KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 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.

EY 安永
Building a better working world

安永聯合會計師事務所
11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.

Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/tw

English Translation of a Report Originally Issued in Chinese

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 December 31, 2015 and 2014, and the related consolidated comprehensive income statements, statements of changes in equity and statements of cash flows for the years ended December 31, 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, which statements mentioned above are based solely on the reports of the other auditors. The financial statements of these subsidiaries reflect NT 6,969,865 thousand dollars (2.54% of consolidated total assets) and NT 15,604,547 (5.49% of consolidated total assets) of total assets as of December 31, 2015 and 2014, respectively; and NT 90,559 thousand dollars (3.08% of consolidated income before income tax) and NT 92,940 thousand dollars (2.40% of consolidated income before income tax) of income before income tax for the years ended December 31, 2015 and 2014, respectively; and NT 1,961 thousand dollars loss (3.34%% of consolidated other comprehensive income and losses) and NT 428 thousand dollars loss (0.08% of consolidated other comprehensive income and losses) of the other comprehensive loss for the years ended December 31, 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, 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) as of December 31, 2014; and NT 249,196 dollars (6.43% of consolidated income before income tax) of share of the profit or loss associates and joint ventures accounting for using the equity method for the year ended December 31, 2014; and NT 1,914 dollars (0.36% of consolidated other comprehensive income and losses) of the other comprehensive income for the year ended December 31, 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 December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 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, International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee, and Standing Interpretation Committee Interpretations 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 years ended December 31, 2015 and 2014, under separate cover, on which we have issued a modified unqualified opinion thereon.

Ernst & Young
Taipei, Taiwan
Republic of China

March 25, 2016

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

December 31, 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

ASSETS	12/31/15	12/31/14
CURRENT ASSETS		
Cash and cash equivalents (Notes IV, VI.1 and VII)	$12,451,577	$13,512,700
Financial assets measured at fair value through profit or loss-current (Notes IV, VI.2, VI.20 and VII)	78,370,844	98,795,363
Financial assets measured at cost-current (Notes IV and VI.3)	891,740	374,818
Available-for-sale financial assets-current (Notes IV, VI.4, VII and VIII)	7,361,442	7,673,440
Bonds purchased under resale agreements (Notes IV and VI.6)	16,445,429	9,457,201
Margin loans receivable (Notes IV, VI.7 and VII)	36,427,062	46,247,925
Refinancing margin	6,563	2,666
Refinancing deposits receivable	5,462	2,622
Trading securities receivable (Notes VI.8)	2,726,584	13,932
Customers' margin accounts (Notes IV, VI.9 and VII)	31,684,109	24,346,463
Futures commission merchant receivable (Notes VI.10)	-	-
Stock borrowing collateral price	446,427	143,498
Stock borrowing margin	6,563,279	2,203,277
Notes receivable	707	1,268
Accounts receivable (Notes IV, VI.11)	17,670,580	23,419,502
Prepayments	288,517	272,182
Other financial assets-current (Notes IV and VI.1)	4,566,804	7,553,823
Current tax assets (Notes IV, and VII)	573,425	289,411
Other current assets (Notes VII and VIII)	34,706,980	26,763,803
Total Current Assets	251,187,531	261,073,894
NON-CURRENT ASSETS		
Financial assets measured at fair value through profit or loss-non-current (Notes IV, VI.2 and VIII)	50,443	71,145
Financial assets measured at cost-non-current (Notes IV and VI.3)	918,099	1,077,299
Available-for-sale financial assets-non-current (Notes IV, VI.4)	281,804	143,769
Held to maturity financial assets-non-current (Notes IV and VI.5)	300,000	190,000
Investments accounted for using the equity method (Notes IV, VI.12 and VIII)	2,102,991	2,222,317
Property and equipment (Notes IV, VI.13, VII and VIII)	6,295,222	6,169,036
Investment property (Notes IV, VI.14, VII and VIII)	285,870	289,937
Intangible assets (Notes IV, VI.15 and VI.31)	8,777,348	8,587,241
Deferred tax assets (Notes IV and VI.29)	401,372	437,238
Other non-current assets (Notes VI.16, VII and VIII)	3,862,012	4,215,779
Total Non-current Assets	23,275,161	23,403,761
TOTAL ASSETS	$274,462,692	$284,477,655

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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

