KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2015 and 2014

With Independent Accountant's Audit Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

<u>English Translation of a Report Originally Issued in Chinese</u>

Report of Independent Auditors

The Board of Directors
KGI Securities Co. Ltd.

We have audited the accompanying consolidated balance sheet of KGI Securities Co. Ltd. (the Company) and its subsidiaries as of June 30, 2015, December 31, 2014 and June 30, 2014, and the related consolidated comprehensive income statements, statements of changes in equity and statements of cash flows for the six-month periods ended June 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of partial subsidiaries as of June 30, 2015, December 31, 2014 and June 30, 2014. Those statements mentioned above are based solely on the reports of the other auditors. The financial statements of these subsidiaries reflect NT 7,164,723 thousand dollars (2.37% of consolidated total assets), NT 15,604,547 (5.49% of consolidated total assets) and NT 15,914,101 (5.55% of consolidated total assets), respectively; and NT 27,185 thousand dollars (1.66% of consolidated income before income tax) and NT 37,263 thousand dollars (3.28% of consolidated income before income tax) of income before income tax for the three-month periods ended June 30, 2015 and 2014, respectively; and NT 73,374 thousand dollars (2.55% of consolidated income before income tax) and NT 85,985 thousand dollars (4.32% of consolidated income before income tax) of income before income tax for the six-month periods ended June 30, 2015 and 2014, respectively; and NT 193 thousand dollars loss ((0.02)% of consolidated other comprehensive income and losses) and NT 1,258 thousand dollars income (1.48% of consolidated other comprehensive income and losses) of the other comprehensive income or loss for the three-month periods ended June 30, 2015 and 2014, respectively; and NT 369 thousand dollars loss ((0.03)% of consolidated other comprehensive income and losses) and NT 1,114 thousand dollars income (0.23% of consolidated other comprehensive income and losses) of the other comprehensive income for the six-month periods ended June 30, 2015 and 2014, respectively. Also, we did not audit the financial statements of partial investees, which are accounted for using the equity method, which statements of December 31 and June 30, 2014 are based solely on the reports of the other auditors. The investment accounted for using the equity method reflects NT 2,163,183 thousand dollars (0.76% of consolidated total assets) and NT 1,912,666 thousand dollars (0.67% of consolidated total assets) as of December 31 and June 30, 2014, respectively; NT 42,224 thousand dollars (3.72% of consolidated income before income tax) and NT 97,747 thousand dollars (4.91% of consolidated income before income tax) of share of the profit or loss associates and joint ventures accounting for using the equity method ; and losses of NT 19,875 thousand dollars (23.43% of consolidated other comprehensive income and losses) and NT 1,152 thousand dollars (0.24% of consolidated other comprehensive income and losses) of the other comprehensive income for the three-month and six-month periods ended June 30, 2014.

We conducted our audits in accordance with "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of June 30, 2015, December 31, 2014 and June 30, 2014 and the results of its operations and its cash flows for the three-month and six-month periods ended June 30, 2015 and 2014 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 “Interim Financial Reporting” as recognized by Financial Supervisory Commission of the Republic of China.

As described in Notes IV.3 and VI.31 of consolidated financial statements, the acquisition of KGI Ong Capital Pte. Ltd. and KGI Fraser Securities Pte. Ltd. by the investee, KGI Asia (Holdings) Pte. Ltd., had been approved by the authorities of Republic of China and Singapore and the acquisition procedure was completed on April 29, 2014 and January 30, 2015 respectively; the acquisition of TG Holborn (HK) Limited and KGI Asset Management Limited by the investee, KGI Limited, had been approved by the authorities of Republic of China and Hong Kong and the transaction was completed on December 22, 2014.

In addition, we have also audited the single financial statements of the Company for the periods ended June 30, 2015 and 2014, under separate cover, on which we have issued a modified unqualified opinion thereon.

Ernst & Young
Taipei, Taiwan
Republic of China

August 21, 2015

Notice to Readers
The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2015, December 31, 2014 and June 30, 2014

(Expressed in New Taiwan Thousand Dollars)

ASSETS	6/30/15	12/31/14	6/30/14
CURRENT ASSETS			
Cash and cash equivalents (Notes IV, VI.1 and VII)	$15,541,235	$13,512,700	$13,748,810
Financial assets measured at fair value through profit or loss-current (Notes IV, VI.2, VI.19 and VII)	83,665,995	98,795,363	91,404,741
Financial assets measured at cost-current (Notes IV and VI.3)	406,890	374,818	292,801
Available-for-sale financial assets-current (Notes IV, VI.4, VII and VIII)	9,073,473	7,673,440	4,339,389
Bonds purchased under resale agreements (Notes IV and VI.6)	18,766,043	9,457,201	12,832,045
Margin loans receivable (Notes IV, VI.7 and VII)	50,159,049	46,247,925	54,069,008
Refinancing margin	-	2,666	78
Refinancing deposits receivable	-	2,622	65
Trading securities receivable	1,164,050	13,932	18,147
Customers' margin accounts (Notes IV, VI.8 and VII)	31,146,935	24,346,463	22,173,104
Futures commission merchant receivable (Note VI.9)	-	-	-
Stock borrowing collateral price	212,475	143,498	24,227
Stock borrowing margin	3,904,318	2,203,277	1,593,323
Notes receivable	2,427	1,268	22,152
Accounts receivable (Notes IV, VI.10 and VII)	26,454,543	23,419,502	28,927,905
Prepayments	336,635	272,182	244,134
Other financial assets-current (Notes IV and VI.1)	2,884,429	7,553,823	8,839,685
Current tax assets (Notes IV and VII)	457,245	289,411	285,825
Other current assets (Notes VII and VIII)	35,351,488	26,763,803	21,621,957
Total Current Assets	279,527,230	261,073,894	260,437,396
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Notes IV, VI.2 and VIII)	50,760	71,145	20,244
Financial assets measured at cost-non-current (Notes IV and VI.3)	1,078,306	1,077,299	956,277
Available-for-sale financial assets-non-current (Notes IV, VI.4, VII and VIII)	133,713	143,769	3,157,262
Held to maturity financial assets-non-current (Notes IV and VI.5)	40,000	190,000	230,165
Investments accounted for using the equity method (Notes IV, VI.11, VII and VIII)	2,008,364	2,222,317	1,964,685
Property and equipment (Notes IV, VI.12, VII and VIII)	6,165,166	6,169,036	6,247,885
Investment property (Notes IV, VI.13 and VIII)	286,957	289,937	313,457
Intangible assets (Notes IV, VI.14 and VI.31)	8,821,408	8,587,241	8,634,719
Deferred tax assets (Note IV)	415,764	437,238	514,960
Other non-current assets (Notes VI.15, VII and VIII)	3,944,824	4,215,779	4,386,168
Total Non-current Assets	22,945,262	23,403,761	26,425,822
TOTAL ASSETS	$302,472,492	$284,477,655	$286,863,218

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

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English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2015, December 31, 2014 and June 30, 2014

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	6/30/15	12/31/14	6/30/14
CURRENT LIABILITIES			
Short-term borrowings (Notes VI.16 and VII)	$32,832,511	$26,483,419	$31,857,990
Commercial papers payable (Note VI.17)	14,340,274	9,258,974	6,686,421
Financial liabilities measured at fair value through profit or loss-current (Notes IV, VI.18 and VI.19)	14,749,065	11,762,645	15,239,675
Bonds sold under repurchase agreements (Notes IV and VI.20)	56,142,691	63,998,162	59,114,820
Deposits for short sales (Notes VI.7 and VII)	2,467,077	3,611,630	2,229,583
Short sales proceeds payable (Notes VI.7 and VII)	12,629,253	12,232,091	9,930,436
Securities lending refundable deposits	8,299,720	10,105,641	8,058,802
Futures customers' equity (Notes IV and VII)	30,261,318	23,790,080	21,998,999
Accounts payable (Notes VI.21 and VII)	41,191,304	33,097,308	36,908,900
Amounts received in advance	1,526	3,409	17,711
Amounts collected for other parties	1,916,234	1,495,585	746,940
Other payable	2,729,907	2,863,424	2,500,084
Other financial liabilities-current (Notes IV and VI.19)	8,415,529	13,478,627	11,592,808
Current tax liabilities (Notes IV and VII)	1,212,965	2,045,860	2,658,462
Current portion of long-term borrowings (Note VI.22)	-	3,100,000	3,100,000
Other current liabilities	113,542	85,721	96,489
Total Current Liabilities	227,302,916	217,412,576	212,738,120
NON-CURRENT LIABILITIES			
Bonds payable (Notes VI.22 and VII)	8,001,400	1,020,680	-
Liabilities reserve-non-current (Notes IV and VI.24)	160,181	197,613	214,213
Deferred tax liabilities (Note IV)	990,230	955,832	898,375
Other non-current liabilities (Note IV)	411,462	397,570	524,175
Total Non-Current Liabilities	9,563,273	2,571,695	1,636,763
Total Liabilities	236,866,189	219,984,271	214,374,883
EQUITY			
Capital stock abstract (Note VI.25)			
Common stock	37,988,123	37,988,123	45,988,123
Capital reserve (Notes IV, VI.25 and VI.26)	8,637,480	8,634,882	8,633,552
Retained earnings (Note VI.25)			
Legal reserve	3,611,026	3,287,220	3,287,220
Special reserve	7,599,614	6,952,000	6,952,000
Unappropriated earnings (Note VI.25)	2,418,600	3,351,171	1,582,448
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation	(396,064)	(102,117)	(707,940)
Unrealized gain or loss on available-for-sale financial assets	2,446,201	1,050,576	742,969
Equity attributable to owners of the parent company	62,304,980	61,161,855	66,478,372
Non-controlling interests (Notes VI.25 and VI.32)	3,301,323	3,331,529	6,009,963
Total Equity	65,606,303	64,493,384	72,488,335
TOTAL LIABILITIES AND EQUITY	$302,472,492	$284,477,655	$286,863,218

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES Co. LTD. AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

For the Three-Month and Six-Month Periods Ended June 30, 2015 and 2014

(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Three-Month Periods Ended June 30		For the Six-Month Periods Ended June 30	
	2015	2014	2015	2014
REVENUES				
Brokerage handling fee revenue (Notes IV, VI.27 and VII)	$2,867,787	$1,866,867	$4,820,854	$3,664,951
Revenue from borrowed securities (Note IV)	76,608	64,157	148,362	129,664
Revenue from underwriting business (Notes IV, VI.27 and VII)	123,767	77,941	259,047	261,846
Revenue from wealth management services-net	7,694	3,815	16,566	8,683
Gains/(losses) on disposal of trading securities-net (Notes IV and VI.27)	1,228,175	1,689,650	2,247,679	2,665,061
Revenue from providing agency service for stock affairs (Notes IV and VII)	42,215	43,848	77,305	83,324
Interest income (Notes IV and VI.27)	964,053	842,552	1,876,427	1,644,938
Dividend income (Note IV)	75,192	34,973	78,198	35,335
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.27)	(292,577)	316,385	215,507	286,813
Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net (Note VI.27)	(103,081)	(111,273)	(161,922)	(174,498)
Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	103,036	(23,085)	87,986	(7,040)
Gains/(losses) on warrants issued-net (Notes IV and VI.19)	159,407	(352,447)	242,640	(519,414)
Gains/(losses) on derivative financial product-futures-net (Notes IV and VI.19)	(308,224)	(336,912)	(761,914)	(294,101)
Gains/(losses) on derivative financial product-GTSM-net (Notes IV and VI.19)	312,964	(454,966)	283,220	(914,180)
Other operating revenue (Notes IV, VI.27 and VII)	196,548	141,035	291,326	227,854
Total Revenues	5,453,564	3,802,540	9,721,281	7,099,236
COSTS AND EXPENSES				
Brokerage handling fee expenses (Note IV)	361,319	203,921	655,954	350,873
Dealing handling fee expenses (Note IV)	25,335	14,900	43,014	28,740
Refinancing handling fee expenses	174	35	307	616
Financial costs (Notes IV and VI.27)	277,222	145,843	562,366	272,581
Losses on trading of borrowed securities	14,318	1,027	14,318	1,027
Futures commission expenses	28,204	20,569	58,753	43,589
Settlement and clearing service expenditures	61,122	37,824	106,302	71,924
Other operating costs	29,839	24,170	76,329	47,218
Employee benefits expenses (Notes IV, VI.23, VI 26, VI.27 and VII)	2,272,622	1,693,107	4,185,703	3,319,957
Depreciation and amortization (Notes IV and VI.27)	139,092	150,655	276,629	291,850
Other operating expenses (Notes IV, VI.27 and VII)	1,116,908	967,898	2,025,766	1,740,645
Total Costs and Expenses	4,326,155	3,259,949	8,005,441	6,169,020
INCOME FROM OPERATIONS	1,127,409	542,591	1,715,840	930,216
NON-OPERATING INCOME OR COSTS				
Share of the profit or loss of associates and joint ventures accounting for using the equity method (Notes IV and VI.11)	43,626	40,692	107,100	93,728
Other income and costs (Notes IV, VI.27 and VII)	469,506	552,000	1,052,856	966,024
Total Non-Operating Income or Costs	513,132	592,692	1,159,956	1,059,752
INCOME BEFORE INCOME TAX	1,640,541	1,135,283	2,875,796	1,989,968
INCOME TAX EXPENSES (Notes IV and VI.29)	(237,314)	(254,934)	(407,041)	(347,556)
NET INCOME	1,403,227	880,349	2,468,755	1,642,412
OTHER COMPREHENSIVE INCOME (Note VI.28)				
Items that will not be reclassified subsequently to profit or loss				
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	(1,087)	-	(1,087)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	(107,016)	(203,688)	(257,756)	(11,029)
Unrealized gain or loss on available-for-sale financial assets	998,145	287,550	1,391,465	(496,532)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	(51,078)	260	(31,975)	18,806
Income tax relating to components of other comprehensive income	472	696	(337)	1,120
Current other comprehensive income-net of tax	839,436	84,818	1,100,310	(487,635)
CURRENT COMPREHENSIVE INCOME	$2,242,663	$965,167	$3,569,065	$1,154,777
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent company	$1,386,178	$854,232	$2,419,687	$1,582,448
Non-controlling interests (Notes VI.25 and VI.32)	$17,049	$26,117	$49,068	$59,964
CURRENT COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	$2,225,773	$938,082	$3,520,278	$1,093,966
Non-controlling interests (Notes VI.25 and VI.32)	$16,890	$27,085	$48,787	$60,811
EARNINGS PER SHARE (Note VI.30)				
Net income attributable to owners of the parent company	$0.37	$0.18	$0.64	$0.34

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six-Month Periods Ended June 30, 2015 and 2014
(Expressed in New Taiwan Thousand Dollars)

	Equity Attributed to Owners of the Parent Company									
	Capital Stock Abstract		Retained Earnings			Other Equity				
Items	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
Balance, January 1, 2014	$45,988,123	$9,545,585	$2,982,583	$6,541,045	$3,046,370	$(716,450)	$1,239,961	$68,627,217	$6,063,547	$74,690,764
Appropriations:										
Legal reserve	-	-	304,637	-	(304,637)	-	-	-	-	-
Special reserve	-	-	-	609,274	(609,274)	-	-	-	-	-
Reversal of special reserve	-	-	-	(198,319)	198,319	-	-	-	-	-
Cash dividends	-	-	-	-	(2,330,778)	-	-	(2,330,778)	-	(2,330,778)
Capital surplus cash payment	-	(912,033)	-	-	-	-	-	(912,033)	-	(912,033)
Net income for the six-month period ended June 30, 2014	-	-	-	-	1,582,448	-	-	1,582,448	59,964	1,642,412
Other comprehensive income for the six-month period ended June 30, 2014	-	-	-	-	-	8,510	(496,992)	(488,482)	847	(487,635)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(114,395)	(114,395)
Balance, June 30, 2014	$45,988,123	$8,633,552	$3,287,220	$6,952,000	$1,582,448	$(707,940)	$742,969	$66,478,372	$6,009,963	$72,488,335
Balance, January 1, 2015	$37,988,123	$8,634,882	$3,287,220	$6,952,000	$3,351,171	$(102,117)	$1,050,576	$61,161,855	$3,331,529	$64,493,384
Appropriations:										
Legal reserve	-	-	323,806	-	(323,806)	-	-	-	-	-
Special reserve	-	-	-	647,614	(647,614)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,379,751)	-	-	(2,379,751)	-	(2,379,751)
Net income for the six-month period ended June 30, 2015	-	-	-	-	2,419,687	-	-	2,419,687	49,068	2,468,755
Other comprehensive income for the six-month period ended June 30, 2015	-	-	-	-	(1,087)	(293,947)	1,395,625	1,100,591	(281)	1,100,310
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(78,993)	(78,993)
Stock-based payment transactions	-	2,598	-	-	-	-	-	2,598	-	2,598
Balance, June 30, 2015	$37,988,123	$8,637,480	$3,611,026	$7,599,614	$2,418,600	$(396,064)	$2,446,201	$62,304,980	$3,301,323	$65,606,303

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six-Month Periods Ended June 30, 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	$2,875,796	$1,989,968
Adjustments to reconcile income before income tax expenses to net cash (used in)/provided by operating activities:		
Depreciation	148,728	158,042
Amortization	127,901	133,808
Reserve for bad debts	14,156	2,276
Interest expenses	562,366	272,581
Interest income	(2,188,104)	(1,955,215)
Dividend income	(160,929)	(74,566)
Stock-based payment transactions	2,598	-
Share of the profit or loss of associates and joint ventures accounting for using the equity method	(107,100)	(93,728)
(Gains)/losses on disposal of property and equipment	(725)	6,141
Gain on reversal of financial assets	(2,900)	-
Gain on corporate bond conversion	-	(385,329)
Realized gains on sales-leaseback	-	(9,578)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	15,194,210	(19,172,762)
Financial assets measured at cost-current	(96,911)	47,825
Bonds purchased under resale agreements	(9,308,842)	(2,704,187)
Margin loans receivable	(3,911,124)	(12,933,548)
Refinancing margin	2,666	47,783
Refinancing deposits receivable	2,622	46,503
Trading securities receivable	(1,150,118)	(18,147)
Customers' margin accounts	(5,836,915)	(3,652,809)
Stock borrowing collateral price	(68,977)	102,992
Stock borrowing margin	(1,701,041)	1,963,486
Notes receivable	(1,159)	29,272
Accounts receivable	(1,970,512)	435,672
Prepayments	(385)	(89,743)
Other financial assets-current	4,669,394	(4,467,031)
Other current assets	(8,670,716)	1,498,938
Financial assets measured at fair value through profit or loss-non-current	20,385	191
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	2,986,160	2,428,208
Bonds sold under repurchase agreements	(7,855,471)	17,784,064
Deposits for short sales	(1,144,553)	(1,597,817)
Short sales proceeds payable	397,162	(1,381,347)
Securities lending refundable deposits	(1,805,921)	(751,895)
Futures customers' equity	6,471,238	1,427,349
Accounts payable	6,320,283	1,354,712
Amounts received in advance	(1,883)	15,929
Amounts collected for other parties	420,649	(964,219)
Other payable	(291,101)	164,472
Other financial liabilities-current	(5,063,098)	(2,082,277)
Other current liabilities	27,821	11,109
Liabilities reserve-non-current	(37,432)	(3,959)
Other non-current liabilities-others	(687,434)	7,935
Cash provided by/(used in) operating activities	(11,819,216)	(22,408,901)
Interest received	2,400,018	1,768,271
Dividend received	78,198	35,335
Interest paid	(581,990)	(272,631)
Income tax paid	(1,348,922)	(27,331)
Net cash provided by/(used in) operating activities	(11,271,912)	(20,905,257)

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

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English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six-Month Periods Ended June 30, 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of available-for-sale financial assets-non-current	-	11,050
Purchase of financial assets measured at cost-non-current	(49,500)	(70,534)
Disposal of financial assets measured at cost-non-current	669	22,796
Refunding of financial assets measured at cost	47,932	46,720
Purchase of held to maturity financial assets-non-current	-	(50,000)
Disposal of held to maturity financial assets-non-current	150,000	150,000
Purchase of property and equipment	(103,452)	(136,738)
Disposal of property and equipment	1,037	344
Operation bond	440,336	322,965
Settlement/clearance fund	(3,671)	53,004
Guarantee deposits-out	(131,902)	(284,988)
Purchase of intangible assets	(25,976)	(35,565)
Other non-current assets	(44,862)	(17,728)
Acquisition of subsidiaries (deduct cash received)	56,236	(1,188,041)
Dividends received	271,624	274,197
Net cash provided by/(used in) investing activities	608,471	(902,518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	6,349,092	18,651,280
Commercial papers payable	5,081,300	4,770,243
Bonds issuance	7,000,000	-
Redemption of bonds	(3,100,000)	-
Cash dividends	(2,458,744)	(3,357,206)
Net cash provided by financing activities	12,871,648	20,064,317
EFFECTS OF EXCHANGE RATE CHANGES	(179,672)	(16,425)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,028,535	(1,759,883)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	13,512,700	15,508,693
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$15,541,235	$13,748,810

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2015 and 2014

(Expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Organization and Operations

KGI Securities Co. Ltd. (the Company) was established under the Company Law of the Republic of China ("ROC") on September 14, 1988 to operate as a securities underwriter, dealer, broker, future trading, future dealer, trust, offshore securities and commenced its operations since December 10, 1988.

The Company acquired and merged Jen-Hsin Securities Co., Ltd. Ta Ya Securities Co., Ltd. and Feng Yuan Securities Co., Ltd. on November 11, 2002. Therefore, the Company assumed all assets, liabilities, rights and obligations of Jen-Hsin Securities Co., Ltd. Ta Ya Securities Co., Ltd. and Feng Yuan Securities Co., Ltd.

The Company acquired and merged Tai-Yu Securities Co., Ltd. on October 13, 2003. Therefore, the Company assumed all assets, liabilities, rights and obligations of Tai-Yu Securities Co., Ltd.

The Company acquired and merged Taishin Securities Co., Ltd. on December 19, 2009. Therefore, the Company assumed all assets, liabilities, rights and obligations of Taishin Securities Co., Ltd.

China Development Financial Holdings Corporation ("CDFH") announced the commencement of a tender offer for 1 share of the Company for NT 5.5 in cash and 1.2 CDFH share on May 3, 2012. CDFH had acquired 81.73% shares of the Company through the public tender offer period, from May 7 to May 28, 2012. The Board of Directors set January 18, 2013 is the record date for stock conversion on December 17, 2012. The Company converted 1 share of the Company's common stock to 1.2 shares of CDFH's common stock and NT 5.1 in cash, becoming 100% owned subsidiary of CDFH. Meanwhile, the Company's stock trading via OTC will be suspended.

The Company merged Grand Cathay Securities Corporation ("GCSC") on June 22, 2013. Therefore, the Company assumed all assets, liabilities, rights and obligations of GCSC.

The Company set up the Offshore Securities Unit ("OSU") on April 16, 2014 which was approved by the Board of Directors and the authorities.

The Company's registered address is 3F, No. 698 and 3F, No. 700, Mingshui Road, Taipei City. As of June 30, 2015, the Company had 84 branches including headquarter.

II. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and subsidiaries were authorized for issue in accordance with a resolution of the Board of Directors on August 21, 2015.

III. Newly Issued or Revised Standards and Interpretations

1.Change in accounting policies due to first time adoption of IFRS

The Company and subsidiaries adopt IFRS, IAS, and interpretations which are recognized by Financial Supervisory Commission ("FSC") and effective for annual periods beginning on or after January 1, 2015. Other than the following explanations for the natures and effects, the first-time adoption of new standards and amendments do not have significant effects on the Company and subsidiaries.

