 1,209,730 )
Bonds sold under repurchase agreements		( 5,845,059 )	( 2,173,604 )
Deposits on short sales		( 94,678 )	575,358
Short sale proceeds payable		( 190,454 )	680,861
Guarantee deposit received on borrowed securities		( 224,774 )	166,199
Futures traders' equity		1,681,826	( 2,197,829 )
Accounts payable		( 992,369 )	3,134,327
Advance receipts		20	( 462 )
Collections on behalf of third parties		( 77,000 )	26,087
Other payables		( 268,655 )	441,768
Other financial liabilities - current		( 512,289 )	1,807,001
Other current liabilities		9,329	6,415

(Continued)

**PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2018	2017
Cash inflow generated from operations		\$ 9,365,390	\$ 1,720,960
Dividends received		307,887	320,335
Interest received		1,510,111	1,638,289
Income tax paid		( 353,696 )	( 81,435 )
Net cash flows from operating activities		<u>10,829,692</u>	<u>3,598,149</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale financial assets		-	90,765
Proceeds from disposal of financial assets at cost		-	1,128
Acquisition of property and equipment	6(13)	( 47,404 )	( 20,520 )
Proceeds from disposal of property and equipment		-	134
Acquisition of intangible assets	6(15)	( 19,004 )	( 8,651 )
Increase in other non-current assets		( 50,517 )	( 41,179 )
Increase in prepayment for equipment		( 38,039 )	( 31,467 )
Acquisition of investments accounted for under equity method		-	( 42,682 )
Net cash flows used in investing activities		<u>( 154,964 )</u>	<u>( 52,472 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term loans		( 5,505,439 )	( 735,232 )
Decrease in commercial papers payable		( 3,650,000 )	( 2,650,000 )
Decrease in other non-current liabilities		( 50,053 )	( 1,076 )
Interest paid		( 412,594 )	( 387,415 )
Changes in non-controlling interest		( 4,146 )	( 4,366 )
Payments of cash dividends		( 1,668,514 )	-
Net cash flows used in financing activities		<u>( 11,290,746 )</u>	<u>( 3,778,089 )</u>
Effect of exchange rate changes		<u>85,342</u>	<u>( 213,712 )</u>
Net decrease in cash and cash equivalents		( 530,676 )	( 446,124 )
Cash and cash equivalents at beginning of year		<u>6,463,345</u>	<u>6,909,469</u>
Cash and cash equivalents at end of year		<u>\$ 5,932,669</u>	<u>\$ 6,463,345</u>

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002374

To the Board of Directors and Shareholders of President Securities Corporation

### ***Opinion***

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

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

### ***Basis for opinion***

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

### ***Key audit matters***

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

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

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

##### Description

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

“financial assets at fair value through other comprehensive income” (Level 3 fair value).

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

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

#### How our audit addressed the matter

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

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

#### ***Impairment assessment of investments accounted for under equity method***

##### Description

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

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

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

##### How our audit addressed the matter

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

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

3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statement that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Se-Kai

Independent Accountants

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2019

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

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

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

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

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

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

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,385,646	\$ 2,808,201
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(42)	61,944	66,114
Amortization	6(42)	13,931	26,898
Write-off of bad debts classified as income	6(15)	-	( 6,068 )
Provision for bad debts			63,471
Impairment gain and reversal of impairment loss	6(37)	52,798	-
Valuation gains (loss) on operating securities at fair value through profit or loss	6(2)(31)	366,829	( 372,744 )
Valuation gain (loss) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(33)	( 22,067 )	( 2,975 )
Interest costs		397,110	380,537
Interest income (include financial income)	6(30)(44)	( 1,274,766 )	( 1,426,810 )
Dividend income		( 214,549 )	( 239,054 )
Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(11)	( 379,275 )	( 324,762 )
Loss on disposal of property and equipment	6(12)	11	658
Loss on disposal of investments(financial assets measured at cost)		-	280
Loss (gain) on valuation of non-operating financial instrument	6(44)	4,013	( 332 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		10,624,601	2,895,268
Financial assets at fair value through other comprehensive income - current		741,883	-
Available-for-sale financial assets - current		-	322,825
Bonds purchased under resale agreements	(	93,193 )	2,093,498
Margin loans receivable		3,417,807	( 2,781,548 )
Refinancing security deposits		74,948	( 60,656 )
Receivables from refinance guaranty		58,773	( 33,779 )
Receivables from security lending		10,002	69,457
Security lending deposits	(	39,549 )	( 484,746 )
Notes receivable		630	( 433 )
Accounts receivable		2,404,487	( 5,352,489 )
Accounts receivable - related parties		1,651	( 753 )
Prepayments		8,827	14,910
Other receivables		1,239	( 1,484 )
Other current assets		336,418	261,319
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current	(	318,267 )	( 1,210,185 )
Bonds sold under repurchase agreements	(	5,845,059 )	( 2,173,604 )
Deposits on short sales	(	94,678 )	575,358
Short sale proceeds payable	(	190,454 )	680,861
Guarantee deposit received on borrowed securities	(	224,774 )	166,199
Accounts payable	(	1,167,642 )	3,000,203
Advance receipts	(	62 )	( 267 )
Collections on behalf of third parties	(	75,147 )	24,365
Other payables	(	285,908 )	436,677
Other financial liabilities - current	(	512,289 )	1,807,001
Other current liabilities		4,336	1,308

(Continued)



**PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)

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

**President Securities Corporation**  
**2018 Earnings Distribution Proposal**

Unit: : NT\$

Unappropriated earnings as of January 1, 2018 (Note 1)	\$27,341,178
Add : Effect of adoption of IFRS 9 (Note 2)	17,538,290
Adjusted unappropriated earnings as of January 1, 2018	44,879,468
Add : Adjustment to unappropriated earnings of 2018 (Note 3)	23,270,549
Unappropriated earnings after adjustment	68,150,549
Add : Net profit after tax of 2018	1,210,322,645
Subtotal	1,278,472,662
Less : Legal Reserve (10%) (Note 4)	(121,032,265)
Special Reserve (20%) (Note 4)	(242,064,529)
Special Reserve (0.5%) (Note 5)	(6,051,614)
Reversing Special Reserve(Note 5)	4,365,259
Reversing Special Reserve for debit balance of other equity items(Note 6)	58,374,050
Unappropriated earnings Available for Distribution	972,063,563
Distribution items	
— Cash dividend (NT\$ 0.69 / per share)	959,395,340
Unappropriated earnings as of December 31, 2018	\$12,668,223

Note 1: The amount of unappropriated earnings in the earning distributions resolved by the shareholders' meeting of 2018

Note 2: The Company has adopted IFRS 9 and unappropriated earnings was increased by \$17,538,290

Note 3: The Company has adopted T-IFRSs and unappropriated earnings was increased by \$23,270,549 due to actuarial gains from defined benefits plan (included in other comprehensive income).

Note 4: According to Article 237 of the Company Act, Jingshan Letter No.10102268370 and No.10202433490, Paragraph 1 of Article 41 of the Securities and Exchange Act, Article 14 of Regulations Governing Securities Firms, and Article 23 of the Company's Article of Incorporation, 10% and 20% were set aside as legal reserve and special reserve.

Note 5: Special reserve shall be provided for employees' transition in response to development in financial technology, according to Jing-Guang-Zheng-Chuan Letter No.10500278285. 0.5% was approved to be provided as special reserve in the 6th meeting (on Mar 22, 2019) of the 11th term of the Board of Directors of the Company and reversing special reserve in line with relevant letters.