December 31, 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	12/31/15	12/31/14
CURRENT LIABILITIES		
Short-term borrowings (Notes VI.17 and VII)	$15,800,326	$26,483,419
Commercial papers payable (Note VI.18)	5,102,353	9,258,974
Financial liabilities measured at fair value through profit or loss-current (Notes IV, VI.19 and VI.20)	13,721,222	11,762,645
Bonds sold under repurchase agreements (Notes IV, VI.21 and VII)	58,601,838	63,998,162
Deposits for short sales (Notes VI.7 and VII)	3,377,214	3,611,630
Short sales proceeds payable (Notes VI.7 and VII)	13,780,419	12,232,091
Securities lending refundable deposits	6,663,512	10,105,641
Futures customers' equity (Notes IV and VII)	30,716,503	23,790,080
Accounts payable (Notes VI.22 and VII)	31,595,874	33,097,308
Amounts received in advance	850	3,409
Amounts collected for other parties	4,648,854	1,495,585
Other payable	2,732,766	2,863,424
Other financial liabilities-current (Notes IV and VI.20)	12,074,908	13,478,627
Current tax liabilities (Notes IV and VII)	1,049,654	2,045,860
Current portion of long-term borrowings (Note VI.23)	1,006,520	3,100,000
Other current liabilities	123,025	85,721
Total Current Liabilities	200,995,838	217,412,576
NON-CURRENT LIABILITIES		
Bonds payable (Notes VI.23 and VII)	7,000,000	1,020,680
Liabilities reserve-non-current (Notes IV and VI.25)	155,574	197,613
Deferred tax liabilities (Notes IV and VI.29)	1,024,073	955,832
Other non-current liabilities (Notes IV and VI.24)	695,324	397,570
Total Non-Current Liabilities	8,874,971	2,571,695
Total Liabilities	209,870,809	219,984,271
EQUITY		
Capital stock abstract (Note VI.26)		
Common stock	37,988,123	37,988,123
Capital reserve (Notes IV and VI.26)	8,639,723	8,634,882
Retained earnings (Note VI.26)		
Legal reserve	3,611,026	3,287,220
Special reserve	7,599,614	6,952,000
Unappropriated earnings (Note VI.26)	2,323,499	3,351,171
Other equity		
Exchange differences resulting from translating the financial statements of a foreign operation	291,607	(102,117)
Unrealized gain or loss on available-for-sale financial assets	829,116	1,050,576
Equity attributable to owners of the parent company	61,282,708	61,161,855
Non-controlling interests (Note VI.26 and VI.32)	3,309,175	3,331,529
Total Equity	64,591,883	64,493,384
TOTAL LIABILITIES AND EQUITY	$274,462,692	$284,477,655

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 Years Ended 2015 and 2014

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

	For the Years Ended	
	2015	2014
REVENUES		
Brokerage handling fee revenue (Notes IV, VI.27 and VII)	$8,965,924	$7,810,355
Revenue from borrowed securities (Notes IV)	274,393	282,510
Revenue from underwriting business (Notes IV, VI.27 and VII)	508,414	624,740
Revenue from wealth management services-net	32,454	14,321
Gains/(losses) on disposal of trading securities-net(Notes IV and VI.27)	1,265,965	4,740,583
Revenue from providing agency service for stock affairs (Notes IV and VII)	158,251	167,432
Interest income (Notes IV and VI.27)	3,388,637	3,519,354
Dividend income (Notes IV)	666,542	769,453
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.27)	(874,240)	(353,314)
Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net (Notes IV and VI.27)	391,314	(279,484)
Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	168,317	(29,541)
Gains/(losses) on warrants issued-net (Notes IV and VI.20)	732,335	330,873
Gains/(losses) on derivative financial product-futures-net (Notes IV and VI.20)	(28,882)	(725,090)
Gains/(losses) on derivative financial product-GTSM-net (Notes IV and VI.20)	282,988	(2,170,759)
Other operating revenue (Notes IV, VI.27 and VII)	731,416	591,156
Total Revenues	16,663,828	15,292,589
COSTS AND EXPENSES		
Brokerage handling fee expenses (Notes IV)	804,041	905,599
Dealing handling fee expenses (Notes IV)	91,680	68,432
Refinancing handling fee expenses	852	816
Financial costs (Notes IV, VI.27 and VII)	990,472	713,627
Losses on trading of borrowed securities	266,752	115,985
Futures commission expenses	64,638	84,957
Settlement and clearing service expenditures	243,760	183,538
Other operating costs	154,332	139,170
Employee benefits expenses (Notes IV, VI.24, VI.27 and VII)	7,725,596	6,698,506
Depreciation and amortization (Notes IV and VI.27)	558,839	584,784
Other operating expenses (Notes IV, VI.27 and VII)	4,765,213	3,868,808
Total Costs and Expenses	15,666,175	13,364,222
INCOME FROM OPERATIONS	997,653	1,928,367
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.12)	179,345	249,113
Other income and costs (Notes IV, VI.14, VI.27 and VII)	1,761,406	1,697,734
Total Non-operating Income or Costs	1,940,751	1,946,847
INCOME BEFORE INCOME TAX	2,938,404	3,875,214
INCOME TAX EXPENSES (Notes IV and VI.29)	(327,330)	(524,363)
NET INCOME	2,611,074	3,350,851
OTHER COMPREHENSIVE INCOME (Note VI.28)		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(272,365)	136,346
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method- will not be reclassified	(3,031)	-
Income tax relating to components that will not be reclassified	46,394	(23,197)
Items that may be reclassified subsequently to profit or loss		
Exchange differences resulting from translating the financial statements of a foreign operation	531,952	617,204
Unrealized gain or loss on available-for-sale financial assets	(225,046)	(187,676)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method- will be reclassified	(135,718)	(2,389)
Income tax relating to components that will be reclassified	(858)	(2,383)
Current other comprehensive income-net of tax	(58,672)	537,905
CURRENT COMPREHENSIVE INCOME	$2,552,402	$3,888,756
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$2,552,411	$3,238,067
Prior interest under joint control	$-	$-
Non-controlling interests (Note VI.26 and Note VI.32)	$58,663	$112,784
CURRENT COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$2,495,763	$3,776,119
Prior interest under joint control	$-	$-
Non-controlling interests (Note VI.26 and Note VI.32)	$56,639	$112,637
EARNINGS PER SHARE (Note VI.30)		
Net income attributable to owners of the parent company	$0.67	$0.75