(1) IAS 19 "Employee Benefits"

Effects on accounting policies for defined benefit plan from amendments of IAS 19 are summarized as follows:

A. Interest costs and expected return on plan assets are replaced with net interest on the net defined benefit liability or asset. The net interest on the net defined benefit liability or asset is determined using the discount rate at the beginning of the period.

B. Before amendment, past service cost is recognised immediately when the benefit is earned, the unearned part is amortised on straight-line basis. Amended IAS 19 requires past service cost to be recognised at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits. Therefore, the unearned part of past service cost will be no longer accrued.

C. Termination benefit liabilities and expenses are recognised at the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date when the entity recognises costs for a restructuring which involves the payment of termination benefits, rather than recognised at the date when a termination of an employment has occurred.

D. Amended IAS 19 specifies additional disclosures.

The Company and subsidiaries' actuarial gains and losses are classified under the other comprehensive income and recognized immediately in retained earnings. This amendment does not have significant effects on the financial statement of the Company and subsidiaries for the six-month periods ended June 30, 2015 and 2014.

(2) IAS 1 "Presentation of Financial Statements": Other Comprehensive Income Presentation

Starting from January 1, 2014, the Company and subsidiaries present other comprehensive income section by grouping between its line items that will or will not be reclassified to profit or loss in subsequent periods. This amendment affects the Company and subsidiaries only on the presentation of the comprehensive income statement, and not on recognition and measurement.

(3) IAS 1 "Presentation of Financial Statements": Clarification on Comparative Information

Starting from January 1, 2014, the Company and subsidiaries complies with the amendments of IAS 1. When an entity retrospectively applies an accounting policy, restates items, or reclassifies financial statement items, which poses significant effect on its comparative information, the entity is required to present the statement at the beginning of the preceding period. However, the related notes are not required. This amendment affects the Company and subsidiaries only on notes of financial statements, and not on recognition and measurement.

(4) IFRS 12 "Disclosure of Interests in Other Entities"

The IFRS 12 requires an entity to disclose information on its subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The requirements in the standard are more thorough than previous regulations, for example, disclosure requirements on compiled financial information of associates and subsidiaries with significant non-controlling interests. Please refer to Note VI.

(5) IFRS 13 "Fair Value Measurement"

The IFRS 13 provides a single IFRS guideline for measuring fair value and does require fair value measurements in addition to those already required or permitted by other IFRSs. The Company and subsidiaries reassessed their accounting policies for measuring fair value, and adopting IFRS 13 does not have significant effects on them.

The Company and subsidiaries postponed applying its requirements till January 1, 2015, and, according to transition regulations, do not need to disclose comparative information before initial application.

(6) Amendments to IFRS 7 “Financial Instruments: Disclosure”: Transfer of Financial Assets

The amendments require an entity to disclose additional quantitative and qualitative information on transferred financial assets that are not derecognised in their entirety and those that are derecognised in their entirety with continuing involvement. The Company and subsidiaries postponed applying its requirements till January 1, 2015, and, according to transition regulations, do not need to disclose comparative information before initial application. Please refer to Note VI.

(7) Amendments to IFRS 7 “Financial Instruments: Disclosure”: Offsetting of Financial Assets and Financial Liabilities

The amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement. Please refer to Note VI.

2. As of the date of issuance of the Company and subsidiaries’ consolidated financial statements, standards or interpretations issued by the IASB but not yet recognized by the FSC and also not adopted by the Company and subsidiaries are listed below.

Standards or interpretations	Effective date (Note 1)
IAS 36 Impairment of Assets	January 1, 2014
IFRIC 21 Levies	January 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement Amended by Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Annual Improvements 2010-2012 Cycle:	
IFRS 2 Share-based Payment	Note 2
IFRS 3 Business Combinations	Note 3
IFRS 8 Operating Segments	July 1, 2014
IFRS 13 Fair Value Measurement	Note 4
IAS 16 Property, Plant and Equipment	July 1, 2014
IAS 24 Related Party Disclosures	July 1, 2014
IAS 38 Intangible Assets	July 1, 2014
Annual Improvements 2011-2013 Cycle:	
IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2014
IFRS 3 Business Combinations	July 1, 2014
IFRS 13 Fair Value Measurement	July 1, 2014
IAS 40 Investment Property	July 1, 2014
IFRS 14 Regulatory Deferral Accounts issued	January 1, 2016
IFRS 11 Joint Arrangements:Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets:Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Agriculture: Bearer Plants	January 1, 2016
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016

Standards or interpretations	Effective date (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Annual Improvements 2012-2014 Cycle:	
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations	January 1, 2016
IFRS 7 Financial Instruments: Disclosures	January 1, 2016
IAS 19 Employee Benefits	January 1, 2016
IAS 34 Interim Financial Reporting	January 1, 2016
Amendments to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016

Note:

1. Besides those dated, newly issued standards or interpretations mentioned above go into effect in the following years of each respective date.
2. Apply to share-based payment granted after 1 July, 2014.
3. Effective for business combination for which the agreement date is on or after 1 July, 2014.
4. Effective as amended.

The potential effects of the standards or interpretations on the Company and subsidiaries' consolidated financial statements are summarized as below:

IAS 36 "Impairment of Assets"

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the reporting period. The amendment also requires detailed disclosure of the recoverable amount of fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

IFRIC 21 "Levies"

The interpretations provide guidance on when to recognize a liability for a levy imposed by a government. For levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"

This amendment permits a practical expedient if the amount of the contributions from employees or third parties is independent of the number of years of service.

Annual Improvements 2010-2012 cycle

IFRS 3 "Business Combinations"

This amendment includes (1) delete "other applicable IFRSs" in the contingent consideration classification regulation of business combination. (2) delete IAS 37 and other applicable IFRSs and regulate that the contingent consideration of non-financial assets or liabilities should be measured at fair value at each reporting date and recognize the variation of fair value in profit or loss and (3) revise IFRS 9 to clarify that the contingent consideration of financial assets or liabilities could only be measured at fair value and report in comprehensive income statement.

IFRS 8 "Operating Segments"

Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 "Fair Value Measurement"

The basis of the conclusion clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 16 "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Annual Improvements 2011-2013 cycle

IFRS 3 "Business Combinations"

The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 "Fair Value Measurement"

The amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 "Investment Property"

The amendment clarifies that determining whether a specific transaction meets the definition of both IFRS 3 and IAS 40 requires the separate application of both standards independently.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

This amendment indicates that the acquirer of an interest in a joint operation, in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization

The amendment clarifies that a revenue-based method includes the use of the asset is not an appropriate method of depreciation or amortization. The rationale is that such a method reflects the pattern of economic benefit generated by the asset related to irrelevant factors rather than the consumption of the asset's benefits. For instance, expected future reductions in the unit selling price of a product or service output from the asset could be an indicator of declining economic benefits from the asset's use or of the asset's reduced useful life.

IFRS 15 “Revenue from Contracts with Customers”

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue according to the core principle through applying the following steps:

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contracts.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, the standard includes a set of integrated regulations that requires the entity to provide users comprehensive information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that “own credit risk” adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments reinstate the equity method as an accounting option, removed during the 2003 revision of IAS27, for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and those in IAS 28 Investments in Associates and Joint Ventures, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 currently requires that gains and losses resulting from transactions between an entity and its associate or joint venture are recognised only to the extent of unrelated investors’ interests in the associate or joint venture. However, IFRS 10 requires full profit or loss recognition when a parent company loses control of its subsidiary. In considering the conflict, the IASB concluded that a full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not.

At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 should only be recognised to the extent of unrelated investors’ interests in the associate or joint venture.

Annual Improvements 2012-2014 cycle

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The amendment proposes changes to a plan of sale or to a plan of distribution. If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution, the entity shall continue to apply the classification, presentation and measurement requirements in this IFRS applicable to a non-current asset (or disposal group) that is classified as held for sale, or vice versa.

Also, the amendment states that an asset (or disposal group) which ceases to be classified as held for distribution applies to the same methods as an asset (or disposal group) which ceases to be classified as held for sale.

IFRS 7 Financial Instruments: Disclosures

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. The amendment also clarifies that the additional disclosure required by the amendments to IFRS 7 is deleted for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements prepared in accordance with IAS 34.

IAS 19 Employee Benefits

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid instead of the country.

IAS 34 Interim Financial Reporting

The amendment clarifies the meaning of “elsewhere in the interim report”; the disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to the other part of the interim financial report that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

Amendments to IAS 1 Disclosure Initiative

Major amendments include: (1) emphasis on materiality: entities shall not aggregate information in a manner that obscures useful information; and when a standard requires a specific disclosure, the resulting information shall be assessed that information is warranted; (2) line items and subtotals: the presentation requirements for line items may be fulfilled by disaggregating a specific line item and the requirements for presenting subtotals; (3) structure of notes: entities have flexibility as to the systematic order for the notes, as long as the understandability and comparability of its financial statements is considered by an entity when deciding the order; (4) disclosure of accounting policies: the IASB remove guidance and examples with regard to tax and foreign currency exchange that were perceived as being potentially unhelpful; (5) presentation of equity-accounted other comprehensive income, an entity’s share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendment includes: (1) the exemption from preparing consolidated financial statements for an intermediate parent entity, applicable to IFRS 10, is available to a parent entity that is a subsidiary of an investment entity, if the investment entity measures all of its subsidiaries at fair value; (2) the requirement in paragraph 32 of IFRS 10 for an investment entity to consolidate a subsidiary applies only to those subsidiaries that act as an extension of the parent company’s operations and does not itself qualify as investment entity; (3) an entity investor in an investment entity may retain the fair value measurement when applying the equity method to an associate or a joint venture under IAS 28.

Standards mentioned above were announced by IASB and has been recognized by FSC. Except for those standards mentioned above with potential effects, the Company and subsidiaries are still under evaluation and temporarily cannot reasonably estimate influence, the remaining standards, interpretations issued, revised or amended have no significant impact on the Company and subsidiaries.

IV. **Significant Accounting Policies**

1. **Statement of Compliance**

The consolidated financial statements of the Company and subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms ("the Regulations"), Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting recognized by the FSC.

2. **Basis of Preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

3. **General Description of Reporting Entities**

Principles of consolidation

The Company controls an investee only if the Company has all of the following elements:

(1) Power over the investee, i.e. the Company has existing right that gives the ability to direct the relevant activities;
(2) Exposure or rights to variable returns from its involvement with the investee; and
(3) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Company holds voting rights or similar rights less than majority, it considers all relevant factors and situations to evaluate whether it has power over the investee, including:

(1) Contractual arrangements with other investors that holds voting rights over the investee;
(2) Rights arising from other contractual arrangements;
(3) Voting rights and potential voting rights.

The Company reassesses its control over an investee when change in one or more of the elements occurs.

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Account balances, transactions, and unrealized gains or losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the owners of the parent company and to non-controlling interests even the later having a deficit balance.

If the Company loses control of a subsidiary, it:

(1) derecognizes the assets (including goodwill) and liabilities of a subsidiary;
(2) derecognizes the carrying amount of any non-controlling interest;
(3) recognizes the fair value of the consideration received;
(4) recognizes the fair value of any investment retained;
(5) recognizes any surplus or deficit in profit or loss; and
(6) reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

<u>The consolidated entities are as follows</u>:

			Percentage of ownership		
Investor	Name of subsidiaries	Primary business	6/30/15	12/31/14	6/30/14
KGI Securities Co. Ltd	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00	100.00
〃	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting; discretionary investment services	100.00	100.00	100.00
〃	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00	100.00
〃	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00	100.00
〃	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	99.99	99.99	99.99
〃	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61	99.61
〃	Global Securities Finance Corporation (GSFC) (Note)	Securities finance	21.99	21.99	21.99
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00	100.00
〃	ANEW Holdings Limited	Investments holdings	100.00	100.00	100.00
KGI International Holdings Limited	KG Investments Pacific Limited	Investment services	100.00	100.00	100.00
〃	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	100.00
〃	Pacific Glory Finance One Limited	Investment services	100.00	100.00	100.00
〃	KGI Limited	Investments holdings	100.00	100.00	100.00
〃	Supersonic Services Inc.	Investments holdings	100.00	100.00	100.00
〃	KGI International Limited	Investments holdings	100.00	100.00	100.00
〃	Bauhinia 88 Ltd.	Investments holdings	100.00	100.00	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership 6/30/15	12/31/14	6/30/14
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Wealth Management Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00	100.00
〃	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00
〃	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00
〃	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00
〃	KGI Nominees Limited	Trust agent	100.00	100.00	100.00
〃	KGI Hong Kong Limited	Management consulting services	100.00	100.00	100.00
〃	KGI Asia Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00
〃	Bauhinia 8 Fund	Fund company	100.00	100.00	100.00
〃	KGI Global Asset Management Limited	Asset management	100.00	100.00	100.00
〃	Grand Cathay Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Asset Management Limited	Asset management	100.00	100.00	-
〃	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	-
Supersonic Services Inc.	KGI Korea Limited	Investments holdings	100.00	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00	100.00
〃	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00
〃	Jubilant Dynasty Limited	Investment services	100.00	100.00	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00
〃	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00
〃	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00
〃	KGI Investment advisory (Shanghai)Co., Ltd.	Investment consulting	100.00	100.00	100.00
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership 6/30/15	12/31/14	6/30/14
KGI Asia (Holdings) Pte. Ltd.	KGI Ong Capital Pte. Ltd.	Futures and exchange services	100.00	100.00	-
〃	KGI Fraser Securities Pte. Ltd.	Securities investment services	100.00	-	-

Note: Since the Company acquired over half voting rights of the Board of Directors and assigns its chairman, according to IFRS, the Company holds control over GSFC.

(1) Scope changes of subsidiaries in the consolidated financial statements:

A. The investee, KGI Asia (Holdings) Pte. Ltd. purchased Ong First Tradition Pte. Ltd., which had been approved by the authorities of R.O.C. and Singapore. The transaction was completed on April 29, 2014, and Ong First Tradition Pte. Ltd. changed its name to KGI Ong Capital Pte. Ltd. ("KGI Ong") which was approved by the Jin-Guan-Zheng-Quan Letter No. 1020052694. Therefore, KGI Ong is included in the consolidated financial statements of the Company since 2014.

B. The investee, KGI Limited, purchased TG Holborn (HK) Limited and Alpha Global Asset Management Limited which had been approved by the authorities of R.O.C. and Hong Kong. The transaction was completed on December 22, 2014, and Alpha Global Asset Management Limited changed its name to KGI Asset Management Limited which was approved by the Jin-Guan-Zheng-Quan Letter No. 1030029490. Therefore, these two companies mentioned above are included in the consolidated financial statements of the Company since 2014.

C. The investee, KGI Asia (Holdings) Pte. Ltd., purchased AmFraser Securities Pte. Ltd., which had been approved by the authorities of R.O.C. and Singapore. The transaction was completed on January 30, 2015, and AmFraser changed its name to KGI Fraser Securities Pte. Ltd. ("Fraser") which was approved by the Jin-Guan-Zheng-Quan Letter No. 1030039427. Therefore, Fraser is included in the consolidated financial statements of the Company since first quarter of 2015.

(2) The name of each subsidiary not included in the consolidated financial statements, percentage of ownership, and the reason for its exclusion from the consolidated financial statements: Not applicable.

(3) Significant restrictions

A. The nature and extent of significant restrictions, for example, statutory, contractual and regulatory restrictions, on its ability to access or use the assets and settle the liabilities of the group: Not applicable.

B. The nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary): Not applicable.

4. **Foreign Currency Transactions and Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation**

(1) The Company's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity under the consolidated financial statements determines its own functional currency.

(2) Transactions in foreign currencies are initially recorded by the subsidiaries at their respective local functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of the reporting date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the initial transactions.

(3) The assets and liabilities of foreign operations and OSU are translated into NTD at the exchange rate on the reporting date and their gains and losses are translated at an average rate within the period. The exchange differences arising from the translations are recognized in other comprehensive income. On the disposal of a foreign operation or cessation of OSU business, the total cumulative amount of the exchange differences relating to that foreign operation should be reclassified from equity to profit or loss. Also accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, or when the retained interest after the partial disposal of an interest in a joint arrangement or in an associate containing a foreign operation is a financial asset that includes foreign operation.

(4) On the partial disposal of a subsidiary that includes a foreign operation without loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in the other comprehensive income is re-attributed to the non-controlling interests. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not lose significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profits or losses.

(5) Any goodwill and any fair value adjustments to the carrying amounts on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and reported in its functional currency.

5. **Current and Non-Current Distinction**

An asset is classified as current when:
(1) The assets are expected to be realized, or the Company intends to sell or consume it in normal operating cycle;
(2) The assets are held primarily for the purpose of trading;
(3) The assets are expected to be realized within twelve months after the reporting period; and
(4) The asset is cash or cash equivalent; unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
(1) The liabilities are expected to be settled in normal operating cycle;
(2) The liabilities are held primarily for the purpose of trading;
(3) The liabilities are due to be settled within twelve months after the reporting period; and
(4) The liabilities do not have an unconditional right to be deferred the settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
All other liabilities are classified as non-current.

6. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of changes in value (including the certificate of deposits within three month periods). Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are also included as a component of cash and cash equivalents.

7. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value. The transaction cost directly attributed to the financial assets and liabilities should plus or minus from its fair value.

(1) Financial assets

The Company accounts for regular transactions of financial assets on the trade date.

Financial assets of the Company are classified as financial assets measured at fair value through profit or loss, held to maturity financial assets, available-for-sale financial assets as well as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit of loss are comprised of financial assets held for trading and financial assets designed upon initial recognition at fair value through profit or loss. Classified financial assets held for trading if the following requirements shall be met:

A. the financial instruments are held for the purpose of selling or repurchasing them in the short-term;
B. one of the identifiable financial instrument portfolios on initial recognition, and the portfolio has the evidences of trading for short-term profits; or
C. the financial instruments are derivatives (excluding financial promissory contracts or derivative instruments designated as hedged instruments which shall be effective).

For the contracts including one or more embedded derivative instruments, these hybrid contracts can be designated as financial assets designated as at fair value through profit or loss on initial recognition. Or, financial assets and liabilities designated at fair value through profit or loss are those that meet one of the following requirements:

A. the designation can significantly eliminate the inconsistency in measurement or recognition; or
B. for a set of financial assets, liabilities, or both, manage and evaluate its performance based on the fair value, and the portfolio information provided to the management is also based on the fair value.

This kind of financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss including dividends or interests.

If financial assets do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets measured at fair value through profit or loss, held to maturity financial assets, or loans and receivables.

The exchange gain or loss, interest income, and dividend income generated from the book value changed of the monetary available-for-sale financial assets, were recognized as gain and loss in the periods. The subsequently measured by fair value with changes in fair value recognized as adjustments in the equity. The cumulative amount of the exchange differences are recognized as gain and loss when the financial assets are derecognized.

For equity instruments, if financial assets do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets measured at fair value through profit or loss, or loans and receivables.

After initial measurement, held to maturity financial assets are measured at amortized cost using the effective interest rate method and less impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in non-active market other than those that initial recognition designates as available-for-sale, classified as financial assets measured at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets measured at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events might include:

i significant financial difficulty of the issuer or obligor; or
ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
iv. the disappearance of an active market for that financial asset because of financial difficulties.

For held to maturity financial assets and loans and receivables measured at amortized cost, the Company and subsidiaries first assesse individually whether objective evidence of impairment exists individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group with similar credit risk characteristics and collectively assesses them for impairments. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows. Loans and receivables are not expected to be recovered, related balances and allowances should be written off immediately. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized should be adjusted the allowance account.

In the case of equity instruments classified as available-for-sale, where there is evidence of impairment, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that instruments previously recognized in profit or loss-is removed from the other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that instruments previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the interest rate to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss should be reversed through profit or loss.

<u>Derecognition of financial assets</u>

A financial asset is derecognized when:

i. the rights to receive cash flows from the asset have expired;
ii. transferred assets and substantially all the risks and rewards of the assets have been transferred; and
iii. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is a larger part of the financial asset and qualifies for derecognition in its entirety, the Company allocates the previous carrying amount in two parts based on the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, the sum of the consideration received and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated based on the relative fair values.

(2) Financial liabilities and equity instrument

Classification of liability and equity instrument

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Classified financial assets held for trading if the following requirements shall be met:

i. the financial instruments are held for the purpose of selling or repurchasing them in the short-term;
ii. one of the identifiable financial instrument portfolios on initial recognition, and the portfolio has the evidences of trading for short-term profits; or
iii. the financial instruments are derivatives (excluding financial promissory contracts or derivative instruments designated as hedged instruments which shall be effective).

For the contracts including one or more embedded derivative instruments, these hybrid contracts can be designated as financial liabilities designated as at fair value through profit or loss on initial recognition. Or, financial liabilities designated at fair value through profits or losses are those that meet one of the following requirements:

i. the designation can significantly eliminate the inconsistency in measurement or recognition; or
ii. for a set of financial assets, liabilities, or both, manage and evaluate its performance based on the fair value, and the portfolio information provided to the management is also based on the fair value.

This kind of financial liabilities are measured at fair value with changes in fair value recognized in profit or loss including interests from them.

For the financial liabilities designated as measured at fair value through profit or loss, unless the treatment would create or enlarge an accounting mismatch in profit or loss, the amount of change in the fair value of the mentioned financial liabilities that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income; the remaining amount shall be presented in profit or loss.

If financial liabilities do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial liabilities at cost on the balance sheet on the reporting date.

Liabilities for warrants issued

Warrants issued are accrued in the account of “Liabilities for warrants issued” and recorded by the fair value method on the gross basis. The repurchase of warrants issued, according to the full disclosure principle, is recorded in the account of “Repurchased warrants”, which is served as a contra item to the account of “Liabilities for warrants issued”.

Liability for purchase of government bonds

It represents liability to purchase government bonds to fulfill the obligation to deliver the bonds to third parties at a future date according to a short sell contract. When the deal was made, the Company received the sales consideration from the buyer and such money received was recorded in the revenue account. In addition, the market value of such bonds was recorded in both the cost of revenue account and the account of “Liability for purchase of government bonds”. At the balance sheet date, the account of “Liability for purchase of government bonds” was revalued using the fair value method and the difference between the cost and market value was recognized as the current period gain or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same counterparty, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(3) Derivative financial instrument

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. It records all of the rights and obligations of such derivative financial instrument in the account of “Derivative financial instrument assets/liabilities”. Any realized or unrealized gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(5) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

8. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes the transaction to sell the asset or to transfer the liability takes place in either:
i. the principle market for the asset or the liability; or
ii. in the absence of a principle market, the most advantageous market for the asset or liability.

The Company and subsidiaries must have access to the principle market or the most advantageous market, to proceed in transactions mentioned above.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company and subsidiaries measures fair value by adopting valuation techniques that is appropriate in relevant situations and is sufficient in data, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

9. Collateralized Securities Transactions

Collateralized securities transactions are recorded at cost. Under the financing method, securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded at the amount of cash paid or received at the time of the transaction under "Bonds purchase under resold agreements" or "Bonds sold under repurchase agreements" accounts, which is grouped under current liabilities in the balance sheet The difference between the recorded cost and the amount, at which the securities will be resold or reacquired, as specified in the respective agreements, is accrued as interest expense or income.