Note 6: According to Paragraph 1 of Article 41 of the Securities and Exchange Act and Jing-Guang-Zheng-Chuan Letter No.1010028514, special reserve shall be reversed in response of the debit balance of other equity items.

Note 7: Prior years' unappropriated earnings shall not be appropriated unless the current year's unappropriated earnings is insufficient for distribution.

Note 8: Total common shares outstanding as of December 31, 2018 was 1,390,428,028 shares

**Comparison table of Amendments to” Articles of Incorporation”**

Article	Amendment	Original Articles
Article 1	This Company is duly incorporated under the provisions set forth Company Law regarding companies limited by shares in the full name of <u>PRESIDENT SECURITIES CORPORATION</u> (Hereinafter referred to as the Company).	This Company is duly incorporated under the provisions set forth Company Law regarding companies limited by shares in the full name of <u>PRESIDENT SECURITIES CORP.</u> (Hereinafter referred to as the Company).
Article 26	These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; <u>the twenty seventh amendment on June 18, 2019.</u>	These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; <u>the twenty sixth amendment on June 14, 2016.</u>

## Comparison Table of Amendments to “Procedures for the Acquisition or Disposal of Assets “

Amended Articles	Existing Articles	Description
<p>Article 3</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, and investment property) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li><u>5. Right-of-use assets.</u></li> <li><u>6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u></li> <li><u>7. Derivatives.</u></li> <li><u>8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></li> <li><u>9. Other major assets.</u></li> </ol>	<p>Article 3</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property and rights to use land) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li><u>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</u></li> <li><u>6. Derivatives.</u></li> <li><u>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></li> <li><u>8. Other major assets.</u></li> </ol>	<p>The articles are revised based on the IFRS16 “Leases” for the broader range of right-of-use assets and adjusted the word “rights to use land” from subparagraph 2 to subparagraph 5 ; Move subparagraph 5 through 8 to subparagraph 6 through 9.</p>
<p>Article 4</p> <p>Terms used in these Regulations are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act,</li> </ol>	<p>Article 4</p> <p>Terms used in these Regulations are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act,</li> </ol>	<ol style="list-style-type: none"> <li>1.Subparagraph 2 of paragraph 1 in the article is updated based on the amendment to the Company Act.</li> <li>2.To specify the scope of the investment as a professional, add subparagraph 6 of paragraph 1 in</li> </ol>

Amended Articles	Existing Articles	Description
<p>Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>4. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>5. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p><u>6. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance</u></p>	<p>Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>4. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>5. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>accordance with the article 4 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>3. To specify the definition of "Securities exchange" and "Over-the-counter venue", subparagraph 7 and 8 of paragraph 1 are added in accordance with the article 5 of "Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities" and article 2 of "Regulations Governing Securities Trading on the Taipei Exchange".</p>

Amended Articles	Existing Articles	Description
<p><u>companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p><u>7. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>8. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
<p>Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements:</u> <u>1. May not have previously received a</u></p>	<p>Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u></p>	<p>1. To clearly describe the requirements of professionals, subparagraph 1~3 of paragraph 1 are added in accordance with the article 5 of "Regulations</p>

Amended Articles	Existing Articles	Description
<p><u>final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p>		<p>Governing the Acquisition and Disposal of Assets by Public Companies”、 subparagraph 4 of paragraph 1 article 53 of “Securities and Exchange Act” and subparagraph 15 paragraph 1 of article 8 of “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”.</p> <p>2. To clearly describe the responsibilities of the external professionals, Paragraph 2 is added to assure the evaluation, check and declaration items provided by related experts.</p>

Amended Articles	Existing Articles	Description
<p>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Article 6 The limits of total amounts in acquisition real property <u>and right-of-use assets thereof</u> for non-business use and securities should be as follows:</p> <p>1. <u>The acquisition of real property and right-of-use assets thereof</u> by the Company for non-business use should not exceed 40% of this Company's total equity in the latest financial statements.</p> <p>2. The total amount of all long/short term security investments by the Company should not exceed 40% of this Company's total equity in the latest financial statements.</p> <p>3. The amount of investment by the Company in each respective security should not exceed 30% of this Company's total equity in the latest financial statements.</p> <p>The limits of total amounts of each subsidiary of this Company in acquisition real property <u>and right-of-use assets thereof</u> for</p>	<p>Article 6 The limits of total amounts in acquisition real property for non-business use and securities should be as follows:</p> <p>1. The acquisition of real property by the Company for non-business use should not exceed 40% of this Company's total equity in the latest financial statements.</p> <p>2. The total amount of all long/short term security investments by the Company should not exceed 40% of this Company's total equity in the latest financial statements.</p> <p>3. The amount of investment by the Company in each respective security should not exceed 30% of this Company's total equity in the latest financial statements.</p> <p>The limits of total amounts of each Subsidiary of this Company in acquisition real property for non-business use and securities should be as follows:</p> <p>1. The acquisition of real property for</p>	<p>1. In accordance with IFRS 16 – Leases, Paragraph 1 、 Subparagraph 1 of Paragraph 1 、 Paragraph 2 、 Subparagraph 1 of Paragraph 2 are amended, where right-of-use asset is incorporated into this article.</p>



Amended Articles	Existing Articles	Description
<p>non-business use and securities should be as follows:</p> <ol style="list-style-type: none"> <li>1.The acquisition of real property <u>and right-of-use assets thereof</u> for non-business use by each subsidiary of the Company should not exceed 50% of the subsidiary’s total equity in the latest financial statements.</li> <li>2.The total amount of all long/short term security investments by each subsidiary of the Company should not exceed 100% of the subsidiary’s total equity in the latest financial statements.</li> <li>3.The amount of investment by each subsidiary of the Company in each respective security should not exceed 100% of the subsidiary’s total equity in the latest financial statements.</li> </ol>	<p>non-business use by each Subsidiary of the Company should not exceed 50% of the subsidiary’s total equity in the latest financial statements.</p> <ol style="list-style-type: none"> <li>2.The total amount of all long/short term security investments by each subsidiary of the Company should not exceed 100% of the subsidiary’s total equity in the latest financial statements.</li> <li>3.The amount of investment by each subsidiary of the Company in each respective security should not exceed 100% of the subsidiary’s total equity in the latest financial statements.</li> </ol>	
<p>Article 7 The procedures and provisions of “Procedures for the Acquisition or Disposal of Assets” should be stipulated in the provisions of Internal Control System. If the provisions of Internal Control System cannot meet the requirements of “Procedures for the Acquisition or Disposal of Assets”, the transaction shall be complying with the provisions of this procedure.</p> <p>1.Evaluation procedures : For the acquisition or disposal of assets, the credit risk, market risk, liquidity risk, operational risk, legal risk and efficiency should be evaluated. The Internal assessment should be stipulated in accordance with the internal control system. An opinion should still be issued by an expert for reference according to the following method.</p> <p>1).In acquiring or disposing of real</p>	<p>Article 7 The procedures and provisions of “Procedures for the Acquisition or Disposal of Assets” should be stipulated in the provisions of Internal Control System. If the provisions of Internal Control System cannot meet the requirements of “Procedures for the Acquisition or Disposal of Assets”, the transaction shall be complying with the provisions of this procedure.</p> <p>1.Evaluation procedures : For the acquisition or disposal of assets, the credit risk, market risk, liquidity risk, operational risk, legal risk and efficiency should be evaluated. The Internal assessment should be stipulated in accordance with the internal control system. An opinion should still be issued by an expert for reference according to the following method.</p> <p>1).In acquiring or disposing of real</p>	<ol style="list-style-type: none"> <li>1.To be in line with the amendments to the relevant regulations, the Item 1 and 3 of Subparagraph 1 of Paragraph 1 specified that the expertise report is not required if the deal is concluded with a domestic government.</li> <li>2.In accordance with IFRS 16 – Leases, Item 1 and 3 of Subparagraph 1 of Paragraph 1 are amended, where right-of-use asset</li> </ol>