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 Years Ended 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 (Restated)	$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 year ended 2014	-	-	-	-	3,238,067	-	-	3,238,067	112,784	3,350,851
Other comprehensive income for the year ended 2014	-	-	-	-	113,104	614,333	(189,385)	538,052	(147)	537,905
Capital reduction	(8,000,000)	-	-	-	-	-	-	(8,000,000)	-	(8,000,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,844,655)	(2,844,655)
Shared-based payment transaction	-	1,330	-	-	-	-	-	1,330	-	1,330
Balance, December 31, 2014	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 year ended 2015	-	-	-	-	2,552,411	-	-	2,552,411	58,663	2,611,074
Other comprehensive income for the year ended 2015	-	-	-	-	(228,912)	393,724	(221,460)	(56,648)	(2,024)	(58,672)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(78,993)	(78,993)
Shared-based payment transaction	-	4,841	-	-	-	-	-	4,841	-	4,841
Balance, December 31, 2015	$37,988,123	$8,639,723	$3,611,026	$7,599,614	$2,323,499	$291,607	$829,116	$61,282,708	$3,309,175	$64,591,883

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 Years Ended 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	$2,938,404	$3,875,214
Adjustments to reconcile income before income tax expenses to net cash (used in)/provided by operating activities:		
Depreciation	301,907	312,794
Amortization	256,932	271,990
Reserve for bad debts	205,017	44,078
Interest expenses	990,472	713,627
Interest income	(3,944,689)	(4,185,063)
Dividend income	(945,545)	(951,470)
Shared-based payment transaction cost	4,841	1,330
Share of the profit or loss of associates and joint ventures accounting for using the equity method	(179,345)	(249,113)
(Gains)/losses on disposal of property and equipment	1,160	11,053
(Gains)/losses on disposal of investment property	-	(10,651)
Impairment loss on financial assets	36,531	8,325
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	20,590,509	(26,718,863)
Financial assets measured at cost-current	(682,909)	121,287
Available-for-sale financial assets-current	-	(58,010)
Bonds purchased under resale agreements	(6,988,228)	670,657
Margin loans receivable	9,820,863	(5,112,465)
Refinancing margin	(3,897)	45,195
Refinancing deposits receivable	(2,840)	43,946
Trading securities receivable	(2,712,652)	(13,932)
Customers' margin accounts	(6,374,089)	(5,826,168)
Stock borrowing collateral price	(302,929)	(16,279)
Stock borrowing margin	(4,360,002)	1,353,532
Notes receivable	561	50,156
Accounts receivable	6,735,356	5,992,196
Prepayments	47,031	(117,633)
Other financial assets-current	2,987,019	(3,181,169)
Other current assets	(8,265,553)	(3,690,831)
Financial assets measured at fair value through profit or loss-non-current	20,702	(50,710)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	1,958,317	(1,048,822)
Bonds sold under repurchase agreements	(5,396,324)	22,667,406
Deposits for short sales	(234,416)	(215,770)
Short sales proceeds payable	1,548,328	920,308
Securities lending refundable deposits	(3,442,129)	1,294,944
Futures customers' equity	6,926,423	3,218,430
Accounts payable	(3,270,105)	(2,472,587)
Amounts received in advance	(2,559)	1,627
Amounts collected for other parties	3,153,269	(215,574)
Other payable	(311,846)	535,174
Other financial liabilities-current	(1,403,719)	(196,458)
Other current liabilities	37,304	341
Liabilities reserve-non-current	(42,039)	(20,559)
Other non-current liabilities-others	(675,937)	17,676
Cash provided by/(used in) operating activities	9,019,194	(12,575,748)
Interest received	4,237,720	3,904,043
Dividend received	666,542	769,453
Interest paid	(986,635)	(712,557)
Income tax paid	(1,458,075)	(660,724)
Net cash provided by/(used in) operating activities	11,478,746	(9,275,533)