When bonds purchased under resale agreements are short sold to third party for financing purpose, they are recorded in the account of "Bonds purchase under resold agreements". At the balance sheet date, such items are recorded under liability item by the fair value method on the gross basis. When such items are covered, the resulting gains or losses are recorded in the account of "Gains/losses on covering of borrowed securities and bonds with resale agreements".

10. Customers' Margin Accounts and Futures Customers' Equity

Customers' margin accounts

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers' margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet.

Futures customers' equity

Margin deposits received from customers for futures transactions and futures customers' equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures customers' equity cannot be offset unless these accounts pertain to the same customers. The debit balance of "futures customers' equity", which results from losses on futures transactions in excess of the margin deposits, is recorded as "futures commission merchant receivable."

11. Securities Borrowing Transactions

When the Company enters into securities borrowing transactions, the amount of sales of borrowed securities are recorded in the account of "Liabilities for stocks and bonds borrowed", which are adjusted to market value at the balance sheet date. "Market value" refers to the closing price at the balance sheet date. When the borrowed securities are returned, the resulting difference between actual cost of securities returned and the amount of "Liabilities for stocks and bonds borrowed" is recorded as "Gains/losses on covering of borrowed securities and bonds with resale agreements".

12. <u>Futures Transaction</u>

These represent margins paid for the trading in futures and options by cash or securities are recognized as futures trading margins-proprietary funds/securities through evaluating day by day; options premium paid to the Taiwan Future Exchange upon purchase of options for trading is recognized as "purchase of options-futures"; options premium received upon sale of options is recognized as "liability on sale of options-futures".

Realized gains or losses are recognized when the futures and options contracts are fulfilled. The difference between the average cost and market value is evaluated on the balance sheet date, and the unrealized gains and losses are recognized as "gains (losses) on derivative financial product- futures".

Margins paid for the futures over the original ones are recognized as "cash and cash equivalent".

13. <u>Investments in Associates or Joint Ventures</u>

The Company and subsidiaries' investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the Company and subsidiaries have rights to the net assets of the arrangement.

Under the equity method, the investment in an associate or a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or the joint venture. After the interest in the associate or the joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or the joint venture are eliminated to the extent of the Company's related interest in the associate or the joint venture.

The Company recognizes the change of owner's equity based on the holding percentage if the change of associates or joint ventures' equity is not resulted from profit or loss and other comprehensive income and the change does not affect the Company's holding percentage. Therefore, the capital reserve resulted from disposing the associates or joint ventures is recognized as profit or loss based on the holding percentage.

If the Company does not subscribe the new issuance of capital based on holding percentage, the Company adjusts the accounts of "capital reserve" and "investments accounted for using the equity method". The capital reserve resulted from disposing the associates or joint ventures is recognized as profit or loss based on the holding percentage.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. The Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate or joint venture' in the statement of comprehensive income.

Upon loss of significant influence over an associate or a joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Also, when the Company's investment in an associate switches to investment in a joint venture, the Company continues applying the equity method and does not revalue its retained earnings, and vice versa.

14. Property and Equipment

(1) Properties and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When (a) significant parts of property and equipment that are replaced is derecognized and (b) the new parts' cost increase the carrying amount of the assets, the expense can be capitalized. All other repair and maintenance costs are expensed as incurred. Disposal gain or loss is recognized as current period's other income and costs.

(2) Depreciation is calculated on a straight-line basis over the estimated economic lives (not including land). The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. If the expected values differ from the initial estimation, the change regards as changes in accounting estimation. The asset economic lives for building are 50 to 55 years, and others are 3 to 10 years.

15. Investment Property

Investment properties are measured initially at cost including transaction costs, and not holding as operating rental or idle properties for rent income or capital increasing purpose. Assets are transferred to or from investment properties when there is a change in use, including transaction costs.

The asset lives for building is 50-55 years, calculated on a straight-line basis over the estimated economic lives. Current depreciation is expensed.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

16. Leases

The Company and subsidiaries as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Company and subsidiaries as a lessor

All the risks and benefits of ownership of the lease asset which are not transferred substantially are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

17. Intangible Assets

Intangible assets included goodwill, customer's relation, computer software costs and other intangible assets. Intangible assets are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any.

Except goodwill, the intangible assets with finite useful lives shall be carried at the costs less accumulated amortizations. The amortization amounts are allocated on a systematic basis over intangible assets' useful lives.

Gain or loss arising from derecognization of intangible assets is recognized as current period's gains or losses.

18. Impairment of Non-Financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company should test the assets individually or the cash-generating unit ("CGU"). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation.

A CGU, which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

19. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

Provisions shall be reviewed periodically, and adjusted to reflect the most appropriate estimation currently. If the obligation of repayment is probably, the provisions shall be reversed.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a properties and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a financial cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

20. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met when revenue is recognized:

(1) Brokerage handling fee revenue/expenses are recognized on the transaction date.
(2) Gains/ (losses) on disposal of trading securities are recognized on the transaction date.
(3) Interest income/expense on margin loans and short sales of securities and bonds purchased under resale agreements, bonds sold under repurchase agreements are recognized respectively over the loan period on an accrual basis.
(4) Consulting and financial advisory, revenue from underwriting business and related service charges are recognized according to the contracts or agreements on accrual basis.
(5) Royalty revenues are recognized according to the substantial contracts based on accrual basis. If the royalty revenues are recorded on time basis, the revenues shall be recognized within the agreement period under straight-line method. However, if the royalty revenues are recorded on other bases, it should according to relevant agreements.
(6) Revenue from providing agency service for stock affairs is recognized according to the contracts based on the accrual basis.
(7) Futures commission revenue is recognized on the transaction date and the Company assists in futures transactions and fees collection. Recognized according to the trading period based on the accrual basis.
(8) Gain (losses) on futures contracts: The margin of futures transactions is recognized as cost. Costs and expenses are recognized as incurred.
(9) Options transaction income (loss): The premium of options transaction is recognized as cost. The options are evaluated monthly based on the market value. Options transaction gains or losses arising from settlement are recognized in current period.
(10) Dividends income is recognized when the Company right to receive the payment is established.
(11) Rental income：Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

21. Post-Employment Benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) comprise returns on plan assets, changes in the effect of the asset ceiling, less net interest on net defined benefit liability (asset) and actuarial gains and losses. It is recognized under other comprehensive income and also immediately in retained earnings. Past service cost is the change in the present value of defined benefit obligation arising as a result of plan amendment or curtailment. Past service cost is recognized at the earlier of the following dates:

(1) the date when a plan amendment or curtailment occurs; and
(2) the date when an entity recognizes any termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both determined at the start of annual reporting period, taking into account the changes arising as a result of contributions or payments.

Defined benefit cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

22. Shared-Based Payment Transaction

This plan is measured at the fair value of the stocks on the given date. This stock-based equity settlement plan recognized the wage expenses and the increase of equity during the vested period on the straight-line basis of the fair value mentioned above and the best estimate number of expected vested equity. The recognized wage expenses is adjusted with the expected service criteria accordance and the prize quantity of non-fair value vested criteria; the final recognized amount is based on the vested quantity on the vesting date.

23. Income Taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax assets or liabilities.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

On the date of an earnings distribution approved by the shareholders' meeting of the Company and domestic subsidiaries, an income tax of 10% on undistributed earnings should then be recognized.

Pursuant to Alternative Minimum Tax Act ("AMT Act"), the higher of the amount of income tax payable determined pursuant to the Income Tax Act or the minimum amount prescribed under the AMT Act is provided by the Company and domestic subsidiaries as income tax payable.

Since 2014, the Company and since 2003, GCSC adopted the linked tax system to file the income tax returns. However, GCSC records the tax receipts and tax payments arising from the consolidated income tax returns in current period's deferred income tax assets (liabilities), income tax liability (asset) or income tax expense (income).

Deferred tax

Deferred income tax is temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

If the temporary difference arises from the goodwill or other assets and liabilities on initial recognition (not including business combination), and the transaction do not affect the taxation income and accounting profit, it is not recognized as deferred tax assets and liabilities.

The taxable temporary difference arising from subsidiaries, associates, and the joint ventures shall be recognized as deferred tax liabilities, except the Company can control and probably will not reverse the taxable temporary difference in foreseeable future. Deferred tax assets arising from the deductible temporary difference of these kinds of investment and equity, and will reverse in foreseeable future, shall be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income tax expense (income) for an interim period is accrued and disclosed by adopting the income tax rate to which predicted annual earnings applies, that is, to designate estimated average annual effective income tax rate to interim pre-tax earnings.

24. Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when they are incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

Besides, Accounting Research and Development Foundation released the frequently asked question for IFRS 3 on January 8, 2013, and explained no specific rules for joint control of business combination in IFRS 3. Therefore, the rules for joint control of business combination still applied to interpretations released by Accounting Research and Development Foundations, R.O.C.

The business combination between Company and its affiliates is classified as a reorganization in accordance with EITF 100-390 of the Accounting Research and Development Foundation, R.O.C., and is recognized based on the carrying amount of the Company's investments accounted for using the equity method (the amount after impairment loss); the long-term investments should be reclassified as assets and liabilities when its affiliates are eliminated. Further, according to Accounting Research and Development Foundation Interpretations 95-141 and 101-301, the prior years' consolidated financial statements were restated. Additionally, the prior interest in the dissolved company held by parent company was presented as "prior interest under joint control" in the consolidated financial statements.

V. Significant Accounting Judgments, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the six-month periods ended June 30, 2015 and 2014 as those applied in the Company's consolidated financial statements for the year ended December 31, 2014.

VI. Contents of Significant Accounts

1. Cash and Cash Equivalents

	6/30/15	12/31/14	6/30/14
Cash on hand	$3,546	$3,582	$3,500
Cash in banks	13,234,065	12,323,394	12,334,393
Cash equivalents			
Short-term commercial papers and bonds	1,285,013	456,615	804,884
Excess Margin	1,018,611	729,109	606,033
Total	$15,541,235	$13,512,700	$13,748,810

(1) Interest rates of the above short-term commercial papers and bonds are as follows:

	6/30/15	12/31/14	6/30/14
Interest rates	0.53%-0.58%	0.53%-0.66%	0.58%-0.61%

(2) As of June 30, 2015, December 31 and June 30, 2014, the certificate of deposits over three months from the original due date are classified as other financial assets-current, and the amounts are 2,884,429 thousand dollars, 7,553,823 thousand dollars and 8,839,685 thousand dollars, respectively.

(3) No pledged was made for the cash and cash equivalents mentioned above.

2. Financial Assets Measured at Fair Value Through Profit or Loss

	6/30/15	12/31/14	6/30/14
Current			
Financial assets held for trading			
Lent securities	$18,045	$102,760	$192,082
Open-ended funds and monetary market instruments	6,849,425	6,303,224	6,247,635
Trading securities-dealing-net	62,711,284	81,714,083	72,195,176
Trading securities-underwriting-net	2,328,061	2,005,382	1,978,234
Trading securities-hedging-net	8,672,096	6,087,858	9,311,356
Long options	105,572	25,881	40,267
Futures trading margins-proprietary funds	732,031	581,273	339,963
Derivative financial product assets	1,891,209	1,759,443	979,139
Others	358,272	215,459	120,889
Total	$83,665,995	$98,795,363	$91,404,741
Non-current			
Financial assets held for trading	$50,760	$71,145	$20,244

Financial assets measured at fair value through profit or loss-current are as follows:

(1) Lent securities

	6/30/15	12/31/14	6/30/14
Listed/OTC company stock	$25,169	$102,085	$176,971
Valuation adjustments	(7,124)	675	15,111
Market value	$18,045	$102,760	$192,082

(2) Open-ended funds and monetary market instruments

	6/30/15	12/31/14	6/30/14
Funds	$334,815	$580,800	$795,753
Others	6,512,120	5,714,452	5,448,427
Subtotal	6,846,935	6,295,252	6,244,180
Valuation adjustments	2,490	7,972	3,455
Market value	$6,849,425	$6,303,224	$6,247,635

(3) Trading securities-dealing-net

	6/30/15	12/31/14	6/30/14
Listed/OTC/ESM company stock	$6,982,223	$5,147,937	$6,725,997
Listed/OTC company warrants	33,100	13,818	753
Listed/OTC company corporate bonds and government bonds	32,474,044	40,282,575	39,123,046
Collateralized loan obligations	-	-	138,126
Foreign securities	21,277,281	34,455,079	24,363,317
Others	47	47	46
Subtotal	60,766,695	79,899,456	70,351,285
Valuation adjustments	1,944,589	1,814,627	1,843,891
Market value	$62,711,284	$81,714,083	$72,195,176

(4) Trading securities-underwriting-net

	6/30/15	12/31/14	6/30/14
Listed/OTC company stock	$563,218	$553,536	$454,203
Listed/OTC company corporate bonds	1,277,048	1,046,381	1,116,195
Subtotal	1,840,266	1,599,917	1,570,398
Valuation adjustments	487,795	405,465	407,836
Market value	$2,328,061	$2,005,382	$1,978,234

(5) Trading securities-hedging-net

	6/30/15	12/31/14	6/30/14
Listed/OTC company stock	$7,921,865	$5,437,984	$8,544,539
Listed/OTC company warrants	141,692	144,057	137,865
Foreign securities	674,367	439,853	345,904
Subtotal	8,737,924	6,021,894	9,028,308
Valuation adjustments	(65,828)	65,964	283,048
Market value	$8,672,096	$6,087,858	$9,311,356

(6) Long options

	6/30/15	12/31/14	6/30/14
Index options	$101,397	$22,446	$30,791
Stock options	1,759	1,993	971
Subtotal	103,156	24,439	31,762
Open interest	2,416	1,442	8,505
Market value	$105,572	$25,881	$40,267

(7) Futures trading margins-proprietary funds

	6/30/15	12/31/14	6/30/14
Account balance	$801,612	$642,595	$334,497
Open interest	(69,581)	(61,322)	5,466
Account value	$732,031	$581,273	$339,963

(8) Please refer to Note VI.19 for detail of derivative financial product assets.

(9) Others

	6/30/15	12/31/14	6/30/14
Other financial assets	$352,776	$203,211	$116,833
Valuation adjustments	5,496	12,248	4,056
Market value	$358,272	$215,459	$120,889

Financial assets measured at fair value through profit or loss-non-current are as follows:

	6/30/15	12/31/14	6/30/14
Government bonds	$51,241	$71,727	$20,486
Valuation adjustments	(481)	(582)	(242)
Market value	$50,760	$71,145	$20,244

Please refer to Note VIII for financial assets measured at fair value through profit or loss pledged as collaterals.

3. **Financial Assets Measured at Cost**

	6/30/15	12/31/14	6/30/14
Current			
Stock			
ESM company stock	$406,890	$374,818	$292,801

	6/30/15	12/31/14	6/30/14
Non-current			
Stock			
Taiwan Depository & Clearing Corp.	$74,932	$74,932	$74,932
Taiwan Futures Exchange Corp.	151,125	151,125	151,125
Taiwan Stock Exchange Corp.	369,199	369,199	369,198
Dragon Investment Fund I Co., Ltd.	45,832	53,406	50,370
Shin Sheng Venture Capital Investment Corporation	11,917	12,165	11,474
He Ding Venture Capital Investment Corporation	33,097	38,909	36,714
Lien Ding Venture Capital Investment Corporation	19,858	23,345	22,029
Zuen Ping Venture Capital Investment Corporation	7,559	12,902	12,174
WK Technology Fund VIII	30,000	30,000	30,000
Centillion III Venture Capital Corporation	6,300	21,000	30,000
Prodence Venture Investment Corporation	17,120	18,870	21,300
TSC Venture Capital Corporation	2,700	2,700	2,700
Honpang Venture Capital Corporation	415	9,268	9,268
Reber Genetics Co., Ltd.	-	669	31,432
SAN-BYTE Co., LTD.	49,000	49,000	49,000
General Energy Solutions INC.	22,500	18,000	18,000
WinWay Tech. Co., Ltd.	45,000	45,000	-
Quang Viet Enterprise Co., Ltd.	38,243	38,243	-
Nien Made Enterprise Co., Ltd.	55,047	55,047	-
Chang Wah Technology Co., Ltd.	25,000	25,000	-
JMC electronics Co.,	45,000	-	-
Victor Taichung Machinery Works Co., Ltd.	743	743	743
Taiwan High Speed Rail Corporation	25,000	25,000	25,000
CCM Global Limited	2,719	2,776	10,818
Total	$1,078,306	$1,077,299	$956,277

No pledged was made for financial assets measured at cost mentioned above.

4. **Available-for-Sale Financial Assets**

	6/30/15	12/31/14	6/30/14
Current			
Listed/OTC company stock	$9,015,287	$7,612,869	$4,339,389
Foreign securities	58,186	60,571	-
Total	$9,073,473	$7,673,440	$4,339,389

	6/30/15	12/31/14	6/30/14
Non-current			
Listed/OTC company stock	$15,863	$28,417	$3,012,203
Government bonds	-	-	50,042
Bank Debentures	31,692	31,176	31,449
Foreign securities	86,158	84,176	63,568
Total	$133,713	$143,769	$3,157,262

(1) Please refer to Note XII.9 for reclassification.

(2) Please refer to Note VIII for available-for-sale financial assets pledged as collaterals.

5. Held to Maturity Financial Assets

	6/30/15	12/31/14	6/30/14
Non-current			
Corporate bonds	$40,000	$190,000	$230,165

(1) The subsidiary purchased Taiwan Power Company 5-year unsecured corporate bond in October, 2010. The coupon rate is 1.39%. The Taiwan Power Company 5-year unsecured corporate bond, with face value 300,000 thousand dollars and 75,000 thousand dollars respectively and coupon rate 1.38% and 1.39% originally deposited in the Central Bank as operating bond is retrieved. Therefore, the subsidiary reclassified it as held to maturity financial assets. And Taiwan Power Company made installment payment on the 5-year unsecured corporate bond with face value 150,000 thousand dollars and 40,000 thousand dollars, respectively in June and July, 2014. Taiwan Power Company made installment payment on the 5-year unsecured corporate bond with face value 150,000 thousand dollars in June and June, 2015.

(2) No pledged was made for held to maturity financial assets mentioned above.

6. Bonds Purchased under Resale Agreements

	6/30/15	12/31/14	6/30/14
Government bonds	$7,969,791	$5,865,331	$8,442,994
Corporate bonds	4,360,535	1,750,966	2,713,734
Bank Debentures	6,435,717	1,840,904	1,675,317
Total	$18,766,043	$9,457,201	$12,832,045
Resold amount as specified in respective agreements plus accrued interest	$18,713,405	$9,427,733	$12,831,748
Resold date as specified in respective agreements	2015.7.2-2015.7.29	2015.1.7-2015.2.12	2014.7.1-2014.7.31

7. Margin Loans Receivable, Deposits for Short Sales and Short Sales Proceeds Payable

Stocks that clients purchased by loans were pledged as collaterals for margin loans receivable. The financing rate of the Company and subsidiaries were 60% for listed stock and 60%, 60% and 50% for OTC stock on June 30, 2015, December 31 and June 30, 2014, respectively. Annual interest rate on the loans is 6.30%-6.45% for the six-month periods ended June 30, 2015 and 2014.

According to the Securities and Futures Bureau, the Company and subsidiaries render the service of securities lending shall charge short sales proceeds or equivalent collaterals by proportion. The ratio is 90% for June 30, 2015, December 31 and June 30, 2014. Annual interest rate on the payables and collaterals were 0.10%-0.20% for the six-month periods ended June 30, 2015 and 2014.

8. Customers' Margin Accounts

	6/30/15	12/31/14	6/30/14
Cash in banks	$11,754,236	$8,487,500	$8,132,680
Marking to market from the clearing house	1,984,750	2,178,835	2,389,607
Marking to market from the other futures brokers	531,565	533,776	518,091
Securities	94	291	-
Foreign customers' margin accounts	16,876,290	13,146,061	11,132,726
Total	$31,146,935	$24,346,463	$22,173,104

9. Futures Commission Merchant Receivable

	6/30/15	12/31/14	6/30/14
Futures commission merchant receivable	$105,484	$109,585	$110,167
Less: Allowance for bad debt	(105,484)	(109,585)	(110,167)
Net	$-	$-	$-

Domestic future market fluctuated tremendously due to the worry over the repaying of the U.S. Treasury Bond in August, 2011; resulting in the Company's subsidiary, KGI Futures, client, Mr. Tu, was forced to clear the transaction because of insufficient futures commission 107,376 thousand dollars, and notified the authorities of the default transaction. The subsidiary had collected 21,619 thousand dollars as of June 30, 2015 and still in the process of claiming the recovery actively. For the remaining 85,757 thousand dollars loss, the subsidiary positively executed the repayment procedures and had recognized sufficient amounts of allowance.

10. Accounts Receivable

	6/30/15	12/31/14	6/30/14
Exchange clearing receivable	$3,530,406	$5,579,197	$5,040,705
Accounts receivable for settlement-brokerage	12,269,578	11,672,354	15,802,214
Accounts receivable for settlement-non-brokerage	8,616,731	4,150,797	6,681,233
Others	2,037,828	2,017,154	1,403,753
Total	$26,454,543	$23,419,502	$28,927,905

11. Investments Accounted for Using The Equity Method

	6/30/15		12/31/14	
Investee	Amount	Ratio	Amount	Ratio
KGI Securities (Thailand) Public Company Limited	$1,942,161	34.97	$2,163,183	34.97
Trinitus Asset Management Limited	60,193	40.00	53,028	40.00
CDIB BioScience Ventures I, Inc.	6,010	1.20	6,106	1.20
Total	$2,008,364		$2,222,317	

Investee	6/30/14 Amount	Ratio
KGI Securities (Thailand) Public Company Limited	$1,912,666	34.97
Trinitus Asset Management Limited	46,945	40.00
CDIB BioScience Ventures I, Inc.	5,074	1.20
Total	$1,964,685	

(1) Investing associates

A. Information on associate significant to the Company

Name of associate: KGI Securities (Thailand) Public Company Limited

Nature of activities: the associate engages in securities related businesses

Principal place of business: Thailand

Fair value from quoted market price: KGI Securities (Thailand) Public Company Limited is listed on the Stock Exchange of Thailand. The fair values of the Company's investment measured under the equity method are 2,217,577 thousand dollars, 2,323,691 thousand dollars, and 2,017,424 thousand dollars as of June 30, 2015, December 31 and June 30, 2014, respectively.

Financial information on associate significant to the Company is as follows:

	6/30/15	12/31/14	6/30/14
Current assets	$13,193,414	$6,720,190	$8,235,185
Non-current assets	2,481,896	2,181,893	1,125,741
Current liabilities	(11,198,704)	(3,804,421)	(4,941,741)
Non-current liabilities	(109,119)	(122,872)	(92,332)
Non-controlling interests	(2,440)	(2,503)	(1,960)
Attributed to controlling interests	$4,365,047	$4,972,287	$4,324,893
Ownership ratio	34.97%	34.97%	34.97%
Proportion of ownership	$1,526,457	$1,738,809	$1,512,415
Goodwill	415,704	424,374	400,251
Book value	$1,942,161	$2,163,183	$1,912,666

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Revenue	$483,481	$475,899	$1,136,901	$991,109
Profit or loss from continuing operations	$100,117	$120,748	$282,363	$279,520
Other comprehensive income	13,810	(19,875)	15,054	(1,152)
Total comprehensive income	$113,927	$100,873	$297,417	$278,368
Dividends received from associate	$239,881	$234,966	$239,881	$234,966

B. The Company's investments on Trinitus Asset Management Limited and CDIB BioScience Ventures I, Inc. are not material, their aggregate financial information, in proportion of ownership, are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Profit or loss from continuing operations	$8,614	$(1,532)	$8,357	$(4,019)
Other comprehensive income	(123)	(570)	(146)	(747)
Total comprehensive income	$8,491	$(2,102)	$8,211	$(4,766)

(2) Share of profits of associates and joint venture:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
Investee	2015	2014	2015	2014
KGI Securities (Thailand) Public Company Limited	$35,012	$42,224	$98,743	$97,747
Trinitus Asset Management Limited	8,654	(1,567)	8,307	(3,839)
CDIB BioScience Ventures I, Inc.	(40)	35	50	(180)
Total	$43,626	$40,692	$107,100	$93,728

The amounts of investment income accounted for using the equity method were recognized based on the audited financial statements, except for Trinitus Asset Management Limited and CDIB BioScience Ventures I, Inc.; however, the management of the Company considered these unaudited financial statements as immaterial with regard to the whole statements.