Amended Articles	Existing Articles	Description
<p>property, <u>equipment, or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof held for business use</u>, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1).Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall <u>also</u> be followed <u>whenever there is any subsequent change</u> to the terms and conditions of the transaction.</p> <p>(2).Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3).Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are</p>	<p>property <u>or</u> equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1).Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, <u>and</u> the same procedure shall be followed <u>for any future changes</u> to the terms and conditions of the transaction.</p> <p>(2).Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3).Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be</p>	<p>is incorporated into this article. 3.The wordings are amended to be in line with legal regulations.</p>

Amended Articles	Existing Articles	Description
<p>higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A.The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B.The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4).No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>2).The company acquiring or disposing of securities shall, prior to the date of occurrence of the</p>	<p>disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A.The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B.The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4).No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>2).The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or</p>	

Amended Articles	Existing Articles	Description
<p>event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>3).Where the company acquires or disposes of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of</p>	<p>reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>3.)Where the company acquires or disposes of <u>memberships or</u> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>4).Where a public company acquires</p>	

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<p>Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>4).Where a public company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
<p>Article 8</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures</p>	<p>Article 8</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where <u>the type of asset acquired or</u></p>	<p>1 Specify that the terms of “government bond” refers to domestic government bond issued by Taiwan government, in accordance with the amendment to the relevant regulations.</p> <p>Subparagraph 1 of Paragraph 1 and item 1 of Subparagraph 6 of Paragraph 1 are amended</p> <p>2. In accordance with IFRS 16 – Leases, Subparagraph 1 and 4 of Paragraph 1 and Subparagraph 3 of Paragraph 2 are amended, where right-of-use asset is incorporated into this article.</p> <p>3. Defined the relevant</p>

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<p>adopted by the company.</p> <p>4. <u>Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction</u> counterpart is not a related party, and the transaction amount meets any of the following criteria:</p> <p>1). For the company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>2). For the company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterpart is not a related party,</u> and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1). Trading of <u>domestic</u> government bonds.</p> <p>2). <u>Where done by professional investors—securities trading on</u></p>	<p><u>disposed is</u> equipment for business use, <u>the trading</u> counterpart is not a related party, and the transaction amount meets any of the following criteria:</p> <p>1). For the company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>2). For the company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1). Trading of government bonds.</p> <p>2). <u>Securities trading by investment professionals on foreign or domestic</u> securities exchanges or <u>over-the-counter</u> markets, or <u>subscription by investment professionals</u> of ordinary corporate bonds or <u>of</u> general bank debentures without equity</p>	<p>disclosure standards of the transaction by unrelated parties in subparagraph 5 of paragraph 1.</p> <p>4. Item 2 of subparagraph 6 of Paragraph 1 are amended :</p> <p>(1) In consideration of securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets which are regular, the disclosures for securities trading will be frequent. Due to the materiality of information disclosure, such disclosure is exempted. In order to unify the standardized phrases, “foreign or domestic” is deleted.</p> <p>(2) In consideration of subscription by investment professionals of ordinary corporate bonds</p>

Amended Articles	Existing Articles	Description
<p>securities exchanges or <u>OTC</u> markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) that are offered and issued in the primary market, or subscription <u>or redemption of securities investment trust funds or futures trust funds, or subscription</u> by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>3). Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of <u>acquisitions and disposals</u> (cumulative acquisitions and disposals, respectively) <u>of real property or right-of-use assets thereof</u> within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same</li> </ol>	<p>characteristics that are offered and issued in the <u>domestic</u> primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>3). Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of <u>real property acquisitions and disposals</u> (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	<p>which are regular, the disclosure for subscription is exempted. In addition, in consideration of the higher risk of subordinated debts, the disclosure for subscription of subordinated debts is not exempted. Furthermore, In consideration of subscription or redemption of securities investment trust funds or futures trust funds(excluding offshore mutual funds) under FSC supervision which are regular, the disclosure for subscription or redemption by investment professionals is exempted. 5.The wordings are amended to be in line with legal processes in subparagraph 3 of paragraph 1. 6. Partial wordings are revised in</p>

Amended Articles	Existing Articles	Description
<p>security within the preceding year. "Within the preceding year" as used in paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>paragraph 4 and 6.</p>
<p>Article 10 Procedure for Related Party Transactions : 1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to</p>	<p>Article 10 Procedure for Related Party Transactions : 1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to</p>	<p>1. Clearly define that only domestic public debt does not require approval from the board of directors</p>



Amended Articles	Existing Articles	Description
<p>ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7. The calculation of the transaction amount shall be made in accordance with paragraph 2 of Article 8 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. When the company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>1). The purpose, necessity and</p>	<p>ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7. The calculation of the transaction amount shall be made in accordance with paragraph 2 of Article 8 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>1). The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p>	<p>and auditing committee.</p> <p>Subparagraph 2 of Paragraph 1 is amended.</p> <p>In accordance with IFRS 16 – Leases, Subparagraph 2 of Paragraph 1 · Item 3 of Subparagraph 2 of Paragraph 1 · Subparagraph 3 of Paragraph 1 · Item 4 of Subparagraph 3 of Paragraph 1 · Subparagraph 4 of Paragraph 1 · Item 1 of Subparagraph 4 of Paragraph 1 · and Item 2 of Subparagraph 4 of Paragraph 1 are amended, where right-of-use asset is incorporated into this article.</p> <p>2. In consideration of the overall business organization for companies within the group, where purchase or lease of equipment or real estate for business use may</p>

Amended Articles	Existing Articles	Description
<p>anticipated benefit of the acquisition or disposal of assets.</p> <p>2). The reason for choosing the related party as a trading counterparty.</p> <p>3). With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3 through 6.</p> <p>4). The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Subparagraph 1 of paragraph 1.</p> <p>7). Restrictive covenants and other important stipulations associated with the transaction.</p> <p>8).The calculation of the transaction amounts shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been</p>	<p>2). The reason for choosing the related party as a trading counterparty.</p> <p>3). With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3 through 6.</p> <p>4). The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6). An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Subparagraph 1 of paragraph 1.</p> <p>7). Restrictive covenants and other important stipulations associated with the transaction.</p> <p>8).The calculation of the transaction amounts shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted</p>	<p>be undertaken on a group scale and then divided up for different companies' use. Such undertakings are of lower risk, and is thus relaxed to allow the chairman of the board to provide authorization without prior approval from the board of director with the Ratification of the Board of Directors thereafter.</p> <p>3.The wordings are amended to be in line with legal regulations. Item 3 of Subparagraph 3 of Paragraph 1 is amended.</p> <p>4. In consideration of the overall business organization for companies within the group, where purchase or lease of equipment or real property for business use may be undertaken on a group scale and then divided up</p>

Amended Articles	Existing Articles	Description
<p>approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>9).Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>10).<u>With respect to the types of transactions listed below, when to be conducted between the company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</u></p> <p><u>A.Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>B.Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>3.The company that acquires real property <u>or right-of-use assets thereof</u> from a related party shall</p>	<p>toward the transaction amount.</p> <p>9).Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3.The company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>1). Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2). Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value</p>	<p>for different companies' use, where the risk of such transactions being an irregular transaction is lower, Item 4 Subparagraph 4, Paragraph 1 is added.</p> <p>Stipulate the real property right-of-use assets for business use acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital shall not apply to the Subparagraph 3 of Paragraph 1 through 3 of this article, nor Subparagraph 5, Paragraph 1 and Subparagraph 7, Paragraph 1 of this Article.</p> <p>5.The wordings are amended to be in line with legal regulations. Subparagraph 3 and 4 of Paragraph 1 are</p>