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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 Years Ended 2015 and 2014

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of available-for-sale financial assets-non-current	4,088	83,150
Purchase of financial assets measured at cost-non-current	(49,500)	(252,022)
Disposal of financial assets measured at cost-non-current	30,561	49,655
Refunding of financial assets measured at cost	90,058	58,230
Purchase of held to maturity financial assets-non-current	(300,000)	(50,000)
Disposal of held to maturity financial assets-non-current	190,000	190,000
Refunding of investments accounted for using the equity method	3,091	-
Purchase of property and equipment	(335,887)	(199,351)
Disposal of property and equipment	1,434	3,581
Disposal of investment property	-	33,039
Operation bond	450,675	498,299
Settlement/clearance fund	(1,988)	62,323
Guarantee deposits-out	80,741	(359,945)
Purchase of intangible assets	(34,710)	(56,904)
Other non-current assets	(249,904)	19,887
Acquisition of subsidiaries (deduct cash received)	49,184	(1,204,945)
Dividend received	518,884	416,983
Net cash provided by/(used in) investing activities	446,727	(708,020)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	(10,683,093)	13,276,709
Commercial papers payable	(4,156,621)	7,342,796
Long-term borrowings	7,000,000	1,020,680
Increase/(decrease) in long-term borrowings	(3,100,000)	-
Cash dividends	(2,458,744)	(2,445,173)
Capital surplus cash payments	-	(912,033)
Cash reduction of capital	-	(10,730,260)
Net cash provided by/(used in) financing activities	(13,398,458)	7,552,719
EFFECTS OF EXCHANGE RATE CHANGES	411,862	434,841
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,061,123)	(1,995,993)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	13,512,700	15,508,693
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$12,451,577	$13,512,700

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

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 December 31, 2015, the Company had 83 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 March 25, 2016.

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 year ended December 31, 2015 and 2014. Please refer to Note VI.

(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. This amendment affects the Company and subsidiaries only on notes of financial statements, and not on recognition and measurement. 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 Amortization	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
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 Consolidated Financial Statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note 5
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 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Applying the Consolidation Exception	January 1, 2016
IFRS 16 Lease	January 1, 2019
Amendments to IAS 12 Income Tax - Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 7 Cash Flow Statement Disclosure Initiative	January 1, 2017

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.
5. After resolution, this amendment is postponed, but it is still allowed to be applied in advance.

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 paragraph B5.4.12 of IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement AG79 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”

This amendment clarifies that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation 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 Business Combinations, 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. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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.

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 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 IASB restored the option which was removed in 2003 to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the 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 the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the 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 Interim Financial Reporting.

IAS 19 Employee Benefits

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

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 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities 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 10.4, 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.

IFRS 16 Lease

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

IAS 12"Income Taxes"- Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses.

Disclosure Initiative - Amendment to IAS 7 “Statement of Cash Flows”

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period.

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, International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee, and Standing Interpretation Committee Interpretations as recognized by FSC of the ROC.

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**

Preparation principle of consolidated financial statement

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.