(3) Since the Company and affiliate company, China Development Industrial Bank, jointly hold 21.20% shares of CDIB BioScience Ventures I, Inc., the investment is measured under the equity method.

(4) Please refer to Note VIII for the investments accounted for using the equity method pledged as collaterals.

12. Property and Equipment

(1) Changes in property and equipment are as follows:

	Land	Buildings	Equipment	Leasehold improvement	Total
Cost					
January 1, 2015	$4,119,154	$2,184,572	$3,005,145	$383,228	$9,692,099
Additions	-	-	88,158	15,294	103,452
Business merging	-	-	38,589	-	38,589
Disposals	-	-	(27,847)	(331)	(28,178)
Transfers	1,338	855	619	3,429	6,241
Exchange differences	-	-	87,371	8,502	95,873
June 30, 2015	$4,120,492	$2,185,427	$3,192,035	$410,122	$9,908,076

	Land	Buildings	Equipment	Leasehold improvement	Total
January 1, 2014	$4,119,154	$2,184,572	$2,895,342	$341,570	$9,540,638
Additions	-	-	94,466	42,272	136,738
Business merging	-	-	55,485	2,532	58,017
Disposals	-	-	(53,124)	(22,390)	(75,514)
Transfers	-	-	5,339	1,608	6,947
Exchange differences	-	-	646	(85)	561
June 30, 2014	$4,119,154	$2,184,572	$2,998,154	$365,507	$9,667,387
Depreciation and Impairments					
January 1, 2015	$-	$691,735	$2,542,881	$288,447	$3,523,063
Depreciations	-	20,298	100,219	27,121	147,638
Disposals	-	-	(27,539)	(327)	(27,866)
Transfers	-	303	(229)	-	74
Exchange differences	-	-	91,171	8,830	100,001
June 30, 2015	$-	$712,336	$2,706,503	$324,071	$3,742,910
January 1, 2014	$-	$651,148	$2,442,759	$238,121	$3,332,028
Depreciations	-	20,292	104,305	32,276	156,873
Disposals	-	-	(52,124)	(16,905)	(69,029)
Exchange differences	-	-	(139)	(231)	(370)
June 30, 2014	$-	$671,440	$2,494,801	$253,261	$3,419,502
Book value					
June 30, 2015	$4,120,492	$1,473,091	$485,532	$86,051	$6,165,166
December 31, 2014	$4,119,154	$1,492,837	$462,264	$94,781	$6,169,036
June 30, 2014	$4,119,154	$1,513,132	$503,353	$112,246	$6,247,885

(2) Please refer to Note VIII for property and equipment pledged as collaterals.

13. **Investment Property**

(1) Changes in investment property are as follows：

	Land	Buildings	Total
Cost			
January 1, 2015	$213,387	$109,320	$322,707
Transfers	(1,338)	(855)	(2,193)
June 30, 2015	$212,049	$108,465	$320,514
January 1, 2014	$245,121	$131,077	$376,198
Transfers	-	-	-
June 30, 2014	$245,121	$131,077	$376,198

	Land	Buildings	Total
Depreciation and Impairment			
January 1, 2015	$-	$32,770	$32,770
Depreciations	-	1,090	1,090
Transfers	-	(303)	(303)
June 30, 2015	$-	$33,557	$33,557
January 1, 2014	$14,832	$46,740	$61,572
Depreciations	-	1,169	1,169
June 30, 2014	$14,832	$47,909	$62,741
Book value			
June 30, 2015	$212,049	$74,908	$286,957
December 31, 2014	$213,387	$76,550	$289,937
June 30, 2014	$230,289	$83,168	$313,457

	For the three-month periods ended June 30		For the six-month periods ended June 30	
Investee	2015	2014	2015	2014
Rental income from the lease of the investment property	$4,112	$3,087	$8,512	$6,458

(2) The Company and subsidiaries chooses cost module to measure investment property and the fair value is 636,842 thousand dollars, 630,962 thousand dollars and 672,402 thousand dollars on June 30, 2015, December 31 and June 30, 2014, respectively. The management refers outside appraisal report and adopts the market evaluated model to evaluate the fair value.

(3) Please refer to Note VIII for investment property pledged as collaterals.

14. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Other intangible assets	Software	Total
January 1, 2015	$6,613,935	$1,833,818	$139,488	$8,587,241
Additions	370,023	-	25,976	395,999
Transfers	-	-	7,107	7,107
Exchange differences	(41,105)	-	-	(41,105)
Amortizations	-	(96,923)	(30,911)	(127,834)
June 30, 2015	$6,942,853	$1,736,895	$141,660	$8,821,408
January 1, 2014	$5,925,775	$2,031,252	$139,007	$8,096,034
Additions	620,738	-	35,565	656,303
Transfers	-	-	10,786	10,786
Decreases	(530)	-	-	(530)
Exchange differences	5,841	-	-	5,841
Amortizations	-	(98,717)	(34,998)	(133,715)
June 30, 2014	$6,551,824	$1,932,535	$150,360	$8,634,719

(2) The amortized lives for other intangible assets and software of the Company and subsidiaries are between 3 to 15 years.

15. Other Non-Current Assets

	6/30/15	12/31/14	6/30/14
Operation bond	$1,458,079	$1,898,415	$2,073,749
Settlement/clearance fund	562,406	558,736	568,055
Guarantee deposits-out	1,587,595	1,455,693	1,380,736
Collaterals assumed	34,201	34,201	34,201
Others	302,543	268,734	329,427
Total	$3,944,824	$4,215,779	$4,386,168

Please refer to Note VIII for other non-current assets pledged as collaterals.

16. Short-Term Borrowings

	6/30/15	12/31/14	6/30/14
Interbank loans	$279,630	$-	$-
Credit loans	20,138,052	16,510,955	14,405,343
Secured loans	12,414,829	9,972,427	17,452,647
Bank overdraft	-	37	-
Total	$32,832,511	$26,483,419	$31,857,990
Interest rate	0.50%-4.63%	1.02%-7.12%	0.60%-3.01%

Please refer to Note VIII of collaterals for short-term borrowings.

17. Commercial Papers Payable-Net

	6/30/15	12/31/14	6/30/14
Commercial papers payable	$14,348,856	$9,265,591	$6,692,597
Less: Discount	(8,582)	(6,617)	(6,176)
Net	$14,340,274	$9,258,974	$6,686,421
Interest rate	0.40%-1.60%	0.40%-1.40%	0.40%-1.20%

18. Financial Liabilities Measured at Fair Value Through Profit or Loss

	6/30/15	12/31/14	6/30/14
Current			
Financial liabilities held for trading			
Bonds sold under repurchase agreements -short sale	$1,113,831	$830,616	$1,539,252
Liabilities for warrants issued	10,342,906	8,199,777	14,938,377
Repurchase warrants	(9,552,377)	(7,454,742)	(13,486,616)
Short options	93,585	23,255	21,474
Liabilities for securities and bonds borrowed	7,986,119	4,495,468	6,915,295
Derivative financial product liabilities	2,938,427	3,701,786	4,270,213
Financial liabilities designated initially at fair value through profit or loss	1,826,574	1,966,485	1,041,680
Total	$14,749,065	$11,762,645	$15,239,675

(1) Bonds sold under repurchase agreements-short sale

	6/30/15	12/31/14	6/30/14
Government bonds	$958,031	$503,844	$1,544,823
Corporate bonds	154,702	318,496	-
Subtotal	1,112,733	822,340	1,544,823
Valuation adjustments	1,098	8,276	(5,571)
Market value	$1,113,831	$830,616	$1,539,252

(2) Liabilities for warrants issued and repurchase warrants

A. Liabilities for warrants issued or repurchase warrants are as follows：

	6/30/15	12/31/14	6/30/14
Warrants issued	$12,814,857	$9,929,485	$15,088,630
Gains/(losses) on value change	(2,471,951)	(1,729,708)	(150,253)
Market value	10,342,906	8,199,777	14,938,377
Repurchased warrants	11,087,220	7,785,754	13,315,522
Gains/(losses) on value change	(1,534,843)	(331,012)	171,094
Market value	9,552,377	7,454,742	13,486,616
Net value	$790,529	$745,035	$1,451,761

B. All warrants issued by the Company are American and European style options. The Company can settle the warrants with either cash or the underlying stock.

(3) Short options

	6/30/15	12/31/14	6/30/14
Index options	$108,193	$28,095	$18,291
Stock options	1,087	837	1,655
Subtotal	109,280	28,932	19,946
Open interest	(15,695)	(5,677)	1,528
Market value	$93,585	$23,255	$21,474

(4) Liabilities for securities and bonds borrowed

	6/30/15	12/31/14	6/30/14
Listed/OTC company stock	$4,597,654	$1,144,312	$1,818,545
Foreign securities	3,388,897	3,270,776	5,025,007
Subtotal	7,986,551	4,415,088	6,843,552
Valuation adjustments	(432)	80,380	71,743
Market value	$7,986,119	$4,495,468	$6,915,295

(5) Please refer to Note VI.19 for more details on derivative product liabilities and financial liabilities designated initially at fair value through profit or loss.

19. Derivative Instruments

(1) Nominal amount

Financial Instruments	6/30/15	12/31/14	6/30/14
Options and futures contract	$29,957,239	$27,073,492	$46,033,375
Foreign futures and options	87,251,954	124,021,818	239,626,924
Interest rate swap (IRS)	213,268,661	92,777,120	72,176,252
FX swap	15,006,224	29,340,376	26,097,955
Convertible bond asset swap (CBAS)-interest	10,963,300	12,290,365	8,683,535
CBAS-long option	10,477,400	10,572,300	7,536,300
CBAS-short option	14,735,500	17,614,300	14,654,700
Structures notes	10,289,188	15,856,879	13,417,411
Equity derivative instruments	3,180,269	7,906,629	5,697,996
Credit derivative instruments	460,315	634,360	1,794,900
Exchange rate derivative instruments	-	49,096	-
Others	1,610,580	147,315	238,479
Total	$397,200,630	$338,284,050	$435,957,827

(2) Financial assets/liabilities held for trading-derivative financial instruments

Financial Instruments	6/30/15	12/31/14	6/30/14
Derivative instrument assets			
Contract value			
IRS	$279,432	$117,891	$133,266
CBAS-interest	30,679	47,377	48,091
FX swap	140,019	415,079	69,704
Long options			
CBAS	546,105	779,091	682,180
Structured notes	1,995	3,161	2,296
Equity derivative instruments	-	1,153	62
Credit derivative instruments	2,515	220,873	603
Exchange rate derivative instruments	-	16	-
Foreign futures and options	884,839	171,937	42,937
Others	5,625	2,865	-
Total	$1,891,209	$1,759,443	$979,139
Derivative instrument liabilities			
Contract value			
IRS	$301,215	$163,836	$188,021
CBAS-interest	286,992	303,777	203,070
FX swap	12,635	38,694	47,480
Short options			
CBAS	829,095	1,252,246	1,658,710
Structured notes	120,668	531,450	1,202,444
Equity derivative instruments	451,826	1,018,972	737,957
Credit derivative instruments	610	6,509	-
Foreign futures and options	931,313	386,302	226,655
Others	4,073	-	5,876
Total	$2,938,427	$3,701,786	$4,270,213

Financial Instruments	6/30/15	12/31/14	6/30/14
Financial liabilities designated initially at fair value through profit or loss			
Structured notes	$1,826,574	$1,966,485	$1,041,680
Other financial liabilities- current			
Structured notes-delivery value	$8,415,529	$13,478,627	$11,592,808

Please refer to Note VI.2 (6), (7), and VI.18 (3) for more details on financial assets or liabilities of options and futures contracts.

(3) Presentation of derivative financial instruments on the financial statements

A. The details of net gains/(losses) on liabilities for warrants issued are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Liabilities for warrants issued:				
Gains on value change	$7,079,373	$6,110,358	$10,632,592	$12,927,460
Gains on exercising warrants before maturity	8,481	3,602	8,848	6,264
Repurchase of issued warrants:				
Losses on resale of warrants	(903,962)	(528,647)	(1,354,361)	(1,033,586)
Losses on value change	(5,992,175)	(5,910,110)	(8,984,844)	(12,362,786)
Expense for warrant	(32,310)	(27,650)	(59,595)	(56,766)
Gains/(losses) on warrants issued	$159,407	$(352,447)	$242,640	$(519,414)

B. The details of net gains/(losses) on derivative instruments-futures are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Futures contracts	$(403,760)	$(6,500)	$(904,153)	$47,073
Options	95,536	(330,412)	142,239	(341,174)
Total	$(308,224)	$(336,912)	$(761,914)	$(294,101)

C. The details of net gains/(losses) on derivative instruments-OTC are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
IRS	$207,958	$(57,771)	$305,421	$(94,667)
CBAS	125,997	(300,801)	29,939	(601,379)
Bond options	(4)	410	(17)	410
Structured notes	4,896	63,118	(12,689)	(69,074)
Equity derivative instruments	(34,355)	(159,922)	(65,239)	(142,401)
Credit derivative instruments	-	-	-	(7,069)
Exchange rate derivative instruments	8,472	-	25,805	-
Total	$312,964	$(454,966)	$283,220	$(914,180)

D. The details of futures and option transaction contract of the Company and subsidiaries are as follows:

6/30/15

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	GreTai Futures	Short	1	$533	$537	
Futures Contracts	Elec-Sector Index Futures	Long	62	89,041	87,990	
Futures Contracts	Elec-Sector Index Futures	Short	554	796,631	797,266	
Futures Contracts	Finance Sector Index Futures	Long	289	341,109	340,426	
Futures Contracts	Finance Sector Index Futures	Short	63	74,115	73,327	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	1	1,092	1,103	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	146	162,323	163,783	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	1	440	440	
Futures Contracts	TaifEx NT Dollar Gold Futures	Short	21	9,256	9,242	
Futures Contracts	TaiEx Futures	Long	1,946	3,568,435	3,566,262	
Futures Contracts	TaiEx Futures	Short	1,147	2,090,508	2,099,448	
Futures Contracts	Mini-TaiEx Futures	Long	4,160	1,912,599	1,909,637	
Futures Contracts	Mini-TaiEx Futures	Short	4,937	2,267,619	2,271,022	
Futures Contracts	Stock Futures	Long	4,721	652,972	661,356	
Futures Contracts	Stock Futures	Short	24,186	3,217,190	3,200,280	
Futures Contracts	Foreign Futures	Long	340	589,958	589,610	
Futures Contracts	Foreign Futures	Short	5,508	13,330,593	13,408,432	
Futures Contracts	MSCI Taiwan Index Futures	Long	314	329,493	331,797	
Futures Contracts	MSCI Taiwan Index Futures	Short	1	1,047	1,045	
Futures Contracts	Hong Kong H-shares Index Futures	Long	4	10,337	10,394	
Futures Contracts	Hong Kong Hang Seng Index Futures	Short	2	2,107	2,108	
Futures Contracts	China A50 Index Futures	Long	408	153,103	156,209	
Futures Contracts	China A50 Index Futures	Short	381	144,302	145,960	
Options Contracts	Index Options-Call	Long	9,783	27,438	22,724	
Options Contracts	Index Options-Put	Long	11,209	73,959	81,397	
Options Contracts	Index Options-Call	Short	27,674	(57,575)	40,235	
Options Contracts	Index Options-Put	Short	19,711	(50,618)	52,617	
Options Contracts	Stock Options-Call	Long	555	950	659	
Options Contracts	Stock Options-Put	Long	504	809	792	
Options Contracts	Stock Options-Call	Short	279	(336)	266	
Options Contracts	Stock Options-Put	Short	329	(751)	467	

12/31/14

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	GreTai Futures	Short	8	$4,408	$4,472	
Futures Contracts	Elec-Sector Index Futures	Long	36	52,908	53,250	
Futures Contracts	Elec-Sector Index Futures	Short	178	263,196	263,298	
Futures Contracts	Finance Sector Index Futures	Short	381	403,717	412,318	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	149	169,812	169,778	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	14	6,413	6,447	
Futures Contracts	TaiEx Futures	Long	1,364	2,504,746	2,530,344	
Futures Contracts	TaiEx Futures	Short	470	853,821	871,796	
Futures Contracts	Mini-TaiEx Futures	Long	393	182,010	182,243	
Futures Contracts	Mini-TaiEx Futures	Short	895	407,287	415,219	
Futures Contracts	Stock Futures	Long	6,536	1,298,474	1,324,896	
Futures Contracts	Stock Futures	Short	27,650	2,919,010	2,944,742	
Futures Contracts	Foreign Futures	Short	3,821	17,402,095	17,456,911	
Futures Contracts	MSCI Taiwan Index Futures	Short	439	476,729	475,962	
Futures Contracts	Hong Kong H-shares Index Futures	Long	14	34,287	34,366	
Futures Contracts	Hong Kong Hang Seng Index Futures	Short	7	33,881	33,895	
Futures Contracts	China A50 Index Futures	Long	21	7,327	7,731	
Options Contracts	Index Options-Call	Long	5,731	10,650	13,982	
Options Contracts	Index Options-Put	Long	2,911	11,796	9,750	
Options Contracts	Index Options-Call	Short	8,582	(15,279)	16,103	
Options Contracts	Index Options-Put	Short	13,721	(12,816)	6,390	
Options Contracts	Stock Options-Call	Long	511	804	1,349	
Options Contracts	Stock Options-Put	Long	554	1,189	800	
Options Contracts	Stock Options-Call	Short	250	(377)	557	
Options Contracts	Stock Options-Put	Short	329	(460)	205	

6/30/14

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	768	$1,109,758	$1,127,270	
Futures Contracts	Elec-Sector Index Futures	Short	454	657,202	666,096	
Futures Contracts	Finance Sector Index Futures	Long	576	589,829	594,881	
Futures Contracts	Finance Sector Index Futures	Short	634	647,999	654,658	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	484	563,172	569,687	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	208	242,707	244,879	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	12	5,744	5,726	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	TaifEx NT Dollar Gold Futures	Short	13	6,170	6,196	
Futures Contracts	TaiEx Futures	Long	7,545	13,808,858	13,995,620	
Futures Contracts	TaiEx Futures	Short	8,144	14,943,794	15,120,616	
Futures Contracts	Mini-TaiEx Futures	Long	2,649	1,215,484	1,228,952	
Futures Contracts	Mini-TaiEx Futures	Short	3,271	1,498,225	1,517,377	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Short	110	51,421	51,502	
Futures Contracts	Stock Futures	Long	3,420	790,385	811,425	
Futures Contracts	Stock Futures	Short	9,771	1,079,613	1,094,895	
Futures Contracts	Foreign Futures	Long	1,166	272,665	273,674	
Futures Contracts	Foreign Futures	Short	1,582	8,226,842	8,243,468	
Futures Contracts	MSCI Taiwan Index Futures	Long	100	97,732	98,478	
Futures Contracts	MSCI Taiwan Index Futures	Short	132	130,229	131,016	
Futures Contracts	Hong Kong H-shares Index Futures	Long	7	13,767	13,855	
Futures Contracts	Hong Kong Hang Seng Index Futures	Short	2	8,883	8,930	
Futures Contracts	China A50 Index Futures	Long	38	7,529	7,540	
Futures Contracts	India Index Futures	Long	30	13,659	13,664	
Options Contracts	Index Options-Call	Long	11,593	21,851	34,245	
Options Contracts	Index Options-Put	Long	6,047	8,940	4,938	
Options Contracts	Index Options-Call	Short	9,967	(11,017)	16,666	
Options Contracts	Index Options-Put	Short	13,757	(7,274)	3,356	
Options Contracts	Stock Options-Call	Long	383	600	840	
Options Contracts	Stock Options-Put	Long	336	371	244	
Options Contracts	Stock Options-Call	Short	221	(1,231)	1,199	
Options Contracts	Stock Options-Put	Short	149	(424)	253	

E.Credit risk valuation adjustment

The Company and subsidiaries' credit risk valuation adjustments could be mainly divided into two parts: Credit Value Adjustments, "CVA", and Debit Value Adjustments, "DVA", which are adjustments on credit risk valuation of derivative instruments traded at OTC. The purpose for the adjustments are to reflect the possibility of an opponent (CVA) or the Company's (DVA) delay in payment and failure of receiving full amount of transactions' market value.

The Company and subsidiaries take an opponent's Probability of Default, "PD" (given the Company and subsidiaries do not default) and Loss Given Default, "LGD" into account, then calculate CVA with the opponent's Exposure at Default, "EAD". Contrarily, the Company and subsidiaries take their PD (given the opponent do not default) and LGD into account, calculate DVA with their EAD.

To take credit risk valuation adjustment into consideration for fair value of financial instruments and to reflect separately credit risk of the opponent and of the Company and subsidiaries, the Company and subsidiaries refer to Standard & Poor's, "S&P", historical probability of default for PD; base LGD on past experiences, scholars' suggestions, and foreign financial institutions' experiences; and adopt evaluated market price of derivative instruments as EAD.