Amended Articles	Existing Articles	Description
<p>evaluate the reasonableness of the transaction costs by the following means:</p> <p>1). Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2). Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>3).Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Item.</p> <p>4).The company that acquires real property <u>or right-of-use assets</u></p>	<p>of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>3).Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding Item.</p> <p>4).The company that acquires real property from a related party and appraises the cost of the real property in accordance with Item 1 and Item 2 shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>4.Where the company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 2 and Subparagraphs 3 do not apply:</p> <p>1). The related party acquired the real property through inheritance or as a gift.</p> <p>2). More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>3). The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p>	<p>amended.</p> <p>6.To comply with the practical operation of obtaining real property right-of-use assets through leasing, extend the regulation that the Company shall provide evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. In addition, move the 3 of Item 1 of Subparagraph 5 of Paragraph 1 to the 2 of Item 1 of Subparagraph 5 of Paragraph 1. Partial wordings are revised in the 2 of Item 1 of Subparagraph 5 of Paragraph 1 · Item 2 of Subparagraph 5 of Paragraph 1 and</p>

Amended Articles	Existing Articles	Description
<p>thereof from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with Item 1 and Item 2 shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>4. Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 2 and Subparagraphs 3 do not apply:</p> <p>1). The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</p> <p>2). More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</p> <p>3). The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>5. When the results of the company's appraisal conducted in accordance with Item 1 through 3 of Subparagraph 3 are uniformly lower than the transaction price, the matter shall be handled in compliance with <u>subparagraph</u> 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property</p>	<p>5. When the results of the company's appraisal conducted in accordance with Item 1 through 3 of Subparagraph 3 are uniformly lower than the transaction price, the matter shall be handled in compliance with <u>paragraph</u> 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1). Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the preceding paragraph, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other</p>	<p>Subparagraph 6 of Paragraph 1.</p> <p>7. In accordance with IFRS 16 – Leases, Subparagraph 7 of Paragraph 1 · Item 1 of Subparagraph 7 of Paragraph 1 and subparagraph 8 and 9 of paragraph 1 are amended, where leasing from related party to acquire right-of-use for real property is incorporated into the procedures that shall be carried out in appraisal of cost when it is lower than the transaction cost.</p> <p>8. To specify that supervisory duties shall be carried out by the auditing committee or independent directors of the auditing committee, Item 2 Subparagraph 7, Paragraph 1 is added.</p>

Amended Articles	Existing Articles	Description
<p>appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1). Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the preceding paragraph, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property <u>market sale or leasing practices</u>.</p> <p>2). Where the company acquiring real property <u>or right-of-use assets thereof</u> from a related party</p>	<p>floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property <u>market practices</u>.</p> <p><u>(3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>2). Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>6. Completed transactions for neighboring or closely valued parcels of land in the preceding Subparagraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction;</p>	

Amended Articles	Existing Articles	Description
<p>provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>6. Completed transactions for neighboring or closely valued parcels of land in the preceding Subparagraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or right-of-use assets thereof</u>.</p> <p>7. Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with Subparagraph 3 through 5 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1). A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital</p>	<p>within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>7. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with Subparagraph 3 through 5 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1). A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>2). Supervisors shall comply with Article 218 of the Company Act.</p> <p>3). Actions taken pursuant to <u>subparagraph 1 and subparagraph 2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>8. The company that has set aside a special reserve under the preceding Subparagraph may not utilize the special reserve until it has</p>	

Amended Articles	Existing Articles	Description
<p>increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>2). Supervisors shall comply with Article 218 of the Company Act. <u>Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.</u></p> <p>3). Actions taken pursuant to <u>the preceding two subparagraphs</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>8. The company that has set aside a special reserve under the preceding Subparagraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction,</p>	<p>recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>9. When the company obtains real property from a related party, it shall also comply with the preceding two Subparagraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	



Amended Articles	Existing Articles	Description
<p>and the FSC has given its consent.</p> <p>9. When the company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two Subparagraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>		
<p>Article 13</p> <p><u>Acquisition or disposal of assets by the</u> subsidiary of the Company should follow the procedures below:</p> <p>1. The subsidiary of the Company should establish relevant procedures for acquisition or disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. Such procedures shall be approved by the subsidiary’s Board of Directors, and become effective upon the approval of Shareholders’ Meeting of the subsidiary. Any amendment is subject to the same procedures.</p> <p>2. If the acquisition or disposal of assets by this Company’s Subsidiary which is not a domestic public company reaches the reporting standard specified in Article 8 and 9 of “Procedures for the Acquisition or Disposal of Assets”, the Company shall announce and report on behalf of such Subsidiary.</p> <p>3. The paid-in capital or total assets of the public company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing</p>	<p>Article 13</p> <p>The subsidiary of the Company should follow the procedures below:</p> <p>1. The Company’s Subsidiary should establish relevant procedures for acquisition or disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. Such procedures shall be approved by the subsidiary’s Board of Directors, and become effective upon the approval of Shareholders’ Meeting of the subsidiary. Any amendment is subject to the same procedures.</p> <p>2. If the acquisition or disposal of assets by this Company’s Subsidiary which is not a domestic public company reaches the reporting standard specified in Article 8 and 9 of “Procedures for the Acquisition or Disposal of Assets”, the Company shall announce and report on behalf of such Subsidiary.</p> <p>3. The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary is subject to Article 8 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in</p>	<p>1. In accordance with the amendment to the guideline of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by the competent authority, partial wordings are revised in the Subparagraph 3 of Paragraph 1.</p> <p>2. Add the Subparagraph 4 and 5 of Paragraph 1 in accordance with the article 41 of “Regulations Governing of Internal Control Systems”.</p>

Amended Articles	Existing Articles	Description
<p>under Article 8.</p> <p>4.The subsidiary of the Company shall conduct self-examination if “Procedures for the Acquisition or Disposal of Assets” is in compliance with relevant principles and if the transaction of acquisition or disposal of assets is comply with relevant matters to the prescribed procedures.</p> <p>5.The internal audit department of the Company shall review the self-examination report made by subsidiaries of the Company.</p>	<p>capital or 10 percent of the total assets.</p>	
<p>Article 14</p> <p>For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted; <u>for calculations under the provisions of these Procedures regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>	<p>Article 14</p> <p>For the calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted.</p>	<p>Add the last part of paragraph 1 in the article to stipulate the calculation of the Company whose shares have no par value or a par value other than NT\$10, and the calculation of under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion.</p>

## Comparison table of Amendments to" Operating Procedures for Endorsement and Guarantee"

Article	Amendment	Original Articles
Article 4-2	<p>For subsidiary that intends to grant the lending of capital or make endorsement and guarantee for third party, the parent company is to have the related process of the subsidiary controlled as follows:</p> <ol style="list-style-type: none"> <li>1. Supervise and encourage the subsidiary to have the "Endorsement and Guarantee Procedure" established in accordance with the related rules and regulations.</li> <li>2. Supervise and encourage the subsidiary to check whether the "Endorsement and Guarantee Procedure" is in conformity with the related rules and regulations; also, whether it is processed in accordance with the aforementioned procedure.</li> <li>3. Internal audit is to review and approve the subsidiary's internal audit report and etc.</li> <li>4. For the company's subsidiary that is not itself a public company in Taiwan, information required to be publicly announced and reported in accordance with this procedure shall be reported by the company.</li> </ol>	<p>The subsidiary of the parent company intends to grant the lending of capital or make endorsement and guarantee for third party should have the "Endorsement and Guarantee Procedure" defined in accordance with the related rules and regulations and follow the procedure.</p>