The consolidated entities are as follows:

			Percentage of ownership	
Investor	Name of subsidiaries	Primary business	12/31/15	12/31/14
KGI Securities Co. Ltd	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00
〃	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting; discretionary investment services	100.00	100.00
〃	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00
〃	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00
〃	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	99.99	99.99
〃	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61
〃	Global Securities Finance Corporation (GSFC) (Note)	Securities finance	21.99	21.99
KGI Futures Co. Ltd.	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	-
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00
〃	ANEW Holdings Limited	Investments holdings	100.00	100.00
KGI International Holdings Limited	KG Investments Pacific Limited	Investment services	100.00	100.00
〃	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership 12/31/15	12/31/14
KGI International Holdings Limited	Pacific Glory Finance One Limited	Investment services	100.00	100.00
〃	KGI Limited	Investments holdings	100.00	100.00
〃	Supersonic Services Inc.	Investments holdings	100.00	100.00
〃	KGI International Limited	Investments holdings	100.00	100.00
〃	Bauhinia 88 Ltd.	Investments holdings	100.00	100.00
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment services	100.00	100.00
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment services	100.00	100.00
〃	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00
〃	Global Treasure Investments Limited	Investment services	100.00	100.00
〃	KGI Investments Management Limited	Insurance brokerage	100.00	100.00
〃	KGI International Finance Limited	Investment and financing services	100.00	100.00
〃	KGI Nominees Limited	Trust agent	-	100.00
〃	KGI Hong Kong Limited	Management consulting services	100.00	100.00
〃	KGI Asia Limited	Securities investment services	100.00	100.00
〃	KGI Capital Asia Limited	Securities investment services	100.00	100.00
〃	Bauhinia 8 Fund	Fund company	-	100.00
〃	KGI Global Asset Management Limited	Asset management	-	100.00
〃	Grand Cathay Securities (Hong Kong) Limited	Securities investment services	100.00	100.00
〃	KGI Asset Management Limited	Asset management	100.00	100.00
〃	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00
〃	KGI Wealth Management Limited	Securities investment services	100.00	100.00
〃	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00
Supersonic Services Inc.	KGI Korea Limited	Investments holdings	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00
〃	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00
〃	Jubilant Dynasty Limited	Investment services	-	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00
〃	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00
〃	KGI Finance Limited	Investment and financing services	100.00	100.00

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

Note: The Company acquired over half voting rights of GSFC's Board of Directors and the chairman is assigned by the Company. According to IFRS, it can be determined that the Company have 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 1, 2015, and AmFraser changed its name to KGI Fraser Securities Pte. Ltd. which was approved by the Jin-Guan-Zheng-Quan Letter No. 1030039427. Therefore, these two companies mentioned above are included in the consolidated financial statements of the Company from 2015.

D. KGI Information Co. Ltd. was established on November 12, 2015 and included in the consolidated financial statements of the Company from 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 such as those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group, or guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within 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 intended to be sold or consumed 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 and which are subject to 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 and subsidiaries become 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 plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets

The Company and subsidiaries account 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 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.

<u>Available-for-sale financial assets</u>

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 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.

<u>Held to maturity financial assets</u>

Non-derivative financial assets with fixed or determinable payments are classified as held to maturity when the Company and the subsidiaries have 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as 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 debt instrument 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Company and subsidiaries assess 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:

A significant financial difficulty of the issuer or obligor; or
B. a breach of contract, such as a default or delinquency in interest or principal payments; or
C. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
D. 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 and subsidiaries determine 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.

Derecognition of financial assets

A financial asset is derecognized when:

A. the rights to receive cash flows from the asset have expired;
B. Transferred assets and substantially all the risks and rewards of the assets have been transferred; or
C. 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 of the financial asset between the part that continues to be recognised and the part that is derecognised based on relative fair values at the date of 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 part that continues to be recognised and the part that is derecognised based on relative fair values at the date of transfer.

(2) Financial liabilities and equity instrument

Classification of liability and equity instrument

The Company and subsidiaries classify 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.

A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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 the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

A. 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".

B. 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 interest bearing 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 under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, 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

For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using the latest transactions in the fair market; 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible to by the Company and subsidiaries.

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 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 use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Collateralized Securities Transactions

(1) 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. 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.

(2) 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", which is grouped under current liabilities in the balance sheet. At the balance sheet date, such items are recorded 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. Futures Transaction

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. Investments in Associates or Joint Venture

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 and subsidiaries have 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 and subsidiaries have 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 subsidiaries and the associate or the joint venture are eliminated to the extent of the related interest of the Company and subsidiaries in the associate or the joint venture.