20. Bonds Sold under Repurchase Agreements

	6/30/15	12/31/14	6/30/14
Government bonds	$18,647,207	$14,896,019	$15,016,408
Bank Debentures	11,298,673	11,899,155	6,202,843
Convertible bonds	200,055	600,054	1,369,586
Corporate bonds	25,996,756	36,602,934	36,388,888
Collateralized loan obligations	-	-	137,095
Total	$56,142,691	$63,998,162	$59,114,820
Repurchased amount as specified in respective agreements plus accrued interest	$56,497,229	$64,141,723	$59,211,714
Repurchased date as specified in respective agreements	2015.7.1-2015.9.17	2015.1.5-2015.3.17	2014.7.1-2014.9.17

21. Accounts Payable

	6/30/15	12/31/14	6/30/14
Exchange clearing payable	$2,791,503	$2,009,320	$2,112,554
Accounts payable for settlement-brokerage	31,106,133	27,507,833	27,560,248
Accounts payable for settlement-non-brokerage	6,769,446	3,197,085	6,691,312
Others	524,222	383,070	544,786
Total	$41,191,304	$33,097,308	$36,908,900

22. Bonds Payable

	6/30/15	12/31/14	6/30/14
100-1 Unsecured Corporation Bonds Payable	$-	$3,100,000	$3,100,000
103-1 Unsecured Corporation Bonds Payable denominated in CNY	1,001,400	1,020,680	-
104-1 Unsecured Corporation Bonds Payable	7,000,000	-	-
Subtotal	8,001,400	4,120,680	3,100,000
Less: Due within in one year	-	(3,100,000)	(3,100,000)
Net amount	$8,001,400	$1,020,680	$-

(1) The Company had issued 100-1 unsecured corporate bonds (hereinafter called “the Bonds-100-1”) amounted to 3,100,000 thousand dollars at par value of 10,000 thousand dollars per bond on March 15, 2012. Other terms are listed below:

A. Term to Maturity: The Bonds-100-1 were issued on March 15, 2012 and will be redeemed on March 15, 2015.
B. Coupon rate: The coupon rate of the Bonds-100-1 is 1.15% annually.
C. Repayment of principal: The principal of the Bonds-100-1 will be repaid at maturity.
D. The Bonds-100-1 were issued without collaterals.
E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

(2) The Company had issued 103-1 unsecured corporate bonds denominated in CNY (hereinafter called “the Bonds denominated in CNY”) amounted to CNY 200,000 thousand dollars at par value of CNY 1,000 thousand dollars per bond on November 11, 2014. Other terms are listed below:

A. Term to Maturity: The Bonds denominated in CNY were issued on November 11, 2014 and will be redeemed on November 11, 2016.
B. Coupon rate: The coupon rate of the Bonds denominated in CNY is 3.50% annually.
C. Repayment of principal: The principal of the Bonds denominated in CNY will be repaid at maturity.
D. The bonds were issued without collaterals.
E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

(3) The Company had issued 104-1 unsecured corporate bonds (hereinafter called "the Bonds-104-1") amounted to 7,000,000 thousand dollars on June 8, 2015. The Bonds-104-1 were issued in two types: Bonds A were issued with three years maturities, amounted to 2,200,000 thousand dollars; Bonds B were issued with five years maturities, amounted to 4,800,000 thousand dollars, both at par value of 10,000 thousand dollars per bond. Other terms are listed below:

A. Term to Maturity: Bonds A were issued on June 8, 2015 and will be redeemed on June 8, 2018; Bonds B were issued on June 8, 2015 and will be redeemed on June 8, 2020.
B. Coupon rate: the coupon rate of Bonds A is 1.20% annually; of Bonds B is 1.42% annually.
C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
D. The Bonds-104-1 were issued without collaterals.
E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

23. Post-Employment Benefits

(1) Description of labor pension:

Defined contribution plan

The Company and its domestic subsidiaries established the employee retirement method that is defined contribution plan in accordance with The Labor Pension Act of the R.O.C. and the percentage of contribution burden by the Company and its domestic subsidiaries are not less than 6% of employee's monthly wages and Salaries. The Company and its domestic subsidiaries contributes monthly an amount equal to 6% of employee's wages and salaries to the employee's individual pension fund accounts at the Bureau of Labor Insurance.

Foreign subsidiaries make contribution to the business related to pension management in compliance with local regulation.

Defined benefit plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

(2) The total expense amounts recognized in the comprehensive income statement according to proportion stipulated in the plan are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Pension incurred on defined contribution	$53,792	$48,988	$ 108,096	$98,588
Pension incurred on defined benefit	4,589	7,143	9,186	11,110
Total	$58,381	$56,131	$ 117,282	$109,698

24. Provisions

Non-current	Litigation provision	Decommissioning liabilities	Total
January 1, 2015	$173,845	$23,768	$197,613
Additions	151	701	852
Current payment/reversal	(38,284)	-	(38,284)
June 30, 2015	$135,712	$24,469	$160,181
January 1, 2014	$185,939	$32,233	$218,172
Additions	7,992	-	7,992
Current payment/reversal	(2,682)	(9,269)	(11,951)
June 30, 2014	$191,249	$22,964	$214,213

25. Equity

(1) Common stock

	6/30/15	12/31/14	6/30/14
Authorized shares (thousand shares)	4,600,000	4,600,000	4,600,000
Authorized capital	$46,000,000	$46,000,000	$46,000,000
Issued shares (thousand shares)	3,798,812	3,798,812	4,598,812
Issued share capital	$37,988,123	$37,988,123	$45,988,123

In order to increase the Company’s capital utilization effectiveness as well as the stockholders’ profit of both the Company and the parent company, the Company’s Board of Directors (acting on behalf of shareholders) decided the case of capital deduction 8,000,000 thousand dollars. The case of capital deduction was approved by the authorities on August 6, 2014 and the record date was September 1, 2014.

(2) Capital reserve

	6/30/15	12/31/14	6/30/14
Additional paid-in capital	$2,603,148	$2,603,148	$2,603,148
Treasury share transactions	364,435	364,435	364,435
Surplus from business combination	5,665,969	5,665,969	5,665,969
Employee share options	3,928	1,330	-
Total	$8,637,480	$8,634,882	$8,633,552

Capital reserve should be used to make up its deficiencies in the first priority, if any. Under the circumstances without deficiencies, the Company can distribute all the capital reserve or partial of it to shareholders by common stocks or cash, based on percentage of ownership. The mentioned capital reserve is including additional paid-in capital and donations received.

(3) Distribution of earnings and dividend policy

A. The Company's Articles of Incorporation of earnings distribution are as follows:

For the purpose of the Company's need of operation and benefits of shareholders, also in compliance with relevant regulations, the Company adopted surplus dividend policy.

Distribution conditions, timing, and amounts: When distributing the annual net income, the Company should use the earnings to offset accumulated deficiencies and pay applicable income tax, set aside legal reserve, and appropriate or reverse special reserve under relevant regulations. Then, appropriate at least 0.1% as employees' bonus. Appropriation of the remainder and the beginning balance of undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders.

Type of Dividend: In principle, the Company distributes cash dividends, and these cash dividends should not less than 10% of all dividends.

According to Company Act, amended on May 20, 2015, article 235-1, employees' compensation shall be distributed corresponding to the current year profit. However, the Company's accumulated losses shall have been covered. The mentioned employees' compensation is paid through stock or cash, and shall be approved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, then submitted to the shareholders' meeting. Also, qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive shares or cash, may be specified in the Articles of Incorporation.

B. The distribution of annual net income for 2014 and 2013 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2014	2013	2014	2013
Legal reserve	$323,806	$304,637	-	-
Special reserve	647,614	609,274	-	-
Special reserve reversal	-	(198,319)	-	-
Cash dividends	2,379,751	2,330,778	0.626	0.507
Total	$3,351,171	$3,046,370		
Note				
Employees' bonus-cash	$27,000	$33,500		

There is no difference amount between employees' bonus authorized in 2015 and 2014 and the estimated expenses recognized in 2014 and 2013.

C. Following the adoption of TIFRS, the Rule No. 1010012865 issued by FSC on April 6, 2012, sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Since unrealized revaluation gains are not existed in the Company's financial statements and cumulative translation adjustments recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, appropriate special reserve is not necessary.

D. As required by the Company Act, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals the issued share capital. Except for covering accumulated deficit, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's additional paid-in capital.

E. The estimation of employees' bonuses for the six-month periods ended June 30, 2014 is 10,911 thousand dollars, based on the Articles of Incorporation and the amount paid for previous years and recognized as expenses in the current year. Resolution approved at the Board of Directors' meeting in the subsequent period might differ from the estimation mentioned above and the difference, if any, will be recognized as income/expense in the year of distribution. Difference between resolution approved at the meeting of shareholders and the estimation mentioned above will instead be recognized as gain/loss in the year of distribution.

The estimation of employees' bonuses for the six-month periods ended June 30, 2015 is 15,585 thousand dollars, based on the past experiences and recognized as expenses in the current year. Resolution approved at the Board of Directors' meeting in the subsequent period might differ from the estimation mentioned above and the difference, if any, will be recognized as income/expense in the year of distribution.

F. The related information about employees' bonus from the earnings distribution plan adopted by the Company's Board of Directors' meeting and resolved by shareholders' meeting can be inquired at Market Observation Post System.

(4) Non-controlling interests

	For the six-month periods ended June 30	
	2015	2014
Beginning balance	$3,331,529	$6,063,547
Profit attributable to non-controlling interests	49,068	59,964
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Unrealized gains (losses) from available-for-sale	(281)	847
Cash dividend issued from subsidiaries	(78,993)	(114,395)
Ending balance	$3,301,323	$6,009,963

26. Share-Based Payment Transaction

The Board of Directors of the parent company, CDFH decided to issue 45,000,000 units of stock options, and approved by the authority in 2013. The Board of Directors approved to vest all the options on October 9, 2014. The arrangement granted to full-time employees of CDFH and all of its subsidiaries, in which CDFH's shareholding percentage with voting rights, directly or indirectly, is more than 50%.

The employee stock option plan is settled upon vesting in shares of CDFH's common stock on a unit basis. The exercise price is the closing price on grant date. The stock options are vested and distributed on annual basis on the following percentage: 25% for second and third anniversary of the grant date and 50% for the fourth anniversary of the grant date. The contractual lives are seven years and transfers, pledge, gift to others, or other disposal are prohibited during this time span with the exception of inheritance and willful abandonment of right.

(1) Information on employee share options was as follows:

Date of grant	Total number of options granted	Exercise price (NT$)
2014.10.9	12,780,000	$9.54

(2) Detailed information relevant to the employee stock options is disclosed as follows:

	2015.1.1-2015.6.30	
	Outstanding Options	Weighted average Exercise Price per share(NT$)
Beginning balance	12,610,000	$9.54
Options granted	-	-
Options transferred	170,000	
Options expired	(350,000)	9.54
Ending balance	12,430,000	9.54
Options exercisable, end of period	12,430,000	9.54
Weighted-average fair value of options granted	$1.3876	

(3) The pricing model and the assumptions of the Share-based payment are as follows:

Duration	7 years
Expected Volatility	15.45%
Expected dividend yields	1.5%
Risk-free interest rate	1.5647%
Early exercise of the multiplier	1.63
Pricing Model	Trinomial trees model

Expected volatility was based on the historical share price volatility over the past 1 year.

(4) Compensation costs for the six-month period ended June 30, 2015 were 2,598 thousand dollars.

27. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenues

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Brokerage handling fee revenues	$1,280,370	$1,360,433	$2,374,557	$2,605,388
Foreign brokerage fee	1,518,210	444,568	2,326,627	942,320
Handling revenue of short sale	27,809	27,757	48,447	55,574
Handling fee revenue of securities borrowed	3,999	2,902	6,708	5,651
Foreign sub-brokerage revenues	37,399	31,207	64,515	56,018
Total	$2,867,787	$1,866,867	$4,820,854	$3,664,951

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Return form underwriting of securities	$24,743	$30,248	$61,616	$124,934
Revenue from underwriting proceeding fee	2,242	6,887	36,623	68,862
Revenue from underwriting and counseling	12,209	7,082	22,065	18,637
Others	84,573	33,724	138,743	49,413
Total	$123,767	$77,941	$259,047	$261,846

(3) Gains/(losses) on disposal of trading securities-net

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Dealing				
Revenue	$237,801,572	$251,099,431	$498,450,582	$419,556,267
Cost	(236,932,765)	(249,945,179)	(496,973,742)	(417,810,050)
Subtotal	868,807	1,154,252	1,476,840	1,746,217
Underwriting				
Revenue	387,271	678,097	2,552,054	1,616,921
Cost	(361,826)	(623,001)	(2,446,610)	(1,491,831)
Subtotal	25,445	55,096	105,444	125,090
Hedging				
Revenue	31,122,889	22,982,113	56,280,433	39,001,429
Cost	(30,788,966)	(22,501,811)	(55,615,038)	(38,207,675)
Subtotal	333,923	480,302	665,395	793,754
Total	$1,228,175	$1,689,650	$2,247,679	$2,665,061

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Margin loans	$799,762	$652,596	$1,503,947	$1,301,761
Bonds	161,084	189,480	368,501	342,017
Others	3,207	476	3,979	1,160
Total	$964,053	$842,552	$1,876,427	$1,644,938

(5) Gain/(loss) on trading securities at fair value through profit and loss

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Dealing-net	$(42,719)	$136,500	$384,096	$270,873
Underwriting-net	65,388	3,905	82,331	(107,376)
Hedging-net	(315,246)	175,980	(250,920)	123,316
Total	$(292,577)	$316,385	$215,507	$286,813

(6) Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Gains	$52,473	$20,844	$91,049	$61,976
Losses	(155,554)	(132,117)	(252,971)	(236,474)
Total	$(103,081)	$(111,273)	$(161,922)	$(174,498)

(7) Please refer to Note VI.19 for details of derivative instruments’ profit and loss.

(8) Other operating income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Exercising warrants before maturity- purchased from others	$11,658	$12,679	$22,503	$13,194
Other service fee income	7,330	5,693	15,306	10,885
Investment advisory income	3,688	3,782	6,273	8,240
Commission income	69,176	48,475	111,939	80,566
Investment trust and fund management income	26,139	24,862	52,526	50,975
Other operating income	81,266	50,127	87,056	70,383
Error accounts	(2,709)	(4,583)	(4,277)	(6,389)
Total	$196,548	$141,035	$291,326	$227,854

(9) Financial costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Bills and bonds payable under repurchase agreements	$72,822	$62,243	$167,127	$111,758
Bank borrowing	124,205	58,245	240,471	94,449
Short-term notes and bills	30,215	8,560	53,931	11,182
Bonds	14,649	8,888	30,485	17,678
Others	35,331	7,907	70,352	37,514
Total	$277,222	$145,843	$562,366	$272,581

(10) Employee benefits expenses, depreciation and amortization

The detail of employees benefits expenses, depreciation and amortization expenses are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
Nature	2015	2014	2015	2014
Employee benefit expenses				
Salary expenses	$2,103,029	$1,529,348	$3,813,112	$2,980,426
Insurance expenses	81,305	80,332	178,549	175,615
Pension expenses	58,381	56,131	117,282	109,698
Others	29,907	27,296	76,760	54,218
Total	$2,272,622	$1,693,107	$4,185,703	$3,319,957
Depreciations and amortizations				
Depreciations	$73,455	$80,392	$148,728	$158,042
Amortizations	65,637	70,263	127,901	133,808
Total	$139,092	$150,655	$276,629	$291,850

Due to the specialty of industry of the Company and subsidiaries, the employee benefit expenses and the depreciation and amortization expenses are classified as operating expenses.

(11) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Postage and telephone expenses	$69,804	$61,563	$135,578	$113,320
Tax	280,998	237,198	476,375	402,615
Rental expenses	169,538	151,765	334,521	303,351
Repairs and maintenance	104,229	115,992	191,336	160,041
Computer information expenses	62,845	63,192	110,242	106,986
Professional expenses	74,569	84,399	161,292	156,590
Securities borrowed expenses	44,925	36,970	85,065	73,031
Other expenses	310,000	216,819	531,357	424,711
Total	$1,116,908	$967,898	$2,025,766	$1,740,645

(12) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Interest income	$144,550	$174,197	$311,677	$310,277
Rental income	4,398	4,620	8,859	9,557
Disposal of property and equipment	(65)	(3,729)	725	(6,141)
Disposal of investment	22,533	15,574	13,551	30,831
Non-operating financial product at fair value through profit and loss	104,381	171,352	323,208	296,876
Exchange gain or loss	37,665	41,821	92,151	72,154
Dividend income	64,882	37,289	82,731	39,231
Management service income	98,743	97,800	194,543	188,845
Others	(7,581)	13,076	25,411	24,394
Total	$469,506	$552,000	$1,052,856	$966,024

28. Components of Other Comprehensive Income

For the three-month period ended June 30, 2015

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	$(1,087)	$-	$(1,087)	$-	$(1,087)

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of a foreign operation	(107,016)	-	(107,016)	-	(107,016)
Unrealized gains (losses) from available-for-sale financial assets	998,145	-	998,145	472	998,617
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(51,078)	-	(51,078)	-	(51,078)
Total	$838,964	$-	$838,964	$472	$839,436

For the three-month period ended June 30, 2014

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of a foreign operation	$(203,688)	$-	$(203,688)	$-	$(203,688)
Unrealized gains (losses) from available-for-sale financial assets	287,550	-	287,550	696	288,246
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	260	-	260	-	260
Total	$84,122	$-	$84,122	$696	$84,818

For the six-month period ended June 30, 2015

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	$(1,087)	$-	$(1,087)	$-	$(1,087)
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of a foreign operation	(257,756)	-	(257,756)	-	(257,756)
Unrealized gains (losses) from available-for-sale financial assets	1,391,465	-	1,391,465	(337)	1,391,128
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(31,975)	-	(31,975)	-	(31,975)
Total	$1,100,647	$-	$1,100,647	$(337)	$1,100,310

For the six-month period ended June 30, 2014

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of a foreign operation	$(11,029)	$-	$(11,029)	$-	$(11,029)
Unrealized gains (losses) from available-for-sale financial assets	(111,203)	(385,329)	(496,532)	1,120	(495,412)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	18,806	-	18,806	-	18,806
Total	$(103,426)	$(385,329)	$(488,755)	$1,120	$(487,635)

29. Income Tax

(1) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the three-month periods ended June 30	
	2015	2014
Current income tax expense (income)		
Current period	$210,234	$93,581
Adjustments of prior periods	34,276	87,950
Deferred tax expense (income)		
Current period	(7,196)	73,403
Income tax expense	$237,314	$254,934

	For the six-month periods ended June 30	
	2015	2014
Current income tax expense (income)		
Current period	$316,359	$185,195
Adjustments of prior periods	35,146	100,393
Deferred tax expense (income)		
Current period	55,536	61,968
Income tax expense	$407,041	$347,556

Income tax relating to components of other comprehensive income

	For the three-month periods ended June 30	
	2015	2014
Deferred tax expense (income)		
Unrealized gains (losses) from available-for-sale financial assets	$(472)	$(696)

	For the six-month periods ended June 30	
	2015	2014
Deferred tax expense (income)		
Unrealized gains (losses) from available-for-sale financial assets	$337	$(1,120)

(2) The information of integrated Income Tax System

A. Balance of imputation income tax credit amounts:

	6/30/15	12/31/14	6/30/14
The Company	$824,280	$269,819	$2,004
KGI Securities Investment Advisory Co. Ltd.	1,748	3,401	1,940
KGI Insurance Brokers Co. Ltd.	598	2,985	589
KGI Venture Capital Co. Ltd.	1	365	-
KGI Securities Investment Trust Co. Ltd.	888	888	888
KGI Futures	35,938	26,718	45,487
GSFC	70,337	99,670	96,653

B.Creditable ratio for earning distribution to ROC resident shareholders:

	2014(Actual)	2013(Actual)
The Company	20.81%	4.57%
KGI Securities Investment Advisory Co. Ltd.	20.48%	20.48%
KGI Insurance Brokers Co. Ltd.	20.48%	20.48%
KGI Venture Capital Co. Ltd.	14.67%	-
KGI Securities Investment Trust Co. Ltd.	-	-
KGI Futures	13.81%	21.50%
GSFC	20.48%	24.57%

According to the rule issued by Ministry of Finance, the accumulated undistributed retained earnings shall include the effected amounts of first-time adoption of IFRS as calculating creditable ratio of current fiscal year.

(3) Information for unappropriated retained earnings:

There are no unappropriated retained earnings for the Company and domestic subsidiaries on the book of prior to 1997 as of June 30, 2015.

(4) Income tax return assessed

As of June 30, 2015, the assessment information on the Company and subsidiaries' income tax return is as follows:

	Assessment information
The Company	The Company's income tax returns for the years through 2011 have been assessed by the Tax Bureau. The income tax returns of Taishin Securities Co., Ltd. and GCSC both have been assessed through 2009.
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2013. The income tax return of Grand Cathay Securities Investment Advisory Co., Ltd. has been accessed through 2013.
KGI Insurance Brokers Co. Ltd.	Assessed through 2013.
KGI Venture Capital Co. Ltd.	Assessed through 2013.
KGI Securities Investment Trust Co. Ltd.	Assessed through 2013.
KGI Futures	Assessed through 2013.
GSFC	Assessed through 2013.

(5) Administrative remedy

The income tax returns from 2006 through 2011 for the Company related to withhold income tax of the predecessors, respective operating costs and other tax-exempt income were disallowed by the Tax Bureau. As a result of the afore-mentioned assessments, the Company was assessed for additional income tax of 1,441,992 thousand dollars. The income tax returns from 2007 through 2009 for GCSC related to warrant income and amortization of sales right were disallowed by the Tax Bureau. As a result of the assessments, GCSC was assessed for additional income tax of 31,253 thousand dollars. The Company did not agree with such assessments and is in the process of appealing. The Company has already recognized the estimated amount of assessed additional tax liabilities.

30. Earnings Per Share

Basic earnings per share ("EPS") amounts are calculated by dividing net income for the year attributable to common stock holders of the Company by the weighted average number of shares outstanding during the year.

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Basic EPS				
Attributable to the Company	$1,386,178	$854,232	$2,419,687	$1,582,448
Weighted average number of shares outstanding	3,798,812,320 shares	4,598,812,320 shares	3,798,812,320 shares	4,598,812,320 shares
Basic EPS (NT$)	$0.37	$0.18	$0.64	$0.34

31. Business Combination

(1) Acquisition of KGI Ong Capital Pte. Ltd., TG Holborn (HK) Limited and KGI Asset Management Limited.

For the purpose of expanding foreign business, the Company's investee, KGI Asia (Holdings) Pte. Ltd., acquired KGI Ong Capital Pte. Ltd. ("KGI Ong") 100% voting shares on April 29, 2014. KGI Ong is a non-listed company located in Singapore specialized in the futures related business.

For the purpose of expanding foreign operating scale and enhancing the group's business, KGI Limited acquired TG Holborn (HK) Limited and KGI Asset Management Limited ("TG Holborn and KGI Asset Management") 100% voting shares on December 22, 2014. TG Holborn and KGI Asset Management are a non-listed company located in Hong Kong specialized in the financial consult planning and the wealth management related business.

A. The fair value of KGI Ong's, TG Holborn's and KGI Asset Management's identifiable assets and liabilities on the acquisition date are as follows:

	Fair value on acquisition date
Assets	
Current assets (include cash and cash equivalent NT 87,981 thousand dollars)	$7,411,831
Non-current assets	58,395
Assets subtotal	7,470,226
Liabilities	
Current liabilities	(6,816,188)
Non-current liabilities	(5,795)
Liabilities subtotal	(6,821,983)
Identifiable net assets	$648,243

B. Goodwill and acquisition consideration of KGI Ong, TG Holborn and KGI Asset Management:

Goodwill 620,738 thousand dollars of KGI Ong raised from the acquisition consideration (cash transaction cost of acquisition) 1,243,830 thousand dollars minus the fair value of identifiable net assets 623,092 thousand dollars.

Goodwill 23,945 thousand dollars of TG Holborn and KGI Asset Management raised from the acquisition consideration (cash transaction cost of acquisition) 49,096 thousand dollars minus the fair value of identifiable net assets 25,151 thousand dollars.

C. From the acquisition date to June 30, 2015, KGI Ong's revenue is 94,268 thousand dollars; net losses before income tax is 643 thousand dollars. Should the acquisition occurred on the beginning of this year, the revenue of the Company and subsidiaries' continuing operating units would be 7,309,313 thousand dollars and net income would be 1,651,385 thousand dollars.

(2) Acquisition of KGI Fraser Securities Pte. Ltd.

For the purpose of expanding foreign business, the Company's investee, KGI Asia (Holdings) Pte. Ltd., acquired KGI Fraser Securities Pte. Ltd. ("KGI Fraser") 100% voting shares on January 30, 2015. KGI Fraser is a non-listed company located in Singapore specialized in the securities related business.