## Rules for Governing the Election of Directors of President Securities Corp.

1. Election of directors of the President Securities Corporation (hereinafter referred to as the Corporation), unless otherwise provided in the Company Act, Securities and Exchange Act or the Corporation's bylaws, shall be conducted in accordance with these rules.
2. Election of directors of the Corporation shall be conducted at the shareholders' meeting.
3. Election of directors of the Corporation shall be conducted through cumulative voting; each share shall confer voting rights equal in number to the number of directors to be elected; votes may be cast for a single candidate or allocated to multiple candidates.
- 3-1 Election of directors of the Corporation shall be conducted using the candidate nomination system. The Corporation's independent directors and non-independent directors shall be concurrently elected, but with their ballots separately calculated.
- 3-2 For election of directors, shareholders can exercise voting rights either through present or electronic.
4. At an election of directors of the Corporation as conducted in accordance with the quota as provided by the laws, candidates that receive the highest number of voting rights shall be elected as directors. When two or more candidates receive identical number of votes and the number of elected candidates exceeds the stipulated number of posts, said candidates shall draw lots to decide the appointments, and the chairperson shall draw lots on behalf of non-attendee(s).
5. Matters pertaining to the monitoring and counting of ballots shall be handled by ballot counters and a scrutineer as designated by the chairperson at the start of the election.
6. During the preparation of ballots, the Corporation shall indicate the number of voting rights on each ballot in accordance with the respective shareholder attendance identification number. This is not applicable to voters exercising their voting rights through electronic means and ballots shall not be separately prepared for such voters. Said voters shall carry out voting through the website platform as indicated in the notice of meeting.
7. Should a candidate be a shareholder, voters are required to fill in said candidate's name and shareholder number in the "Candidate" column of the ballot; should a candidate be a non-shareholder, voters shall fill in said candidate's full-name and ID number. In the event that the candidate is a shareholder that is a government agency or juristic person, voters shall fill in said government agency or juristic person's name in the "Candidate" column of the ballot, and may also fill in the name of said government agency or juristic person's representative. Should there be more than

one representative, only one representative's name may be included in the ballot.

8. A ballot shall be deemed invalid under any of the following circumstances:
  - 1) Ballot cast was not prepared by the Corporation.
  - 2) Blank ballot cast into the ballot box.
  - 3) Handwriting is illegible.
  - 4) Name (full name) of election candidate in ballot is identical to that of another shareholder, and it is not distinguished by the inclusion of a shareholder number or ID number.
  - 5) Name and/or shareholder number of candidate, who is a shareholder, is inconsistent with records in shareholder register; name and/or ID number of candidate, who is a non-shareholder, is found to be inconsistent after verification.
  - 6) A single ballot containing names of two or more candidates.
  - 7) Other texts, excluding the name (full name) and shareholder number (ID number) of candidates, are found within the ballot. Not applicable if ballot was handled in accordance with Article VII.
9. Counting of votes will commence immediately after voting is completed, and election results will be announced at the meeting by the chairperson or master of ceremonies.
10. The Board of Directors shall respectively issue notices of appointment to elected directors.
11. These rules are required to be passed at a shareholders' meeting before their implementation; any amendment to these rules are also required to be approved at a shareholders' meeting.

The company will set up an audit committees to replace supervisors since the tenth Board of Meeting. The adjustment of supervisors' regulations will cease to apply till the tenth Board election.

## **President Securities Corp. Rules and Procedures of Shareholders' Meeting**

Article01. These Rules are prescribed in accordance with Article 5 of the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies for the purpose of establishing good governance, strengthening the supervisory functions and administration by the shareholders' meeting.

Article02. Except as otherwise provided by the laws and regulations or the Articles of Incorporation of the Company, the shareholders' meetings of the Company shall be in accordance with these Rules.

Article03. Except as otherwise provided by the laws and regulations, the shareholders' meeting of the Company shall be convened by the Board of Directors.

The company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or Independent directors, and other matters on the shareholders' meeting agenda, and upload them to the MOPS website thirty (30) days prior to a regular shareholders' meeting or fifteen (15) days prior to a temporary shareholders' meeting. Twenty-one (21) days before a company is to convene an ordinary shareholders' meeting, or fifteen (15) days before an temporary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the MOPS website. Fifteen (15) days before a company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the company and its stock registrar and transfer agent, and distributed on-site at the meeting.

The meeting notice and the public announcement of the shareholders meeting shall expressly indicate the reasons for convening the meeting.

The meeting notice can be served by means of electricity facilities if agreed by the noticed party.

Election or dismissal of directors, supervisors, proposed amendment to the Articles of Incorporation, proposed dissolution, merger, or split of the Company, event(s) of the conditions provided in the first paragraph of Article 185 of the Company Act, or Article 26-1, or Article 43-6 of the Securities And Exchange Act must be indicated item by item in the reasons for convening the meeting in the meeting notice and none of them can be proposed by way of extempore motion.

A shareholder who holds 1% or more of the total issued shares of the Company may propose in writing one and only one proposal in advance to be included in the agenda for discussion and resolution at the shareholders meeting. All additional proposals, if any, proposed by the shareholder shall be excluded from the agenda. The Board of Directors may decide to exclude from the agenda any proposal proposed by the shareholder which runs into any of the conditions provided in the fourth paragraph of Article 172 -1 of the Company Act.

The Company shall make public announcement about when and where to submit proposal prior to the commencement date of the suspension of transfer of shares in the Company and the opening period for proposal acceptance shall not less than 10 days.

The proposal proposed by the shareholder shall be written in not more than 300 Chinese characters or shall otherwise be excluded from the agenda. The shareholder who has proposed a proposal shall personally attend the general shareholders meeting and participate in the discussion of his/her proposal or he/she may duly designate a proxy to act on his/her behalf at the meeting.

The Company shall give a notice to the shareholder prior to the meeting date regarding the Company's handling of the proposal he/she has proposed. The Company shall, item by item, indicate in the meeting notice all of the proposals submitted in conformity to this Article and the reasons why the other proposals are excluded from the agenda.

Article04. The shareholder may designate a proxy to attend the shareholders meeting on his/her behalf by signing and indicating the scope of authority in the proxy form prepared by the Company.

Each shareholder may sign one and only one proxy form to designate one and only one proxy. The signed proxy form must be served to the Company five days prior to the meeting day. In case of multiple signed proxies from the same shareholder, the first one served to the Company shall prevail except when the shareholder has expressed to cancel the proxy.

The shareholder who, after his/her signed proxy has been served to the Company, is to attend the meeting in person or to exercise his/her voting power by way of electronic transmission shall notify the Company in writing no later than two days prior to the meeting day of his/her intention to cancel his/her signed proxy or the ballots cast by his/her designated proxy present at the meeting shall govern for the purpose of vote counting.

Article05. The shareholders meeting shall be convened at the place where the Company is located or any other appropriate place convenient for shareholders to attend and shall commence no earlier than 9:00AM and no later than 3:00PM on the meeting date. The venue, date and hour of the meeting shall be determined in consideration of the opinion of the independent director.

Article06. The company shall, in the meeting notice, state the reporting time, reporting venue and other items of importance for accepting shareholders.