A. The fair value of KGI Fraser's identifiable assets and liabilities on the acquisition date are as follows:

	Fair value on acquisition date
Assets	
Current assets	$3,227,806
(include cash and cash equivalent NT 1,040,544 thousand dollars)	
Non-current assets	38,986
Assets subtotal	3,266,792
Liabilities	
Current liabilities	(1,951,181)
Non-current liabilities	(701,326)
Liabilities subtotal	(2,652,507)
Identifiable net assets	$614,285

B. Goodwill and acquisition consideration of KGI Fraser：

Goodwill 370,023 thousand dollars of KGI Fraser raised from the acquisition consideration (cash transaction cost of acquisition) 984,308 thousand dollars minus the fair value of identifiable net assets 614,285 thousand dollars.

C. From the acquisition date to June 30, 2015, KGI Fraser's revenue are 80,665 thousand dollars; net losses before income tax is 97,552 thousand dollars. Should the acquisition occurred on the beginning of this year, the revenue of the Company and subsidiaries' continuing operating units would be 9,736,226 thousand dollars and net income would be 2,450,015 thousand dollars.

32. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 3,301,323 thousand dollars, 3,331,529 thousand dollars, and 6,009,963 thousand dollars as of June 30, 2015, December 31 and June 30, 2014, respectively. Proportions held by non-controlling interests are as follows:

Subsidiary Company	Country	6/30/15	12/31/14	6/30/14
KGI Futures	Taiwan	0.39%	0.39%	0.39%
KGI Securities Investment Trust Co. Ltd.	Taiwan	0.01%	0.01%	0.01%
GSFC	Taiwan	78.01%	78.01%	78.01%

The following are information of significant non-controlling interests and the subsidiary to which they belong:

Subsidiary Company	6/30/15	12/31/14	6/30/14
GSFC	$3,292,139	$3,322,416	$6,001,564

Financial information on subsidiaries that have significant non-controlling interests:

(1) Summarized information on comprehensive income of GSFC:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Revenue	$61,132	$63,708	$127,828	$129,048
Net profit from continuing operations	$21,126	$33,215	$61,819	$76,299
Other comprehensive income	(193)	1,258	(369)	1,114
Comprehensive income	$20,933	$34,473	$61,450	$77,413
Net profit allocated to non-controlling interests	$16,480	$25,911	$48,225	$59,520
Dividends paid to non-controlling interests	$(78,214)	$(113,956)	$(78,214)	$(113,956)

(2) Summarized information on assets and liabilities of GFSC:

	6/30/15	12/31/14	6/30/14
Current assets	$6,042,553	$5,424,828	$6,854,400
Non-current assets	1,122,170	1,311,734	1,775,787
Current liabilities	2,943,695	2,476,723	935,628
Non-current liabilities	900	900	1,133

(3) Summarized information on cash flows of GFSC

	For the six-month periods ended June 30	
	2015	2014
Operating activities	$(1,041,169)	$(994,394)
Investing activities	86,603	729,817
Financing activities	961,529	205,000
Net increase (decrease) in cash and cash equivalents	6,963	(59,577)

The above summarized financial information is based on amounts before offsetting transactions between companies.

VII. **Significant Related-Party Transaction**

1. Operating revenue and cost:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
(1) Brokerage handling fee revenue				
Parent company	$-	$-	$373	$-
Associates	-	1	-	2
Other related parties	8,025	3,052	13,590	8,057
Total	$8,025	$3,053	$13,963	$8,059
(2) Revenue from underwriting business				
Parent company	$-	$-	$6,000	$-
Other related parties	-	-	3,327	-
Total	$-	$-	$9,327	$-
(3) Revenue from providing agency service for stock affairs				
Parent company	$5,572	$6,409	$8,997	$10,745
Other related parties	85	48	147	93
Total	$5,657	$6,457	$9,144	$10,838
(4) Other operating revenue				
Associates	$11,376	$9,803	$12,542	$17,232
Other related parties	178	-	363	-
Total	$11,554	$9,803	$12,905	$17,232

The above transactions process under ordinary trading condition.

2. Detail of capital transactions between the Company and banking business:

Due from banks (recognized as cash and cash equivalents, other current assets and non-current assets-guarantee deposits-out)

	6/30/15	12/31/14	6/30/14
Other related parties	$1,283,013	$4,588,294	$5,507,214

3. Financial assets/liabilities measured at fair value through profit or loss-current:

	6/30/15	12/31/14	6/30/14
(1) Open-ended funds and monetary market instruments			
Other related parties	$36,279	$16,218	$382,720

	6/30/15 Notional Amount	12/31/14 Notional Amount	6/30/14 Notional Amount
(2)Oustanding derivative financial instruments			
A. IRS			
Other related parties	$300,000	$800,000	$800,000
B.CBAS-interest			
Other related parties	$57,000	$103,900	$83,000
C.CBAS -long option			
Other related parties	$57,000	$103,900	$83,000
D.Equity options contracts			
Other related parties	$3,100,000	$7,832,000	$5,576,000

4. Available-for-sale financial assets—current/ non-current

	6/30/15	12/31/14	6/30/14
Stocks			
Parent company	$3,540,254	$3,056,117	$2,971,392

5. Margin loans receivable

	6/30/15	12/31/14	6/30/14
Other related parties	$11,970	$10,070	$13,749

6. Customers' margin accounts

	6/30/15	12/31/14	6/30/14
Other related parties	$79,478	$99,945	$92,592

7. Accounts receivable

	6/30/15	12/31/14	6/30/14
Parent company	$2,446	$1,140	$1,143
Associates	11,944	2,339	15,677
Other related parties	172	92	108
Total	$14,562	$3,571	$16,928

8. Other restricted assets (recognized as other current assets)

	6/30/15	12/31/14	6/30/14
Other related parties	$799,902	$886,521	$-

9. Guarantee deposit (recognized as other non-current assets—guarantee deposit)

	6/30/15	12/31/14	6/30/14
Other related parties	$484	$484	$41,584

10. Short-term borrowings

	6/30/15	12/31/14	6/30/14
Other related parties	$248,560	$190,308	$179,490

11. Deposits for short sales

	6/30/15	12/31/14	6/30/14
Other related parties	$21,511	$36,099	$24,225

12. Short sales proceeds payable

	6/30/15	12/31/14	6/30/14
Other related parties	$23,306	$39,915	$26,784

13. Futures customers' equity

	6/30/15	12/31/14	6/30/14
Other related parties	$79,478	$99,945	$92,592

14. Accounts payable

	6/30/15	12/31/14	6/30/14
Associates	$-	$-	$4,551
Other related parties	23,998	8,778	15,178
Total	$23,998	$8,778	$19,729

15. Income tax assets and liabilities non-current

Detail of income tax assets/liabilities resulting from the consolidated income tax return：

	6/30/15	12/31/14	6/30/14
Due from the parent company	$122,581	$122,581	$122,581
Due to the parent company	$503,353	$411,405	$1,070,613

16. Bonds payable

	6/30/15	12/31/14	6/30/14
Other related parties	$500,700	$510,340	$-

17. Bonds transactions with related parties as follows：

(1) Purchase and sale of bonds

	For the six-month period ended June 30, 2015	
	Purchase of bonds	Sale of bonds
Other related parties	$ 4,597,931	$ 5,557,429

	For the six-month period ended June 30, 2014	
	Purchase of bonds	Sale of bonds
Other related parties	$5,591,923	$834,028

(2) Short sale of bonds

For the six-month period ended June 30, 2015: None

	For the six-month period ended June 30, 2014	
	Purchase of bonds	Sale of bonds
Other related parties	$49,612	$49,790

18. Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Associates	$395	$20	$2,193	$1,002
Other related parties	2,420	911	3,674	2,181
Total	$2,815	$931	$5,867	$3,183

19. Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Associates	$1,054	$9,149	$2,946	$10,945
Other related parties	5,323	7,644	12,826	16,235
Total	$6,377	$16,793	$15,772	$27,180

20. Information about key management personnel compensation as follows：

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Short-term employee benefit	$30,799	$36,800	$63,540	$72,341
Post-employment benefits	655	687	1,349	3,186
Share-based payment transaction	606	-	1,279	-
Total	$32,060	$37,487	$66,168	$75,527

21. For the need of securities borrowing margin, the Company requested the bank guarantees from other related parties as follows：

	6/30/15	12/31/14	6/30/14
Other related parties	$600,000	$380,000	$150,000

22. The following assets serve as guarantee for short-term loan to other related parties:

	6/30/15	12/31/14	6/30/14
Property and equipment, and investment property	$278,378	$-	$-

VIII. Assets Pledged

The following assets have been pledged to financial institutions to serve as guarantees for loans or financial instruments:

Description of the Assets	6/30/15	12/31/14	6/30/14
Available-for-sale financial assets- current	$2,796,600	$2,427,264	$-
Other current assets- pledged	2,569,308	2,734,140	1,849,833
Investments accounted for using the equity method	1,672,800	1,863,168	1,647,396
Available-for-sale financial assets-non-current	-	-	2,410,015
Financial assets measured at fair value through profit or loss-non-current	50,760	71,145	20,244
Property and equipment	4,776,745	4,794,003	4,811,262
Investment property	126,683	127,114	127,630
Non-current assets-guarantee deposits-out	943,483	1,090,102	1,073,080
Total	$12,936,379	$13,106,936	$11,939,460

IX. Commitments and Contingent Liabilities

The Company and subsidiaries' commitments and contingent liabilities as of June 30, 2015, are as follows:

1. The Company's subsidiary, Richpoint, signed a medium-term loan agreement, with a syndicate of banks. The contract period is between February 27, 2013 and February 27, 2016. The subsidiary may draw up this medium-term loan at its own discretion for a total credit line of US 143,000,000 dollars. Based on the agreement, the subsidiary is required to provide an endorsement to the banks at a date when any amount of loan facility is used.

   According to this agreement, the Company and the subsidiary should maintain certain financial ratios for the Company's semi-annual and annual consolidated financial statements and the subsidiary's semi-annual and annual non-consolidated financial statements as follows：

   (1)No less than 100% for current ratio for the Company.
   (2)No more than 350% for debit ratio for the Company.
   (3)No less than NT 25,000,000 thousand dollars for the Company's net tangible assets. (Net assets minus intangible assets).
   (4)No less than US 220,000 thousand dollars for Richpoint's tangible assets.

   As of June 30, 2015, the amount of loan being withdrawn was 0 dollars.

2. The Company has appealed for its income tax returns. Please refer to Note VI.29 for detail.

3. One of the executive vice president of the merged entities, Jen-Hsin Securities Co., Ltd., claimed the ownership of stocks of Jen-Hsin Securities Co., Ltd. while certain clients of Jen-Hsin Securities Co., Ltd. also claimed ownership of the same lot of securities. The executive vice president declined to surrender the shares; hence, Jen-Hsin Securities Co., Ltd. petitioned a motion with the Taipei District Court on November 6, 2002 in order to repossess such shares. Because Jen-Hsin Securities Co., Ltd. has been merged into the Company, such case is taken over by the Company as a result. Also, in July, 2004, the certain clients have requested to the Court for the repossession of such shares from the Company, the Company can pay cash of 90,379 thousand dollars and assumed interest in lieu. During the process of litigation, the certain client change his claim to require the Company as first class

debtor to pay 90,379 thousand dollars and assumed interest and executive vice president as secondary debtor to pay 2,000 thousand stocks of Jen-Hsin Securities Co., Ltd. and 73,946 thousand dollars and assumed interest because the confirm of original judgment and the Company is unable to retrieve the stocks. On June 26, 2014, Taiwan High Court judged that while certain clients conveyed the ownership of stocks of Jen-Hsin Securities Co., Ltd. to the Company, the Company should pay 90,379 thousand dollars to certain clients, and other appeals were rejected. The Company and certain clients appealed to the Supreme Court. On October 16, 2014, the Supreme Court rejected the fourth trial judgment and returned it to the Taiwan High Court. This case is currently processed by the Taiwan High Court.

4. Securities and Futures Investors Protection Center sued the Company and claimed that due to the fact that the Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, the Company must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds. Against the article 20 and 32 of Securities and Exchange Act and the article 184 and 185 of Civil Code. The plaintiffs sued the Company and Taiwan Kolin Co., Ltd. with jointly liability amounted to 133,308 thousand dollars plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.

5. The subsidiary, KGI Futures followed the article 56 of Regulations Governing Futures Commission Merchants. In the event that a futures commission merchant experiences bankruptcy, dissolution, suspension of business operations or circumstances under which acts or regulations require suspension of the acceptance of orders from futures traders, the Financial Supervisory Commission may order it to transfer all the accounts related to its futures traders to another futures commission merchant which has entered into a succession contract with it. The subsidiary had signed the succession contracts with Cathay Futures Corporation, Jihsun Futures Corporation, and CTBC Securities Co., Ltd.

6. For the need of securities borrowing margin, the Company requested the bank guarantees for 2,700,000 thousand dollars.

7. The case of loan recovery between Global Treasure Investments Limited and Minda Consultancy Limited：

   According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) lent Minda Consultancy Limited (Minda) HKD 10,000 thousand dollars. However, Minda reneged on the contract and GT appealed to the Court against Minda for returning HKD 9,192 thousand dollars and additional interests. This case is currently in the process of Hong Kong court.

8. The contention about pledged stocks between Digital Imaging Solution Global Ltd., Minda Consultancy Limited, KGI Limited, and Global Treasure Investments Limited：

   The plaintiffs, Digital Imaging Solution Global Ltd. (Digital) and Minda Consultancy Limited (“Minda”) claimed that Global Treasure Investments Limited (GT) broke the pledged contract since GT and its fund manager including KGI Limited disposed 2,000 thousand shares of eCyberChina without the agreement of Digital and Minda based on the pledged stock derived from the loan, HKD 10,000 thousand dollars, between Minda and indirectly obtained the pledged stock 35,000 thousand shares of eCyberChina. Digital and Minda appealed to the Court and claimed HKD 119,130 thousand dollars and relevant expenses and interests against GT in November 2007. In February 2008, the plaintiffs also sued KGI Limited but the Hong Kong Court rejected the case on July 21, 2008. The plaintiffs appealed to the Court of Appeal and the Court of Appeal rejected Digital’s appeal in December 2008. This case of Minda’s part is currently proceeded by Court of Appeal.

X. **Significant Disaster Losses**

Not applicable.

XI. **Significant Subsequent Events**

1.To respond to the need for structure reorganization, the Company's subsidiary, Richpoint Company Limited resolved to dispose of its investments accounted for using the equity method in KGI Securities (Thailand) Public Company Limited and to sell all the shares it holds to the Company's investee, KGI Asia (Holding) Pte. Ltd.

2.To respond to the need for structure reorganization, ANEW Holdings Limited resolved to dispose of its investments in KGI Wealth Management Limited and sell all the shares it holds to the Company's investee, KGI Limited.

XII.**Others**

1.Financial risk management objectives and policies

(1) Financial risk management objectives

The Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of the Company and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, the Company uses risk appetite as a base according to venture capital allocation. While setting risk appetite, the Company takes the amount of circulating capital, finance and operational goal into consideration.

(2) Risk management organization

The organization structure of risk management includes the Board of Directors, risk management department, business departments and other related departments in charge, which is built to monitor, plan and execute risk management. The Company's business departments and back offices should comply with risk management regulations and report all anomalies and effects to Risk Management Committee ("RMC") and Investment Review Committee ("IRC") in time. The function and responsibility of RMC are as follows：

The Board of Directors is the principal decision making unit for risk management. It undertakes ultimate responsibility for risk management and monitors the overall execution of the risk management system.

The primary function and responsibility of committees are as follows：RMC carries out decisions made by the Board of Directors; examines the Company and each department's risk budgets, risk-based limits, and related management mechanism; considers risk management policies; and reviews risk reports submitted by each department to determine or adjust strategies accordingly. IRC examines securities underwriting, underwriting counseling cases, and general long-term investment cases. Merchandise Review Committee ("MRC") establishes merchandise evaluation mechanism and reviews financial instruments before the Company makes transactions.

The Company's business departments engage in formulating risk management mechanism, perform daily risk management and submit reports, and conduct internal control procedures in compliance with legal and risk management regulations.

Risk management department ensures risk management policies approved by the Board of Directors to be executed; develops various risk management standards and guidelines, and measures and monitors daily risks in compliance with them; produces and submits risk management reports periodically (by day, week, or month) to key management; and constructs or assists in constructing risk management information system.

Legal affair department is responsible for providing legal consultations, drafting contracts, reviewing and preserving major contracts and monitoring litigation cases.

Legal compliance department is responsible for conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible for making sure that all operations and management guidelines are up-to-date as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department handles all the requests and needs for funds from all departments and maintains loan commitments with financial institutions to lower capital cost and to manage capital liquidity risk.

Internal audit department inspects periodically how risk management guidelines are implemented in the Company and how business departments are operating and provides suggestions when necessary. It reports deficiencies or anomalies to the Board of Directors and follow up improvements.

Financial department, settlement department, information department, and other related departments should comply with risk management regulations, understand the risks originated from their activities, and take necessary risk management mechanism into account when establishing operation guidelines, and manage their delegated field, evaluation, price affirmation, profit or loss statement preparation, transaction process and confirmation, settlement activity, account affirmation, asset management, information security, and information maintenance.

(3) Risk management system

The content of the Company’s structure of risk management system covers major risks faced by the Company which includes market risk, credit risk, liquidity risk, operating risk and legal risk.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for the advice, constructs policies according to the parent company's regulations, then submits the proposal to RMC for approval.

(4) Risk management mechanism

The process of various risk management includes risk identification, risk measurement, risk monitoring and control and risk reports. And the evaluation and the measurement of important risk are as follows：

A. Market Risk

The Company restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restrains risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

The Company implemented the MSCI Risk Manager in June, 2013, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce venture capital allocation.

To establish reliability of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to understand the risk tolerance level of the Company.

B. Credit Risk

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms, single credit valuation level. Also, set different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine the Company’s credit risk exposure and the use of various credit risk limitation amount.

The Company sets proper credit limits by considering capital risk, the Company's net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. The Company would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

C. Liquidity risk

The liquidity risk could be divided into two categories: market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of the Company and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, according to the anticipation of the future cash need as well as the fund transferring ability of the Company to establish the fund-flow simulation analysis mechanism. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

D. Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

The operation risk of each unit’s business is examined and controlled by relative back desk unit such as clearing unit and the information department. In addition to the compliance of law and regulation, the internal audit department would implement control by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

(5) Risk hedge and mitigation strategy

The Company has set up hedge instruments and hedge operating mechanisms in all operations based on the Company's capital scale and risk tolerance. Such measures include: risk acceptance, risk averse, risk transfer and risk control. Reasonable risk avoidance mechanisms effectively limit the company's risk as approval. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

2.Analysis of Credit Risk

(1) Source of credit risk

The credit risks that the Company and subsidiaries are exposed to during financial transactions include issuer's credit risk and counterparties' credit risk, etc.

A. Issuer's credit risk refers to the risk of financial loss that the Company and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

B. Counterparties' credit risk refers to the risk of financial loss that the Company and subsidiaries face when a counterparty in derivative financial instrument transaction does not complete a transaction or fulfill a payment obligation on the appointed date.

(2) Internal Risk Rating

The Company and subsidiaries classify the credit risk of financial assets into four levels; the definition of each level is listed as follows：

A. Low Risk: a debt issuer who has a stronger capability to fulfill its financial commitment and is mostly able to repay the principal and interest on the appointed dates. This debt issuer /counterparty is capable of creating cash flow and is ranked as low risk to the Company.

B. Medium-low risk: a debt issuer who has a good capability to fulfill its financial commitment related to the debt with a sound financial structure but its ability to repay on time might be affected by poor economic conditions or changes in the environment. A debt issuer/counterparty like this is ranked as medium-low risk to the Company.

C. Medium Risk: a debt issuer who has an acceptable capability to fulfill its financial commitment related to the debt but its ability to repay might be affected by poor business operations, financial or economic conditions. A debt issuer/counterparty like this is ranked as medium risk to the Company.

D. High risk: a debt issuer/counterparty who has a poor capability to fulfill its financial commitment related to the debt and its ability to do so solely depends on its business operation and the stability of the economic environment. A debt issuer/counterparty like this is ranked as high risk to the Company.

The internal credit risk ratings used inside the Company and subsidiaries is not related to external credit ratings. The chart below shows the similarities of the credit quality in the Company's internal rating system and external rating system.

Interior Risk Rating of the Company and subsidiaries	Taiwan Ratings
Low Risk	twAAA ~ twAA
Medium-Low Risk	twAA- ~ twA
Medium Risk	twA- ~ twBBB-
High Risk	twBB+ ~ twC and lower

(3) Quality and past due of financial assets

6/30/15

Financial assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$15,380,777	$35,400	$125,058	$-	$-	$-	$-	$15,541,235
Financial assets measured at fair value through profit or loss-current	55,450,284	477,111	5,503,765	-	-	-	-	61,431,160
Available-for-sale financial assets-current	58,186	-	-	-	-	-	-	58,186
Bonds purchased under resale agreements	18,465,821	300,222	-	-	-	-	-	18,766,043
Receivables	58,610,583	14,596,875	3,707,925	864,686	-	-	-	77,780,069
Customers' margin accounts	31,146,935	-	-	-	-	-	-	31,146,935
Stock borrowing collateral price and stock borrowing margin	3,288,981	827,812	-	-	-	-	-	4,116,793
Other financial assets-current	2,839,529	44,900	-	-	-	-	-	2,884,429
Other current assets	35,325,388	26,100	-	-	-	-	-	35,351,488
Financial assets measured at fair value through profit or loss-non-current	50,760	-	-	-	-	-	-	50,760
Available-for-sale financial assets-non-current	-	-	31,692	-	-	-	-	31,692
Held to maturity financial assets-non-current	40,000	-	-	-	-	-	-	40,000
Other non-current assets	3,786,782	-	50,000	-	-	-	-	3,836,782
Total	$224,444,026	$16,308,420	$9,418,440	$864,686	$-	$-	$-	$251,035,572
Percentage	89.41%	6.50%	3.75%	0.34%	-	-	-	100.00%

12/31/14

Financial assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$13,332,088	$180,612	$-	$-	$-	$-	$-	$13,512,700
Financial assets measured at fair value through profit or loss-current	71,674,163	1,092,242	8,448,563	-	-	-	-	81,214,968
Available-for-sale financial assets-current	60,571	-	-	-	-	-	-	60,571

Financial assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Bonds purchased under resale agreements	8,457,201	1,000,000	-	-	-	-	-	9,457,201
Receivables	55,661,329	12,816,313	1,150,477	59,796	-	-	-	69,687,915
Customers' margin accounts	24,346,463	-	-	-	-	-	-	24,346,463
Stock borrowing collateral price and stock borrowing margin	2,069,095	277,680	-	-	-	-	-	2,346,775
Other financial assets-current	7,511,423	42,400	-	-	-	-	-	7,553,823
Other current assets	26,737,703	26,100	-	-	-	-	-	26,763,803
Financial assets measured at fair value through profit or loss-non-current	71,145	-	-	-	-	-	-	71,145
Available-for-sale financial assets-non-current	-	-	31,176	-	-	-	-	31,176
Held to maturity financial assets-non-current	190,000	-	-	-	-	-	-	190,000
Other non-current assets	3,911,721	-	50,000	-	-	-	-	3,961,721
Total	$214,022,902	$15,435,347	$9,680,216	$59,796	$-	$-	$-	$239,198,261
Percentage	89.48%	6.45%	4.05%	0.02%	-	-	-	100.00%

6/30/14

Financial assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$13,646,974	$101,836	$-	$-	$-	$-	$-	$13,748,810
Financial assets measured at fair value through profit or loss-current	60,691,041	1,022,736	9,238,725	-	-	-	-	70,952,502
Bonds purchased under resale agreements	12,583,022	249,023	-	-	-	-	-	12,832,045
Receivables	74,558,491	7,890,071	533,434	55,359	-	-	-	83,037,355
Customers' margin accounts	22,173,104	-	-	-	-	-	-	22,173,104
Stock borrowing collateral price and stock borrowing margin	1,379,275	238,275	-	-	-	-	-	1,617,550
Other financial assets-current	8,793,285	46,400	-	-	-	-	-	8,839,685
Other current assets	21,595,857	26,100	-	-	-	-	-	21,621,957
Financial assets measured at fair value through profit or loss-non-current	20,244	-	-	-	-	-	-	20,244
Available-for-sale financial assets-non-current	50,042	-	31,449	-	-	-	-	81,491
Held to maturity financial assets-non-current	230,165	-	-	-	-	-	-	230,165
Other non-current assets	4,021,416	-	50,000	-	-	-	-	4,071,416
Total	$219,742,916	$9,574,441	$9,853,608	$55,359	$-	$-	$-	$239,226,324
Percentage	91.86%	4.00%	4.12%	0.02%	-	-	-	100.00%

Financial assets for the Company and subsidiaries are divided into the following three categories based on their credit quality: positions that are neither past due nor impaired, past due but unimpaired, and impaired. Explanations are as follows：

A. Cash and cash equivalents

Cash and cash equivalents are primarily customers' margin deposited in accounts, designated by futures trading companies, for conducting futures transactions. Related departments of the Company evaluate periodically the future trading companies' financial, operational, and credit risk conditions, and manage credit risk based on the results. The Company finds only a partial of mentioned companies are evaluated as medium risk, which are little in proportion, therefore, the credit risk is effectively under control.

B. Financial assets measured at fair value through profit or loss-current

Medium risk financial assets refer to the unsecured corporate bonds, convertible (exchangeable) corporate bonds and CB asset swap that the Company possesses. Issuers of unsecured corporate bonds are listed/ OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank; the other unsecured, most of the issuers' risk is medium. The Company conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. The Company also reviews the risk exposure of the position periodically and therefore the credit risk is effectively under control.

C. Receivables

Receivables are the amount of margin loan receivables and trading securities receivable that the Company and subsidiaries shall collect from clients in credit transactions. If clients' risk ranked as medium (the collateral maintenance ratio from 140% to 130%) or high (the collateral maintenance ratio below 130%) collateral main risk, the Company and subsidiaries will closely monitor market fluctuations and counterparties credit history, and also enforce related control measures to minimize the credit risk it faces.

D. Available-for-sale financial assets-non-current

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Hwatai Bank that the Company's subsidiary, GSFC, holds. This issuer is ranked as medium risk.

E. Other assets-non-current

The medium risk financial assets under this category include the Company's guarantee deposits-out. The Company evaluates all counterparties based on the amounted materiality. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

3.Analysis of Capital liquidation risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/15

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$9,627,431	$5,913,804	$-	$-	$-	$15,541,235
Financial assets measured at fair value through profit or loss-current	63,722,936	9,319,058	10,438,829	312,110	253,401	84,046,334
Financial assets measured at cost-current	406,890	-	-	-	-	406,890
Available-for-sale financial assets-current	9,073,473	-	-	-	-	9,073,473
Bonds purchased under resale agreements	-	18,713,405	-	-	-	18,713,405
Receivables	47,816,974	6,210,361	20,372,421	3,380,313	-	77,780,069
Customers' margin accounts	31,146,935	-	-	-	-	31,146,935
Stock borrowing collateral price and stock borrowing margin	3,366,206	64,207	686,380	-	-	4,116,793
Other financial assets-current	-	100,000	2,784,429	-	-	2,884,429
Income tax assets	-	-	11,078	4	446,163	457,245
Other current assets	34,215,910	596,024	539,554	-	-	35,351,488
Financial assets measured at fair value through profit or loss-non-current	-	1,000	-	51,000	-	52,000
Financial assets measured at cost-non-current	-	-	-	415	1,077,891	1,078,306
Available-for-sale financial assets-non-current	-	-	31,692	-	102,021	133,713
Held to maturity financial assets-non-current	-	40,000	-	-	-	40,000
Investments accounted for using the equity method	-	-	-	-	2,008,364	2,008,364
Others non-current assets	80,000	-	100,332	438,490	3,255,172	3,873,994
Total	$199,456,755	$40,957,859	$34,964,715	$4,182,332	$7,143,012	$286,704,673
Percentage	69.57%	14.29%	12.19%	1.46%	2.49%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/15

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$23,264,418	$9,568,093	$-	$-	$-	$32,832,511
Commercial papers payable-net	-	14,340,274	-	-	-	14,340,274
Financial liabilities measured at fair value through profit or loss-current	5,519,902	2,481,902	5,452,453	1,448,918	259,258	15,162,433
Bonds sold under repurchase agreements	-	56,497,229	-	-	-	56,497,229
Payables	50,881,742	130,895	4,977,958	297,039	-	56,287,634

Statement of cash flow analysis for financial liabilities

6/30/15

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Securities lending refundable deposits	-	1,439,103	6,860,617	-	-	8,299,720
Futures customers' equity	30,261,318	-	-	-	-	30,261,318
Other current liabilities	429,395	3,318,871	1,011,309	108	-	4,759,683
Other financial liabilities-current	-	8,413,857	2,596	-	-	8,416,453
Income tax liabilities	-	10,157	262,405	920,239	20,164	1,212,965
Bonds payable	-	-	-	8,001,400	-	8,001,400
Liabilities reserve-non-current	-	-	-	-	160,181	160,181
Other non-current liabilities				361,028	50,434	411,462
Total	$110,356,775	$96,200,381	$18,567,338	$11,028,732	$490,037	$236,643,263
Percentage	46.63%	40.65%	7.85%	4.66%	0.21%	100.00%

Statement of capital liquidation gap

6/30/15

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$199,456,755	$40,957,859	$34,964,715	$4,182,332	$7,143,012	$286,704,673
Cash outflow	$110,356,775	$96,200,381	$18,567,338	$11,028,732	$490,037	$236,643,263
Amount of cash flow gap	$89,099,980	$(55,242,522)	$16,397,377	$(6,846,400)	$6,652,975	$50,061,410

Statement of cash flow analysis for financial assets

12/31/14

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$6,938,833	$6,573,867	$-	$-	$-	$13,512,700
Financial assets measured at fair value through profit or loss-current	75,930,453	8,620,059	14,156,780	143,940	66,476	98,917,708
Financial assets measured at cost-current	374,818	-	-	-	-	374,818
Available-for-sale financial assets-current	4,617,323	-	3,056,117	-	-	7,673,440
Bonds purchased under resale agreements	-	9,427,733	-	-	-	9,427,733
Receivables	38,132,891	7,011,254	21,464,255	3,079,515	-	69,687,915
Customers' margin accounts	24,346,463	-	-	-	-	24,346,463
Stock borrowing collateral price and stock borrowing margin	1,832,480	-	514,295	-	-	2,346,775
Other financial assets-current	-	-	7,553,823	-	-	7,553,823
Income tax assets	-	-	18,456	4	270,951	289,411
Other current assets	25,323,644	884,690	555,469	-	-	26,763,803
Financial assets measured at fair value through profit or loss-non-current	-	20,450	1,000	51,000	-	72,450
Financial assets measured at cost-non-current	-	-	-	9,268	1,068,031	1,077,299

Statement of cash flow analysis for financial assets

12/31/14

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Available-for-sale financial assets-non-current	-	-	-	31,176	112,593	143,769
Held to maturity financial assets-non-current	-	-	190,000	-	-	190,000
Investments accounted for using the equity method	-	-	-	-	2,222,317	2,222,317
Others non-current assets	-	-	200,000	359,740	3,473,394	4,033,134
Total	$177,496,905	$32,538,053	$47,710,195	$3,674,643	$7,213,762	$268,633,558
Percentage	66.07%	12.11%	17.76%	1.37%	2.69%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/14

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$15,928,632	$10,554,787	$-	$-	$-	$26,483,419
Commercial papers payable-net	-	9,258,974	-	-	-	9,258,974
Financial liabilities measured at fair value through profit or loss-current	2,620,787	2,756,717	4,749,195	1,731,368	70,683	11,928,750
Bonds sold under repurchase agreements	-	64,141,723	-	-	-	64,141,723
Payables	40,958,027	748,879	6,598,447	635,676	-	48,941,029
Securities lending refundable deposits	-	2,737,946	7,367,695	-	-	10,105,641
Futures customers' equity	23,790,080	-	-	-	-	23,790,080
Other current liabilities	526,013	1,471,442	2,447,202	73	-	4,444,730
Other financial liabilities-current	-	13,480,317	8,218	-	-	13,488,535
Income tax liabilities	-	829,760	57,789	1,149,100	9,211	2,045,860
Current portion of long-term borrowings	-	3,100,000	-	-	-	3,100,000
Bonds payable	-	-	-	1,020,680	-	1,020,680
Liabilities reserve-non-current	-	-	-	-	197,613	197,613
Other non-current liabilities	-	-	-	353,703	43,867	397,570
Total	$83,823,539	$109,080,545	$21,228,546	$4,890,600	$321,374	$219,344,604
Percentage	38.21%	49.73%	9.68%	2.23%	0.15%	100.00%

Statement of capital liquidation gap

12/31/14

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$177,496,905	$32,538,053	$47,710,195	$3,674,643	$7,213,762	$268,633,558
Cash outflow	83,823,539	109,080,545	21,228,546	4,890,600	321,374	219,344,604
Amount of cash flow gap	$93,673,366	$(76,542,492)	$26,481,649	$(1,215,957)	$6,892,388	$49,288,954

Statement of cash flow analysis for financial assets

6/30/14

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$7,176,389	$6,572,421	$-	$-	$-	$13,748,810
Financial assets measured at fair value through profit or loss-current	71,555,116	6,931,111	12,823,098	134,537	5,921	91,449,783
Financial assets measured at cost-current	292,801	-	-	-	-	292,801
Available-for-sale financial assets-current	4,339,389	-	-	-	-	4,339,389
Bonds purchased under resale agreements	-	12,831,748	-	-	-	12,831,748
Receivables	50,568,532	6,148,971	24,328,424	3,608,978	-	84,654,905
Other financial assets-current	-	-	8,839,685	-	-	8,839,685
Customers' margin accounts	22,173,104	-	-	-	-	22,173,104
Income tax assets	-	-	9,516	81	276,228	285,825
Other current assets	19,843,787	650,813	1,127,357	-	-	21,621,957
Financial assets measured at fair value through profit or loss-non-current	-	-	20,450	-	-	20,450
Financial assets at cost-non-current	-	-	-	9,268	947,009	956,277
Available-for-sale financial assets-non-current	-	50,042	-	31,449	3,075,771	3,157,262
Held to maturity financial assets-non-current	-	-	-	230,165	-	230,165
Investments accounted for using the equity method	-	-	-	-	1,964,685	1,964,685
Other non-current assets	175,000	-	400,000	362,435	3,122,316	4,059,751
Total	$176,124,118	$33,185,106	$47,548,530	$4,376,913	$9,391,930	$270,626,597
Percentage	65.08%	12.26%	17.57%	1.62%	3.47%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/14

Financial liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$19,853,793	12,004,197	$-	$-	$-	$31,857,990
Commercial papers payable-net	-	6,686,421	-	-	-	6,686,421
Financial liabilities measured at fair value through profit or loss-current	3,570,473	2,570,641	8,054,588	1,102,810	21,976	15,320,488
Bonds sold under repurchase agreements	-	58,847,193	364,521	-	-	59,211,714
Payables	44,226,692	39,954	4,354,954	447,319	-	49,068,919
Securities lending refundable deposits	-	1,003,819	7,054,983	-	-	8,058,802
Futures customers' equity	21,998,999	-	-	-	-	21,998,999
Other current liabilities	500,837	1,136,047	1,706,521	108	-	3,343,513
Other financial liability-current	-	11,558,607	39,278	-	-	11,597,885
Income tax liabilities	-	-	188,263	2,464,636	5,563	2,658,462
Current portion of long-term borrowings	-	-	3,100,000	-	-	3,100,000
Liabilities reserve-non-current	-	-	-	22,448	191,765	214,213

Statement of cash flow analysis for financial liabilities

6/30/14

Financial liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Other non-current liabilities	-	-	-	464,106	60,069	524,175
Total	$90,150,794	$93,846,879	$24,863,108	$4,501,427	$279,373	$213,641,581
Percentage	42.20%	43.93%	11.64%	2.10%	0.13%	100.00%

Statement of capital liquidation gap

6/30/14

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$176,124,118	$33,185,106	$47,548,530	$4,376,913	$9,391,930	$270,626,597
Cash outflow	90,150,794	93,846,879	24,863,108	4,501,427	279,373	213,641,581
Amount of cash flow gap	$85,973,324	$(60,661,773)	$22,685,422	$(124,514)	$9,112,557	$56,985,016

The Company has established statement of capital liquidation gap to estimate the financial assets and liabilities in future cash flows which can affect the Company and subsidiaries when it comes to fund dispatching. The cash flow gap statement on June 30, 2015, December 31 and June 30, 2014, shows that the sums from deducting cash outflow from cash inflow are 50,061,410 thousand dollars, 49,288,954 thousand dollars and 56,985,016 thousand dollars, respectively, all indicating sufficient fund liquidity.

Due to operational characteristics of securities firms, an observation of fund inflow and outflow in different periods of time shows that current receivable items contribute to the most of the financial assets of the Company and subsidiaries, taking up to nearly 69.57% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of the Company and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On June 30, 2015, December 31 and June 30, 2014, net cash inflow calculated from net spot financial assets are respectively 89,099,980 thousand dollars, 93,673,366 thousand dollars and 85,973,324 thousand dollars, which are sufficient to cover the net cash outflows of 62,088,922 thousand dollars, 77,758,449 thousand dollars and 60,786,287 thousand dollars from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

(2) Control mechanism of capital liquidity Risk

The independent fund-dispatching department established by the Company takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

The Company also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals (including cash, short-term investment and available financing credit) are below 120% of the safe reserve amount：

A. Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

B. Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to the Company.

4.Market risk analysis

Market risk is the risk of potential economic value reduction for securities or financial contracts that the Company and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates.

The Company utilizes risk factor sensitivity and value at risk to measure and contain market risks. The Company also holds regular stress test to help the management understand the extent to which the Company can handle stress in this dire economic environment.

(1) Risk factor sensitivity

Using product identification and analysis procedure held by the Company, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. The Company and subsidiaries monitor the following risk factor sensitivities：

A. Interest rate risk sensitivity: measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

B. Equity securities risk sensitivity: measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (As the potential loss amount given that the TAIEX and stock of respective companies drop 1%).

C. Exchange rate risk sensitivity: measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (As the potential loss amount given that the foreign currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by the Company and subsidiaries are as follows:

Comparisons of risk sensitive factors

Risk sensitivity	6/30/15	12/31/14	6/30/14
Interest rate risk	$9,709	$9,004	$6,034
Equity securities risk	18,004,428	15,841,025	17,229,321
Exchange rate risk	1,842,044	1,245,900	26,329

(2) Risk value

Risk value ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. The Company and subsidiaries use parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading days might see the loss of the positions exceeding the value at risk estimated the day before. The Company and subsidiaries continue to conduct back testing daily to ensure the reliability of the estimations made by the risk value model.

The comparison of risk value in the portfolio held by the Company and subsidiaries are as follows:

Risk type	For the six-month period ended June 30, 2015			6/30/15
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$366,916	$173,167	$693,508	$614,583
Interest Rate	80,907	45,744	131,062	94,557
Exchange Rate	7,582	1,264	16,892	8,889

Risk type	For the six-month period ended June 30, 2014			6/30/14
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$247,461	$166,725	$327,766	$220,129
Interest Rate	58,345	42,887	79,078	61,442
Exchange Rate	3,282	1	13,717	12,265

(3) Stress test

Stress test mainly examines the effects of extreme changes in market risk factors in an investment portfolio. It can serve as an assistive tool in monitoring and controlling of VAR. Since VAR is only an estimated value under certain statistical assumptions, it only reflects possible losses under normal market situations especially since it does not take into consideration the liquidity of an investment portfolio. Stress test can help a company's management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are sensitivity test and scenario analysis. Scenario analysis includes historic and hypothetical scenario analysis.

A. Sensitivity test

For certain risk factors in an investment portfolio, this test analyzes possible changes of profit/loss in exposure under given changes.

B. Scenario analysis

(A) Historic scenario analysis: using incidents that strongly impacted the market before such as Lehman Brothers in 2008 and subprime mortgage crisis in 2007, and this analysis applies the continuous changes of the risk factors of these incidents to the current market and portfolios and analyze how the profit/loss changes accordingly.

(B)Hypothetical scenarios analysis：

i.This analysis utilizes pressure scenarios defined by Derivative Policy Group. Test items include yield curve horizontal shift, yield curve twist, yield curve horizontal shift and twist, changes in stock index and changes in exchange rates in major countries.

ii.Expected incidents: considering the economic and political developments inside and outside Taiwan and referring to similar experience from the past, this analysis predicts all kinds of possible impacts to the market when a certain incident takes place in the future and examines the possible changes to the profit/loss of the Company's holding position. For example, the increasing possibility of war due to the rising intensity in Middle East may lead to the booming price of energy such as crude oil. Meanwhile, the global financial market would have greater fluctuation, resulting in expected inflation. Therefore, anticipate the potential policy adopted by Central Bank to determine the effect of series events on the risk factor of holding position, and further analyze the possible exposure.

Results of stress test based on the change of sensitivity as follows：

Risk Factor	Risk Indicators	Changes	Loss		
			6/30/15	12/31/14	6/30/14
Interest exposures	Yield curve	+ 50 bps	$(485,440)	$(450,117)	$(397,853)
Equity exposures	Equity index	- 25%	(4,501,107)	(3,960,256)	(5,050,129)
Exchange rate exposures	Exchange rate to USD	- 7 %	(128,943)	(87,213)	(1,843)

5.Fair value of financial instruments

(1)Fair value of financial assets and liabilities

Financial instruments	6/30/15	12/31/14	6/30/14
Financial assets			
Financial assets measured at fair value through profit or loss (including financial assets at cost)：			
Financial assets measured at fair value through profit or loss-current			
Non-derivative instruments			
Financial assets held for trading			
Lent securities	$18,045	$102,760	$192,082
Open-ended funds and monetary market instruments	6,849,425	6,303,224	6,247,635
Trading securities	73,711,441	89,807,323	83,484,766
Others	358,272	215,459	120,889
Derivative instruments			
Long options	105,572	25,881	40,267
Futures trading margins-proprietary funds	732,031	581,273	339,963
Derivative instrument assets	1,891,209	1,759,443	979,139
Financial assets measured at cost-current	406,890	374,818	292,801
Financial assets measured at fair value through profit or loss-non-current	50,760	71,145	20,244
Available-for-sale financial assets (including financial assets measured at cost):			
Available-for-sale financial assets−current	9,073,473	7,673,440	4,339,389
Financial assets measured at cost−non-current	1,078,306	1,077,299	956,277

Financial instruments	6/30/15	12/31/14	6/30/14
Available-for-sale financial assets-non-current	133,713	143,769	3,157,262
Held to maturity financial assets-non-current	40,000	190,000	230,165
Loans and receivables：			
Cash and cash equivalents (Cash on hand excluded)	15,537,689	13,509,118	13,745,310
Bonds purchased under resale agreements	18,766,043	9,457,201	12,832,045
Receivables-net	77,780,069	69,687,915	83,037,355
Customers' margin accounts	31,146,935	24,346,463	22,173,104
Stock borrowing collateral price and stock borrowing margin	4,116,793	2,346,775	1,617,550
Other financial assets-current	2,884,429	7,553,823	8,839,685
Other current assets	35,351,488	26,763,803	21,621,957
Other non-current assets			
Operating bond	1,458,079	1,898,415	2,073,749
Settlement/clearance fund	562,406	558,736	568,055
Guarantee deposits-out	1,587,595	1,455,693	1,380,736
Collaterals assumed	34,201	34,201	34,201
Financial liabilities			
Financial liabilities measured at fair value through profit or loss：			
Financial liabilities measured at fair value through profit or loss-current			
Financial liabilities held for trading			
Non-derivative instruments			
Bonds purchased under resale agreements -short sale	1,113,831	830,616	1,539,252
Liabilities for securities and bonds borrowed	7,986,119	4,495,468	6,915,295
Derivative instruments			
Liabilities for warrants issued	10,342,906	8,199,777	14,938,377
Repurchase warrants	(9,552,377)	(7,454,742)	(13,486,616)
Short options	93,585	23,255	21,474
Derivative instruments liabilities	2,938,427	3,701,786	4,270,213
Other financial liabilities-current	8,415,529	13,478,627	11,592,808
Financial liabilities are designated initially at fair value through profit or loss	1,826,574	1,966,485	1,041,680
Financial liabilities at amortized cost：			
Short-term borrowings	32,832,511	26,483,419	31,857,990
Commercial papers payable-net	14,340,274	9,258,974	6,686,421
Bonds sold under repurchase agreements	56,142,691	63,998,162	59,114,820
Payables	56,287,634	48,941,029	49,068,919
Securities lending refundable deposits	8,299,720	10,105,641	8,058,802
Futures customers' equity	30,261,318	23,790,080	21,998,999
Current portion of long-term borrowings	-	3,100,000	3,100,000
Bonds payable	8,001,400	1,020,680	-
Other financial liabilities-non-current			
Guarantee deposits-in	15,653	9,609	10,464

(2)Valuation techniques and assumptions in estimating fair value

The Company and subsidiaries adopt the following methods and assumptions in estimating the fair value of financial instruments:

A. Fair value of a short-term financial instrument is measured by its book value on the balance sheet. Short-term financial instruments usually expire soon and therefore it is reasonable to use their book value to estimate their fair value. This method can be applied to cash and cash equivalents, bonds purchased under resale agreements, accounts receivables, customers' margin accounts, Stock borrowing collateral price and stock borrowing margin, other financial assets-current, other assets-current, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accounts payables, securities lending refundable deposits, futures customers' equity and current portion of long-term borrowings.

B. Financial assets measured at cost: Due to the lack of a public quote in an active market, the fact that the interval in the estimated fair value is significant or it is not possible to fairly evaluate the possibilities of all estimated fair values in an interval. Therefore, it is not possible to measure the fair value dependably. No fair value has been disclosed as the result.

C. Held to maturity financial assets: If an active market has public quote, then the market price will be the fair value; when the market price is not available, the fair value can be estimated based on evaluation methods or counterparty's quote.

D. For financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets, their market prices should be their fair values when there are standard conditions and open quotes available in an active market. If there is no open quote available from an active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the said financial instruments. Discounted cash flow method is used to evaluate financial liability products when there is no quote available from an active market. The discount rate equals the return rate of the financial liability products with identical terms and characteristics in the market, including the debtor's credit record, interest frequency and the contract's remaining duration, etc.

E. Transactions of derivatives are evaluated using evaluation models while non-option derivatives are evaluated using discounted cash flow method. Options are evaluated using Black-Scholes Model. The market metrics used in such evaluations come from market price information in the centralized market and independent and trustworthy financial information institutions such as stock exchange, futures exchange, GreTai Securities Market, Reuters and Bloomberg. Prices are based on the market average price calculated from closing price, final settlement price and the market medium price that is collected regularly.