The abovementioned accepted shareholders shall report at least 30 minutes before the start of the meeting; the reporting venue shall be clearly identifiable and managed by an adequate number of staff who are adequately competent.

Shareholders or agents authorized by shareholders (hereinafter referred to as shareholders) shall present their attendance ID, attendance cards or other attendance certificates at the shareholders' meeting; solicitors soliciting proxy forms shall bring along their identification documents for verification purposes.

The shareholder or his/her proxy who attends the meeting may turn in his/her signed

attendance card instead of signing in the attendance book.

The Company shall deliver to each shareholder the agenda, annual report, attendance ID, speaking request form, ballots, other meeting materials and, where applicable, the ballots for election of directors and/or Independent Directors.

The shareholder shall present his/her attendance ID, signed attendance card or other pre-approved attendance documentation to attend the meeting. Those to attend the meeting as requesters shall also present their identification paper for verification.

A government agency shareholder or an institutional shareholder may be represented at the shareholders' meeting by one or more proxies. An institution acting as the proxy for a shareholder may appoint one and only one representative to act on behalf of the principal of the proxy at the meeting.

Article07. Where the shareholders meeting is convened by the Board of Directors, the meeting shall be presided by the chairman of the Board of Directors. If the chairman is for whatever reason unable to carry out his/her functions at the meeting, the vice chairman shall act in his/her stead. If the Company has no vice chairman or the vice chairman is for whatever reason unable to carry out the function at the meeting either, the chairman shall appoint a standing director to act in his/her stead at the meeting. If the Company has no standing director, the chairman shall appoint a director to act in his/her stead. If above are not applicable, the directors or standing directors (if any) shall elect one from among themselves to preside the meeting.

If the abovementioned position of chairman be filled by a managing director or director, said managing director or director shall be one who has held office for more than six months and understands the company's financial and business conditions. The same applies if the position of chairman is held by a corporate director's representative.

Where the shareholders meeting is convened by any person legally authorized to do so other than the Board of Directors, the meeting shall be presided by the convener.

Where there are two or more conveners, they shall elect one from among themselves to preside the meeting.

The Company may appoint legal counsel(s), certified public accountant(s) and/or the relevant personnel to attend the shareholders' meeting without the right to vote.

Article08. The company shall record the entire meeting either through audio or video.

The abovementioned video and audio materials shall be kept for at least one year. However, in the event that a lawsuit has been filed by shareholder(s) in accordance with Article 189 of the Company Act, said video and audio recordings shall be kept until the end of said lawsuit.

Article09. Whether the shareholders' meeting meets the quorum shall be determined based on the total amount of shares represented at the meeting which shall be counted according to the numbers of attendance cards received plus voting power exercised by way of electronic transmission.



The chairperson shall call the meeting to order as scheduled, provided that where the number of shares represented at the meeting accounts for less than the majority of the total issued shares, the chairperson may announce to postpone calling the meeting to order twice and only twice for a total duration of not more than one hour. If the quorum is still not met after the above postponement duration has expired and the total number of shares represented at the meeting still accounts for less than one third of the total issued shares of the Company, the chairperson shall announce to abort the meeting.

If the quorum is still not met after the meeting has been twice postponed as provided in the preceding paragraph but the number of shares represented at the meeting exceeds one third of the total issued shares of the Company, temporary resolutions may be adopted in accordance with the first paragraph of Article 175 of the Company Act, in which case, the temporary resolutions adopted shall be notified to all shareholders and the shareholders meeting shall reconvene within one month.

If, before the meeting ends, the total shares represented at the meeting account for half or more of the total issued shares of the Company, the chairperson may submit the temporary resolution adopted to the meeting for voting pursuant to Article 174 of the Company Act.

Article 10. Where the shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors and the meeting shall proceed according to the agenda except otherwise changed by the resolution adopted by the shareholders' meeting.

Where the shareholders' meeting is convened by any person legally authorized to do so other than the Board of Director, the preceding paragraph shall apply.

The chairperson shall not forthwith announce to adjourn the meeting before the agenda provided in the two preceding paragraphs (including extempore motions) is duly completed except on the resolution adopted by the shareholders' meeting for him/her to do so. In the event the chairperson announces to adjourn the meeting in contravention to these Rules, the other members of the Board of Directors present shall promptly assist the shareholders present at the meeting to duly elect, by a majority vote, one from among the directors present to preside to continue the meeting.

The chairperson shall allow sufficient time for explanation to be given and discussion on each proposal on the agenda and each amendment or extempore motion proposed by the shareholders. The chairperson may announce to conclude the discussion as he/she sees fit and submit the proposal to voting for resolution.

Article 11. The shareholder shall fill out the speaking request form floor before making statement at the meeting and he/she will indicate the gist of his/her statement to make, shareholder account number (or attendance card number) and shareholder name. The chairperson will decide the order for the shareholders to make their statement.

The shareholder who has only filled out the speaking request form floor without actually doing so shall be deemed not having made any statement. In case of any discrepancy between the gist of statement indicated in the shareholder's speaking request and the actual statement made, the actual statement made shall govern.

The shareholder may speak on each proposal twice and only twice for not more than five minutes each except otherwise approved by the chairperson, provided that the chairperson may stop at any time the shareholder from taking the floor if such shareholder has acted in

contravention of these Rules or is making statement out of the scope of the proposal being discussed.

No shareholder may interrupt the shareholder taking the floor without the consent of both of the chairperson and the shareholder taking the floor. The chairperson shall restrain any shareholder from acting in breach of the above.

An institutional shareholder who is represented by two or more appointed representatives at the meeting will have its statement on the same proposal made (if any) by one and only one of its appointed representatives.

The chairperson may personally respond to the statement made by the shareholder or appoint the relevant personnel to do so.

Article 12. The votes at the shareholders' meeting will be counted based on the number of shares.

The non-voting shares represented at the meeting shall be disregarded for the purpose of counting votes for adopting the resolution.

Shareholders who have personal conflict of interests against the Company on certain proposal shall not vote on that proposal, either for himself/herself or for another shareholder by proxy.

The non-voting shares provided in the preceding paragraph shall be excluded from the calculation of voting shares represented at the meeting.

Except trust businesses or stock affair agency approved by the competent securities authority, a proxy acting on behalf of two or more shareholders at the meeting will have the voting right by proxy representing not exceeding 3% of the total issued shares of the Company. Any vote cast by the proxy in excess of the said representation limit will be ignored.

Article 13. The shareholder will have one vote for each share held except where there is limitation on the voting right or the voting right is denied by operation of the second paragraph of Article 179 of the Company Act.

The voting power at a shareholders' meeting may be exercised by way of electronic transmission described in the shareholders' meeting notice. A shareholder who exercises his/her voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.

In case a shareholder elects to exercise his/her/its voting power by way of electronic transmission, his/her declaration of intention shall be served to the company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised his/her voting power by way of electronic transmission intends to attend the shareholders' meeting in person, he/she shall serve a separate declaration of intention to rescind his/her previous declaration of intention made

in exercising the voting power two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised by way of electronic transmission shall prevail.

In case a shareholder has exercised his/her voting power by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Except as otherwise provided by the Company Act or the Articles of Incorporation of the Company, the resolution of a shareholders meeting shall be adopted by the majority vote represented at the meeting. For the purpose of voting, the chairperson shall announce the total number of votes represented and currently present at the meeting or appoint a personnel to do so each time before calling for voting on each proposal. The resolutions, whether agreement/disagreement/waiver, shall be uploaded to the MOPS website on the day which shareholder' meeting was held.

Upon voting for resolution on a proposal, if no opposition is expressed by shareholders present at the meeting, and shareholders either through electronic or written form, in response to the chairperson's invitation for opinion on that proposal, the resolution shall be deemed adopted unanimously and operate as one adopted by voting. In case an opposition is expressed, the proposal shall be voted in accordance with the preceding paragraph.

Where there is revision or substitute proposal on the same proposal, the chairperson shall combine them with that proposal for the purpose of determining their order of voting. If one of the proposals is adopted, the other proposals shall be deemed vetoed and no voting on them will be necessary.

The chairperson shall appoint vote supervisor and vote counter during the voting and the vote supervisor shall also be a shareholder. The vote counting for voting or election motions at the shareholders' meeting shall be conducted publicly at the meeting venue, after vote counting has been completed, the voting results shall be announced on the spot (including the tallied number of votes) and recorded accordingly.

Article14. The election of a director and or supervisor shall be in accordance with the relevant bylaw of the Company and the result of the election, including list of elected directors and Independent Directors and the number of votes they received, shall be announced on site.

The ballots of the election provided in the preceding paragraph shall be sealed and signed by the personnel supervising the voting and properly kept for at least one year or up through the conclusion of the shareholder action (if any) initiated under Article 189 of the Company Act.

Article15. Each resolution adopted by the shareholders' meeting must be taken down in the meeting minutes which must be signed or impressed with the seal of the chairperson with a copy thereof sent to the shareholders each within twenty (20) after the end of the meeting. The Company may publish the meeting minutes provided in the preceding paragraph on the MOPS website.

The meeting minutes shall accurately indicate the year, month, date, venue, name of the chairperson, method of adopting resolutions, gist of the proceeding and the conclusion of the meeting and shall be properly kept throughout the standing of the Company.

(Delete this item)

Article16. The Company shall count the number of shares represented by the requesters and proxies present at the meeting, produce and clearly display at the meeting a statistic statement thereof according to the required form.

For each resolution adopted the publication of which is required by law or which belongs to the TWSE-required material information, the Company shall, within the applicable time limit, transmit it to the MOPS.

Article17. The working staff of the meeting shall each wear an ID tag or badge.

The chairperson may direct the order-maintaining personnel or security guard to maintain the order of the meeting. The order-maintaining personnel or security guard shall each wear a badge or ID tag bearing their designation when performing their functions at the meeting.

The chairperson may stop the shareholder from making statements by using any equipment other than those readily facilitated by the meeting (if any).

If the shareholder ignores the chairperson's request for him/her to retrain himself/herself from acting in contravention of these Rules at the cost of the proceeding of the meeting, the chairperson may direct the order-maintaining personnel or security guard at the meeting to escort such shareholder out of the venue of the meeting.

Article18. The chairperson may call the meeting to a break as he/she sees fit. In the event of force majeure, the chairperson may suspend the meeting and announce the appropriate date and hour to resume the meeting. In the event that the venue of the shareholders' meeting is kept from being available for use before the agenda (including extempore motions) is discussed in full, the shareholders' meeting may adopt the resolution for continuing the meeting elsewhere. The shareholders' meeting may adopt the resolution pursuant to Article 182 of the Company Act to re-schedule or resume the meeting within five days.

Article19. These Rules and all subsequent amendments shall come into force after being adopted by the shareholders' meeting.

These Rules were duly established on April 16<sup>th</sup>,1998 and the first amendment was approved on June 25<sup>th</sup>,2010. The second amendment was approved on June 24<sup>th</sup>,2011. The third amendment was approved on June 22<sup>th</sup>,2012. The fourth amendment was approved on June 19<sup>th</sup>,2013.The fifth amendment was approved on June 18<sup>th</sup>,2014.

The sixth amendment was approved amendment on June 22<sup>th</sup>,2017.

## ARTICLES OF INCORPORATION OF PRESIDENT SECURITIES CORP.

### Chapter I General Provisions

#### Article 1:

This Company is duly incorporated under the provisions set forth Company Law regarding companies limited by shares in the full name of PRESIDENT SECURITIES CORP. (Hereinafter referred to as the Company).

#### Article 2:

The Company shall engage in the following business:

1. H301011, a securities dealer.
2. H408011, an aid on futures transaction
3. H401011, a futures dealer
4. H105011, a trustee

#### Article 2-1

The scope of business of the Corporation shall be as follows:

1. To underwriter valuable securities
2. To buy and sell valuable securities in centralized trading markets as a principal;
3. To be consigned to buy and sell valuable securities in centralized trading markets;
4. To buy and sell valuable securities in its own business location;
5. To be consigned to buy and sell valuable securities in its own business location;
6. To act as an agent for stock affairs in valuable securities;
7. To engage in short-buy and margin sales for trading in valuable securities;
8. To render aid in futures trading;
9. To be consigned to buy and sell foreign valuable securities;
10. To engage concurrently in proprietary futures trading.
11. To engage concurrently in trustee
12. To be consigned to buy and sell foreign valuable securities;
13. To Operate securities-related business of foreign exchange and permit by the Central Bank of Republic of China. (Taiwan)
14. To engage in other securities related businesses as approved by the competent authorities.

#### Article 2-2:

The Company may, within the scope as permitted by law, render guarantee services to subsidiaries.

#### Article 3:

The Company is headquartered in Taipei and may have branches duly set in appropriate locations elsewhere as approved by the government.

#### Article 4:

This article was deleted.

### Chapter II Shares

**Article 5:**

The Company has New Taiwan Dollars Fifteen Billion Only, divided into 1.5 billion shares at Ten New Taiwan Dollars par value for which the board of directors is authorized with full powers to issue in installments.

**Article 5-1:**

When the Company acts as a shareholder of limited liabilities, the total amount of external investment by the Company is free of the maximum limitation at 40% of the paid-in capital as set forth in Article 13 of the Company Law.

**Article 6:**

The share certificates hereof shall be duly signed and sealed by three directors, affixed with Company seal and duly authenticated by the competent authorities or their authorized organization before issuance. The company may be exempted from printing any share certificate or it may either print a single share certificate or a consolidated share certificate for the shares issued. The Company shall appoint a centralized securities custody institution to make recordation of the issue of such shares.

**Article 7:**

For transfer of the Company's shares, both the shareholder and the transferee shall jointly apply hereto for transfer procedures and entry into roster of shareholders, provided, that no transfer of shares shall be made within one month prior to a shareholders' regular meeting or fifteen days prior to an extraordinary meeting or within five days prior to allocation of dividend, bonus or other interests.

**Article 8:**

The share certificates hereof are the registered ones. The shareholders hereof shall have their names and addresses duly registered into roster of shareholders and have their impression cards of registered seals filed herein. The same is required in case of a change. The stock affairs of the Company shall be duly handled according to "Regulations Governing Stock Affairs of Public Offering Companies" promulgated by the competent authorities of the government except as otherwise provided by the laws and securities regulations.

**Chapter III Shareholders' meeting****Article 9:**

The shareholders' meeting hereof is in regular and extraordinary ones.

The former is called once per annum within six months from closing of each fiscal year.

The latter may be duly called when considering it is necessary.

**Article 10:**

The notices to a shareholders' meeting shall be duly served to shareholders in accordance with Company Law or other laws concerned.

**Article 11:**

Each share hereof is entitled to one voting power. A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney with the Company provided form with scope of authorized power to appoint a proxy for the meeting. In the event a proxy is authorized by two or more shareholders, the voting power exceeding 3% of the total issued shares shall be discarded.