F. Due to the uncertain duration, fair values of the guaranteed deposits of other non-current assets and liabilities are measured by its book value.

G. Fair value of bonds payable is measured by the discounted predicted cash flows. The discounted rate is based on the similar terms (similar due date).

(3)Hierarchy of financial instruments at fair value

A. Definitions of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date. An active market is a market in which the instruments traded bears similar nature, and in which participants willing to enter into a transaction can be found at all times and price information can be accessed.

Level 2: inputs other than quoted prices included within level 1that are observable, either directly or indirectly, from an active market. For example:

(a) quoted price for similar financial instruments in active markets, that is, the fair value of the instrument is deduced from the recent trading price of similar financial instruments. Similar financial instruments are identified by their nature and specific terms. The fair value should be adjusted by considering factors include: time lag between latest transaction of similar financial instrument and the present transaction, difference in dealing terms, prices involving related-party transactions, relevancy between observable price for similar financial instrument and price of the financial instrument in question.
(b) quoted prices for identical or similar financial instruments in inactive markets.
(c) fair value measured with pricing model, using factors based on information are accessible from an active market.
(d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: inputs that are not based on observable inputs from an active market.

For assets and liabilities measured at fair value on a recurring basis, the Company re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Hierarchy of financial instruments measured at fair value

The Company and subsidiaries do not have any financial assets measured at fair value on a non-recurring basis. Assets and liabilities measured at fair value on a recurring basis, presented by fair value hierarchy are as follows:

6/30/15

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$21,060,841	$21,060,841	$-	$-
Bonds	51,664,232	18,629,333	33,034,899	-
Others	8,262,870	500,900	7,761,970	-
Available-for-sale financial assets				
Stocks	9,117,308	9,117,308	-	-
Bonds	89,878	58,186	31,692	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	9,099,950	5,961,411	3,138,539	-

6/30/15

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	2,728,812	948,223	1,778,593	1,996
Liabilities				
Financial liabilities measured at fair value through profit or loss	5,649,115	894,586	2,475,919	2,278,610

12/31/14

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$16,991,892	$16,991,892	$-	$-
Bonds	73,058,675	31,293,369	41,765,306	-
Others	6,449,344	734,892	5,714,452	-
Available-for-sale financial assets				
Stocks	7,725,462	7,725,462	-	-
Bonds	91,747	60,571	31,176	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	5,326,084	3,065,703	2,260,381	-
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	2,366,597	607,154	1,756,282	3,161
Liabilities				
Financial liabilities measured at fair value through profit or loss	6,436,561	836,998	2,612,454	2,987,109

6/30/14

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$20,202,978	$20,202,978	$-	$-
Bonds	63,470,730	23,163,174	40,164,983	142,573
Others	6,391,910	940,434	5,451,476	-
Available-for-sale financial assets				
Stocks	7,415,160	7,415,160	-	-
Bonds	81,491	-	81,491	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	8,454,547	3,718,319	4,736,228	-

6/30/14

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	1,359,369	383,245	973,828	2,296
Liabilities				
Financial liabilities measured at fair value through profit or loss	6,785,128	1,473,401	3,530,129	1,781,598

(A)Transfers between level 1 and level 2 fair value measured at recurring basis

Financial instruments measured at fair value	1/1/15-6/30/15		1/1/14-6/30/14	
	Transferred from level 1 to level 2	Transferred from level 2 to level 1	Transferred from level 1 to level 2	Transferred from level 2 to level 1
Financial assets measured at fair value through profit or loss Bonds	$6,371,071	$9,028,590	$3,383,865	$4,383,594
Financial liabilities measured at fair value through profit or loss Bonds	$101,678	$152,468	$-	$-

The above transfers between level 1 and level 2 fair value measurements were caused by change in benchmark bonds declared by Taipei Exchange (GreTai Securities Market).

(B)Reconciliation for level 3 fair value measured at recurring basis

The beginning balances and ending balances of financial assets and liabilities measured on a recurring basis at level 3 of fair value hierarchy are reconciled as follows:

a. Reconciliation for fair value assets measurements in Level 3 of the fair value hierarchy changes.

For the six-month period ended June 30, 2015

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized in profit or loss or recognized in OCI (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		Recognized in profit or loss	Recognized in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial assets measured at fair value through profit or loss-current	$3,161	$7,346	$-	$30,161	$-	$38,672	$-	$1,996

For the six-month period ended June 30, 2014

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized in profit or loss or recognized in OCI (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		Recognized in profit or loss	Recognized in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial assets measured at fair value through profit or loss-current	$151,084	$(12,778)	$-	$939,003	$-	$932,440	$-	$144,869

b. Reconciliation for fair value liabilities measurements in Level 3 of the fair value hierarchy changes.

For the six-month period ended June 30, 2015

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized in profit or loss or recognized in OCI (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		Recognized in profit or loss	Recognized in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial liabilities measured at fair value through profit or loss-current	$2,987,109	$(210,858)	$-	$707,629	$-	$1,205,270	$-	$2,278,610

For the six-month period ended June 30, 2014

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized in profit or loss or recognized in OCI (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		Recognized in profit or loss	Recognized in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial liabilities measured at fair value through profit or loss-current	$1,249,756	$194,853	$-	$745,510	$-	$408,521	$-	$1,781,598

c. The total gain or loss from financial assets and liabilities still held by the Company as of June 30, 2015 and 2014 are as follows:

	For six-month periods ended June 30	
	2015	2014
Total gain or loss		
Recognized in profit or loss	$81,042	$(141,480)

d. There are no significant changes in the Company and subsidiaries' valuation models or in levels of the fair value hierarchy between current and prior periods as of June 30, 2015 and 2014.

(C)Significant unobservable input information of level 3 fair value measured on recurring basis

The following table presents the Company and subsidiaries' primary level 3 financial instruments measured on a recurring basis, the quantitative information of significant unobservable inputs, used to measure fair value, and the sensitivity analysis for variation of those inputs.

6/30/15

	Valuation technique	Significant unobservable inputs	Qualitative information	Relationship between input and fair value
Financial assets:				
Derivative instruments				
Structured notes－Options	Martingale Pricing Technique	History Volatility	10.11%~39.13%	Depending on contract terms
Equity derivative instruments－long option	Martingale Pricing Technique	History Volatility	39.60%~39.60%	Depending on contract terms
Financial liabilities:				
Derivative instruments				
Structured notes－Options	Martingale Pricing Technique	History Volatility	7.27%~26.6%	Depending on contract terms
Equity derivative instruments－short option	Martingale Pricing Technique	History Volatility	14.79%~28.07%	Depending on contract terms
Financial liabilities designated initially at fair value－Structured notes	Reduced Form Pricing Technique	Credit Spread	37bps~402bps	The wider (narrower) the credit spread is, the lower (higher) fair value the liability has.

The Company adopts equally weighted moving average historical volatility when applying Martingale Pricing Technique. Original contract is taken into account while determining reasonable days to sample: with expiration period less than 6 months, the sampled days will be 20~180 days; with expiration period between 6 months to 12 months, the sampled days will be 20~360 days; with expiration period longer than 12 months, the sampled days will be 20 days unto original expiration days. Also, Reduced Form Pricing Technique is conducted through applying credit spread according to inputs in consistent with contract terms.

The Company and subsidiaries applied valuation technique and significant unobservable inputs as of December 31, 2014 and June 30, 2014 the same as June 30, 2015. According to IFRS 13, the Company and subsidiaries postponed applying its requirements till January 1, 2015, and do not need to disclose comparative information on qualitative information and relationship between input and fair value for periods before initial application.

The Company and subsidiaries adopt in discreet the valuation models and inputs, the fair value measurements should be reasonable.

6/30/15

	Sensitivity of relationship between input and fair value		Recognized in profit or loss	
	Inputs	Favored /disfavored change	Favored effect	Disfavored effect
Financial assets:				
Derivative instruments				
Structured notes－Option	History Volatility	+ 25% / -25%	$354	$320
Equity derivative instruments －long option	History Volatility	+ 25% / -25%	44	13
Total			$398	$333
Financial liabilities:				
Derivative instruments				
Structured notes－Option	History Volatility	-25% / +25%	$-	$-
Equity derivative instruments －short option	History Volatility	-25% / +25%	1,110	1,116
Financial liabilities designated initially at fair value－Structured notes	Credit Spread	50bps / -50bps	12,299	11,695
Total			$13,409	$12,811

6/30/14

	Sensitivity of relationship between input and fair value		Recognized in profit or loss	
	Inputs	Favored / disfavored change	Favored effect	Disfavored effect
Financial assets:				
Derivative instruments				
Structured notes－Option	History Volatility	+ 25% / -25%	$620	$509
Financial assets measured at fair value through profit or loss －Bond investment	Prepayment Speed	- 20% / +20%	334	213
Total			$954	$722
Financial liabilities:				
Derivative instruments				
Structured notes－Option	History Volatility	-25% / +25%	$-	$-
Equity derivative instruments －long option	History Volatility	-25% / +25%	1,588	1,573
Financial liabilities designated initially at fair value－Structured notes	Credit Spread	50bps / -50bps	7,946	8,064
Total			$9,534	$9,637

Evaluation process for level 3 fair value measurements

When fair value for a derivative instrument is not accessible or does not have any active market, the Company follows its “Asset valuation operation procedures”. The risk management department evaluates whether the fair value is reasonable, and the accounting department recognizes the instrument according to their conclusion.

(4)The fair value hierarchy of assets not measured in, but required to disclose fair value

6/30/15

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method (Note XI. 11)	$2,217,577	$-	$-	$2,217,577
Investment property (Note XI. 13)	-	-	636,842	636,842

12/31/14 and 6/30/14: Not applicable.

6.Transfer of financial assets

(1)Transferred financial assets that are not derecognized in their entirety

In the Company and subsidiaries' daily operational transactions, most transferred financial assets that are not derecognized in their entirety are either bonds sold under repurchase agreements to serve as pledge for opposing party, or lent securities based on securities lending agreements. Such transactions are pledged margin loans in their nature, securities are transferred to opponents when transactions occur. Therefore, cash flows from the securities are also transferred, the Company and subsidiaries recognize only the liabilities arising from the responsibilities of repurchasing those bonds at fixed or market price in the future. In the effective period of mentioned transactions, the Company and subsidiaries are not allowed to use, sell, or pledge those transferred financial assets, but still retain their interest rate risk, credit risk, and market risk, so they are not derecognized in their entirety.

Information on financial assets and related financial liabilities that are not derecognized in their entirety:

6/30/15					
	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	$56,274,495	$56,142,691	$56,274,495	$56,142,691	$131,804
Securities borrowing transactions	18,045	25,263	18,045	25,263	(7,218)

(2)Transferred financial assets that are derecognized in their entirety

The Company engages in asset swap transactions through trading convertible bonds, acquired through underwriting or dealing, sells them to opponent, and receives consideration. Within contract period, the Company swaps with opponent agreed interest return for interest and interest premium derived from the convertible bond. Also, the Company has the right to repurchase the convertible bond at any time before maturity date. The Company does not retain control on transferred asset because the transaction opponent can sell the financial asset to a third party, and there is no need to impose any restriction on the third party when such transfer occurs. The Company only retains the option to buy the trade object. The maximum exposure to loss is the book value of the asset. The following table analyzes information of transferred financial assets that are derecognized in their entirety and related financial liabilities:

6/30/15					
Type of continuing involvement	Cash outflow of repurchasing transferred (derecognized) financial assets	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement		Maximum exposure to loss
		Financial asset measured at fair value through profit or loss	Asset	Liability	
Long call option	$10,477,400	$546,105	$546,105	$−	$546,105

The following table discloses a maturity analysis of the undiscounted cash outflows of repurchasing transferred (derecognized) financial assets. Information on cash flow is based on circumstances of each financial reporting date.

6/30/15						
Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Long call option	$-	$389,700	$3,043,300	$7,044,400	$-	$10,477,400

For the type of continuing involvement "long call option", the following table discloses the gain or loss recognized at the date of transfer of the assets, and income and expenses recognized, both in the reporting period and cumulatively, from the Company's continuing involvement in the derecognized financial assets.

6/30/15			
Type of continuing involvement	Gain or loss recognized at the date of transfer	Income and expenses recognized in the reporting period	Income and expenses recognized cumulatively
Long call option	$(127,184)	$(144,026)	$(271,210)

7.<u>Offsetting financial assets and financial liabilities</u>

The disclosure requirements in IFRS 7 for offsetting financial assets and financial liabilities do not apply to the Company and subsidiaries' transactions on derivative instrument assets and derivative instrument liabilities. The Company and subsidiaries are allowed to offset the mentioned instruments only in the event of default and insolvency or bankruptcy.

The Company and subsidiaries enter with opponent into collateralized bonds sold under repurchase agreements, in which the Company and subsidiaries provide securities as collaterals. The Company and subsidiaries also enter with opponent into collateralized bonds purchased under resell agreements, in which the Company and subsidiaries receive securities as collaterals (that are not recognized in statement of financial position). Only in the event of default and insolvency or bankruptcy are these transactions allowed to set off, they do not meet the offsetting criterion in international accounting standards. Hence, the related bonds sold under repurchase agreements and bonds purchased under resell agreements are reported separately in the statement of financial position.

The following tables disclose information on offsetting of financial assets and financial liabilities mentioned above:

6/30/15						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$1,891,209	$-	$1,891,209	$-	$96,123	$1,795,086
Resell agreement	18,766,043	-	18,766,043	18,766,043	-	-
Total	$20,657,252	$-	$20,657,252	$18,766,043	$96,123	$1,795,086

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

6/30/15						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$2,938,427	$-	$2,938,427	$-	$1,528,849	$1,409,578
Repurchase agreement	56,142,691	-	56,142,691	56,142,691	-	-
Total	$59,081,118	$-	$59,081,118	$56,142,691	$1,528,849	$1,409,578

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

12/31/14						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$1,759,443	$-	$1,759,443	$-	$10,181	$1,749,262
Resell agreement	9,457,201	-	9,457,201	9,457,201	-	-
Total	$11,216,644	$-	$11,216,644	$9,457,201	$10,181	$1,749,262

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

12/31/14						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$3,701,786	$-	$3,701,786	$-	$856,449	$2,845,337
Repurchase agreement	63,998,162	-	63,998,162	63,998,162	-	-
Total	$67,699,948	$-	$67,699,948	$63,998,162	$856,449	$2,845,337

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

6/30/14						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$979,139	$-	$979,139	$-	$57,597	$921,542
Resell agreement	12,832,045	-	12,832,045	$12,832,045	-	-
Total	$13,811,184	$-	$13,811,184	$12,832,045	$57,597	$921,542

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

6/30/14						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	$4,270,213	$-	$4,270,213	$-	$397,488	$3,872,725
Repurchase agreement	59,114,820	-	59,114,820	59,114,820	-	-
Total	$63,385,033	$-	$63,385,033	$59,114,820	$397,488	$3,872,725

(Note) Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

8.Capital management

The main objective of the Company and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the corporation’s operation and maximize shareholders’ interests. The Company and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

9.Others

(1) Information for financial instruments

A.The amounts and reasons for reclassifications of financial assets：

According to the amendments to ROC SFAS No. 34 “Financial Instruments: Recognition and Measurement” in October 2008, the Company and subsidiary, GSFC, assessed part of their financial instruments are no longer held for trading purpose in the near term and not met the definition of loans and receivables. The Company and its subsidiary, GSFC, reclassified it to available-for-sale financial assets for 3,831,236 thousand dollars and 15,029 thousand dollars, respectively.

B.The book value and fair value of financial assets reclassified:

	6/30/15	
	Book value	Fair value
Available-for-sale financial assets-current	$5,284,687	$5,284,687

C. Changes in fair value of financial assets reclassified are recognized in profit or loss or other equity: None.

D. Disclosure of financial assets before and after reclassification recognized in profit or loss or other equity:

	Financial assets originally classified as held for trading	
	Amounts recognized in profit or loss before reclassification	Amounts recognized in profit or loss after reclassification (Note)
Before 2015	$1,792,447	$532,263
For the six-month period of 2015	835,874	-
Total	$2,628,321	$532,263

Note: The amounts recognized in profits/losses after reclassification include the impairment losses and realized gains or losses.

E. The effective interest rate for the financial assets reclassified on the reclassification date and the expected recoverable cash flow: Not applicable.

(2) The specific risk for futures dealer business

The futures dealer needs to maintain adequate liquidity in case its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment on deficiency.

(3) Restrictions and enforcement of the Company and subsidiaries’ various financial ratios under ROC Futures Commission Merchant Laws.

Futures department of the Company

Article #	Calculation Formula	6/30/15		12/31/14		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,808,942 / 777,798	2.33	1,011,350 / 466,132	2.17	≧1	Satisfied
17	Current assets / Current liabilities	2,536,285 / 353,327	7.18	1,434,251 / 143,281	10.01	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,808,942 / 400,000	452.24%	1,011,350 / 400,000	252.84%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,235,281 / 464,277	266.07%	658,514 / 463,206	142.16%	≧20% ≧15%	〃

Article #	Calculation Formula	6/30/14		Standard	Execution
		Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	949,572 / 236,975	4.01	≧1	Satisfied
17	Current assets / Current liabilities	1,150,483 / 19,505	58.98	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	949,572 / 400,000	237.39%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	784,514 / 229,364	342.04%	≧20% ≧15%	〃

KGI Futures

Article #	Calculation Formula	6/30/15		12/31/14		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	2,348,768 / 471,768	4.98	2,330,514 / 203,524	11.45	≧1	Satisfied
17	Current assets / Current liabilities	17,466,793 / 15,707,592	1.11	13,763,599 / 12,063,412	1.14	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	2,348,768 / 760,000	309.05%	2,330,514 / 760,000	306.65%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,966,151 / 3,022,610	65.05%	1,978,098 / 2,310,489	85.61%	≧20% ≧15%	〃

Article #	Calculation Formula	6/30/14 Calculation	6/30/14 Ratio	Standard	Execution
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	2,147,397 / 305,116	7.04	≧1	Satisfied
17	Current assets / Current liabilities	13,152,189 / 11,595,883	1.13	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	2,147,397 / 760,000	282.55%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,790,311 / 2,516,610	71.14%	≧20% ≧15%	〃

(4) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet and the statement of income of trust business and trust property catalog of the Company are disclosed as follows:

As approved by the Jin-Guan-Zheng-Quan Letter No.0990066178, the Company engages in new business of wealth management by trust, which is to conduct trust business concerning specific and separate money management. In addition, with the approval of Jin-Guan-Zeng-Quan Letter No. 1000039836, the Company was permitted to engage in trust business concerning specific and separate securities management and separately managed securities trust (securities lending business) specified in the operating range or methods as designated by the clients.

A. Balance sheet of trust business

	6/30/15	12/31/14	6/30/14
Cash in bank	$963,387	$819,113	$362,246
Financial assets	17,540,643	18,687,157	16,721,137
Receivables	104,333	34,370	53,694
Total trusted assets	$18,608,363	$19,540,640	$17,137,077

	6/30/15	12/31/14	6/30/14
Payables	$47,745	$19,781	$5,490
Trust capital	17,477,863	18,177,476	15,740,184
Reserves and retained earnings	1,082,755	1,343,383	1,391,403
Total trusted liabilities	$18,608,363	$19,540,640	$17,137,077

B. Income statement of trust business

	For the three-month period ended June 30		For the six-month period ended June 30	
	2015	2014	2015	2014
Revenues	$6,200	$546,570	$1,797,200	$1,640,692
Expenses	(308,125)	93,700	(1,236,967)	(535,920)
Income before tax	(301,925)	640,270	560,233	1,104,772
Income tax	-	-	-	-
Net income	$(301,925)	$640,270	$560,233	$1,104,772

C. Trust Property catalog

	6/30/15	12/31/14	6/30/14
Cash in bank	$963,387	$819,113	$362,246
Stocks	10,482,082	12,818,490	11,137,333
Funds	6,940,828	5,768,699	5,444,319
Structured notes	117,733	99,968	139,485
Total	$18,504,030	$19,506,270	$17,083,383

D. The trust capital consigned to the Company is set up as an independent account and prepared its own financial statements. The consigned assets and gains or losses of consigned assets are not included in the Company's financial statements.

(5) Foreign currencies having significant effect on the Company and subsidiaries' financial assets and liabilities are as follows:

	6/30/15			12/31/14		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$2,454,996	31.07	$76,240,835	$1,707,274	31.72	$54,144,135
HKD	173,292	4.01	694,183	138,252	4.09	565,282
GBP	1,033	48.68	50,290	131	49.32	6,460
JPY	1,071,018	0.25	270,369	339,254	0.26	89,772
EUR	1,181	34.61	40,878	831	38.53	32,006
CNY	577,912	5.01	2,893,607	865,261	5.10	4,415,774
AUD	262	23.89	6,258	486	25.96	12,620
Non-monetary Items						
USD	811,794	31.07	25,222,431	1,079,037	31.72	34,224,909
HKD	35,619	4.01	142,757	144,710	4.09	591,822
CNY	855,018	5.01	4,281,075	1,346,593	5.10	6,872,202
AUD	1,985	23.86	47,374	458	25.96	11,902
JPY	42,367	0.25	10,766	-	-	-
NZD	1,809	21.15	38,254	-	-	-
Investments accounted for using the equity method						
USD	64,447	31.07	2,002,354	69,872	31.72	2,216,211
Financial liabilities						
Monetary Items						
USD	3,935,675	31.06	122,245,549	3,265,209	31.72	103,558,649
HKD	57,332	4.00	229,427	28,071	4.09	114,674
GBP	354	48.48	17,140	63	49.27	3,100
JPY	1,044,174	0.25	263,550	328,501	0.26	86,921
EUR	515	34.44	17,737	184	38.47	7,066
CNY	1,125,112	5.01	5,633,436	1,068,724	5.10	5,454,127

Financial instruments	6/30/15 Foreign currency (thousand dollars)	Exchange rate	NTD	12/31/14 Foreign currency (thousand dollars)	Exchange rate	NTD
Non-monetary Items						
USD	182,733	31.07	5,677,507	314,816	31.72	9,985,342
HKD	-	-	-	34,360	4.09	140,522
JPY	42,367	0.25	10,766	-	-	-
CNY	338,318	5.01	1,693,958	158,675	5.10	809,782
AUD	1,985	23.87	47,374	458	25.96	11,902
NZD	1,809	21.15	38,254	-	-	-

Financial instruments	6/30/14 Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$2,695,556	29.92	$80,633,098
HKD	67,851	3.86	261,626
GBP	250	50.88	12,726
JPY	425,997	0.29	125,510
EUR	577	40.79	23,536
CNY	1,206,637	4.82	5,815,265
Non-monetary Items			
USD	316,153	29.92	9,457,707
HKD	139,384	3.86	537,967
CNY	160,643	4.82	774,205
Investments accounted for using the equity method			
USD	65,506	29.92	1,959,611
Financial liabilities			
Monetary Items			
USD	3,493,186	29.92	104,494,313
HKD	58,611	3.86	225,967
GBP	196	50.87	9,946
JPY	461,025	0.29	135,818
EUR	455	40.78	18,545
CNY	9,568	4.82	46,113
Non-monetary Items			
USD	217,275	29.92	6,499,790
CNY	35,402	4.82	170,617

Due to various types of functional currencies, it is inefficient for the Company and subsidiaries to disclose information on exchange differences by foreign currencies having significant effect on the Company and subsidiaries. Exchange differences are 92,151 thousand dollars and 72,154 thousand dollars for the six-month periods ending June 30, 2015 and 2014, respectively.