The aforementioned power of attorney shall be served to the Company five days in advance of the Company. In case of multiple authorization, it shall be taken on the first come first served basis unless the preceding authorization is declared withdrawn.

**Article 12:**

The following issues are subject to resolutions to be adopted in the shareholders' meeting:

1. Establishment and amendment of the Articles of Incorporation.
2. Election of directors.
3. Approval of reports worked out by the board of directors and profit allocation of profit and coverage of loss.
4. Increase, decrease of capital.
5. Major affairs otherwise and issues as required by the Company.

Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

## **Chapter IV Directors**

### **Article 13:**

The Company has nineteen directors (four independent and fifteen non-independent directors), to be elected by shareholders' meeting from among the persons with disposing capacity, both having three-year tenure of office and eligible for reelection. The candidates' qualifications shall live up to requirements of Company Law, Securities and Exchange Law and related regulations.

Directors shall be elected from among the nominees listed in the roster of candidates by adopting candidate nomination system.

The election of independent and non-independent shall be held together but the votes shall be calculated separately.

### **Article 13-1:**

The Company according to Article 14-4, Securities and Exchange Law, establish the Audit Committee, composed of the entire number of independent directors.

Audit Committee and among independent directors shall compliance and follow by internal rules in this company and the Government related regulations.

### **Article 14:**

The total registered shares held by all directors shall not be less than specified percentage and the shareholding and auditing shall be subject to requirements promulgated by the competent authorities of the government.

### **Article 15:**

By attendance of two-thirds majority of directors and a majority vote of the attending directors, three~five managing directors shall be elected and, in the same manner, one chairman shall be duly elected. In case of no managing directors, one chairman and one vice chairman shall be elected from among directors in the same manner. The chairman shall chair the shareholders' meeting, board of directors meeting and board of managing directors meeting internally, and represent the Company externally.

### **Article 16:**

Meetings of the board of directors shall be convened by the chairman of the board of directors. Unless otherwise provided for in the Company Law, the resolutions in the board of directors meeting shall be adopted by a majority vote in the meeting attended by a majority of directors.

The Convene Notice of the meeting of board may serve to the directors by writing, E-mail or facsimile. In the chairman's absence, the vice chairman shall act in the place. In absence of both, the chairman shall appoint a managing director to act in place otherwise one managing director shall be elected from among themselves to act in the place. A director unavailable to the meeting may duly authorize another director to attend a board meeting on his behalf.

### **Article 17:**

The board of directors shall have the following functions:

1. To work out the Company's business plans;

2. To work out organizational regulations, major articles and contracts;
3. To work out budgeting and account closing;
4. To propose for capital increase, decrease;
5. To propose profit allocation or loss coverage;
6. To appoint, discharge managerial officers and key staff;
7. To resolve establishment and dissolution of a branch;
8. To resolve major business affairs otherwise;
9. To exercise other functions endowed by laws and shareholders' meeting.

**Article 17-1:**

The Board of Directors may, complying with the law or taking into account the necessity, set up any functional committees whose functions, responsibilities, qualifications of committee members, process of exercising the power and so forth to be formulated by the board of directors.

**Article 18:**

This article was deleted.

**Article 19:**

The board of directors is authorized to determine the remuneration for directors taking into account the extent and value of the participation for the management of the Corporation and the standards of the industry. Independent directors receive fixed monthly compensation and shall not participate in the allocation of remuneration to directors and supervisors set forth in Article 23.

**Article 19-1**

The Company may act as a policyholder of liability insurance for the benefit of directors, supervisors, and managers. The board of directors is authorized to determine the limit of liability and the related matters.

**Chapter V Managerial officers**

**Article 20:**

The Company has one president to enforce issues as resolved in the board of directors and take charge of overall business operation of the Company, to be nominated by the chairman and duly appointed and discharged in the board of directors. The Company has a certain number of vice president, be nominated by the president and duly appointed and discharged in the board of directors.

**Chapter VI Accounting**

**Article 21:**

The fiscal year hereof is beginning January 1 until December 31 each calendar year.

**Article 22:**

Upon closing of each fiscal year, the board of directors shall work out the following documents according to Article 228 of the Company Law to be audited by Audit Committee thirty days in advance of shareholders' regular meeting and the Audit Committee shall issue a report accordingly to be approved by the shareholders' meeting:

1. Business report
2. Financial statements
3. Proposals of profit allocation or loss coverage

**Article 23:**

In an effort to encourage employees and management, 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.

Employees' compensation should be paid in the form of cash or company shares. A resolution regarding compensation to be distributed should be passed at a Board of Director's meeting by a majority vote at a meeting attending by two-thirds or more of the Directors, after which the results should be reported to the shareholders.

Only those individuals meeting the specific criteria of employees shall be considered employees for the purposes of the employees' compensation distributions.

**Article 23-1:**

If there are surplus profits after the closing of the books in a given fiscal year, then, after paying applicable taxes and making up losses from previous years, the company should set aside 10% of remaining profits as legal reserve, 20% as special reserve, and any other reserves as required by applicable laws or regulations, and, if any profits still remain, the board of directors shall put forth a motion to the shareholders for distribution of the remaining profits to shareholders.

In the event that the remaining profits represent less than 5% of the value of the company's paid-in capital, then no such distribution is necessary.

The Company's dividend policy should be based on the long-term financial structure and stability of the Company so as to allow for continued growth, which creates the best value for shareholders. The dividend distribution in a given year shall not be less than 70% of the surplus profits available for distribution. Stock dividends should not account for less than 10% of the total dividend distributed, and cash shall not account for more than 50% of the total dividend distributed. However, the Company may take into consideration the actual status of the Company's operations and future capital needs when determining an appropriate ratio of cash and shares for the dividend distribution.

**Chapter VII Bylaws**

**Article 24:**

The organizational rules and operational rules shall be separately worked out by the board of directors.

**Article 25:**

Any matters inadequately provided for herein shall be subject to Company Law and managerial regulations concerned.

**Article 26:**

These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; the twenty sixth amendment on June 14, 2016.

## **The Impact of the Stock Dividend Issuance on Business Performance, EPS and Shareholders Return Rate**

In accordance with the regulation of Letter No. (91)Tai-Tsai-Zheng-1-002534 issued by the Securities and Futures Commission on 16 April 2002, the Company is not obligated to disclose these information since it did not publish any financial forecasts.

### Shareholdings of Directors

1. In accordance with Article 26 of the Securities and Exchange Act:  
The aggregate minimum shareholding for all directors is 33,370,272 shares.
2. As of the date of record for the General Shareholder Meeting, i.e., April 20, 2019, the total shareholdings of directors were as follows:

Title	Name	Shares Held	Shares Ratio %
Chairman	KAI NAN INVESTMENT CO.,LTD	39,831,460	2.86
Director	LEG HORN INVESTMENT CO.,LTD	12,408,018	0.89
Director	DUH, BOR-TSANG	4,189,946	0.30
Director	HUI TUNG INVESTMENT CO.,LTD	10,199,544	0.73
Director	TA LEH INVESTMENT HOLDING CO.,LTD	7,172,615	0.52
Director	LEE , SHY-LOU	8,380,640	0.60
Director	JUANG, JING-YAU	3,000	0
Director	CANKING INVESTMENT CORP.	16,918,851	1.22
Director	China F.R.P. Corporation	5,392,415	0.39
Independent Director	LIANG, YANN-PING	0	0
Independent Director	HORNG , YUAN-CHUAN	0	0
Independent Director	PAI , CHUN-NAN	0	0
Independent Director	SONG, YUNG-FONG	0	0
TOTAL		104,496,489	7.51