The Company and subsidiaries recognize 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 holding percentage of the Company and subsidiaries. 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 and subsidiaries do not subscribe the new issuance of capital based on holding percentage, the Company and subsidiaries adjust the accounts of "capital reserve" and "investments accounted for using the equity method". When the holding percentage decreases, reclassifies other comprehensive income/loss recognized previously to income/loss or other appropriate accounts based on the decreasing percentage. 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 and subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. The Company and subsidiaries calculate 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 and subsidiaries measure and recognize 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 investment of the Company and subsidiaries in an associate switch to investment in a joint venture, the Company and subsidiaries continue applying the equity method and do not revalue its retained earnings, and vice versa.

14. Property and Equipment

(1) Property and equipment is 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 life for building is 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

Leases in which the Company and subsidiaries do not transfer substantially all the risks and benefits of ownership of the asset 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 include 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 for goodwill, the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Depreciable amount is the cost of an asset less its accumulated depreciation.

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 and subsidiaries assess 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 and subsidiaries should test the assets individually or the cash-generating unit ("CGU"). When 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. An asset's recoverable amount is the higher of its fair value or its value in use.

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 and subsidiaries estimate the asset's or cash-generating unit'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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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 and subsidiaries have 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 subsidiaries 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 and related transaction costs 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. Gain (losses) on future contracts resulted from fair value measurement, reversing trade, or delivery is recognized daily. 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 restructuring-related costs or 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.

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 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. The calculation of income tax still follows the principle stated above. The tax receipts and tax payments arising from the consolidated income tax returns are used to adjust 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.

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 preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below.

1. The Fair Value of Financial Instruments

Where the fair value of financial assets and liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example: the discounted cash flows model) or Black-Scholes Model. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII.5.

2. **Goodwill**

The Company evaluates whether the goodwill impairs annually. Adopting appropriate discount rate to estimate the CGU's recoverable value of goodwill, and execute the impaired evaluation tests for goodwill. As of December 31, 2015, the goodwill's book value is 6,997,437 thousand dollars, and the evaluated recoverable amount is higher than the CGU′s book value. Hence, impairment for goodwill is not necessary.

3. **Post-Employment Benefits**

The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the change of discount rate and expected future salaries. The assumption used for measuring pension cost and the present value of the pension obligation are disclosed in Note VI.24.

4. **Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

VI. Contents of Significant Accounts

1. **Cash and Cash Equivalents**

	12/31/15	12/31/14
Cash on hand	$3,556	$3,582
Cash in banks	5,973,309	12,323,394
Cash equivalents		
Short-term commercial papers and bonds	5,236,984	456,615
Excess Margin	1,237,728	729,109
Total	$12,451,577	$13,512,700

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

	12/31/15	12/31/14
Interest rates	0.35%-0.41%	0.53%-0.66%

(2) As of December 31, 2015 and 2014, the certificate of deposits over three months from the original due date are classified as other financial assets-current, and the amounts are 4,566,804 thousand dollars and 7,553,823 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

	12/31/15	12/31/14
Current		
Financial assets held for trading		
Lent securities	$54,860	$102,760
Open-ended funds and monetary market instruments	6,673,779	6,303,224
Trading securities-dealing-net	63,945,974	81,714,083
Trading securities-underwriting-net	1,540,743	2,005,382
Trading securities-hedging-net	3,829,090	6,087,858
Long options	64,283	25,881
Futures trading margins-proprietary funds	381,988	581,273
Derivative financial product assets	1,857,035	1,759,443
Others	23,092	215,459
Total	$78,370,844	$98,795,363
Non-current		
Financial assets held for trading	$50,443	$71,145

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

(1) Lent securities

	12/31/15	12/31/14
Listed/OTC company stock	$62,728	$102,085
Valuation adjustments	(7,868)	675
Market value	$54,860	$102,760

(2) Open-ended funds and monetary market instruments

	12/31/15	12/31/14
Funds	$247,299	$580,800
Others	6,424,867	5,714,452
Subtotal	6,672,166	6,295,252
Valuation adjustments	1,613	7,972
Market value	$6,673,779	$6,303,224

(3) Trading securities-dealing-net

	12/31/15	12/31/14
Listed/OTC/ESM company stock	$6,192,569	$5,147,937
Listed/OTC company warrants	28,765	13,818
Listed/OTC company corporate bonds and government bonds	39,499,081	40,282,575
Foreign securities	16,888,071	34,455,079
Others	46	47
Subtotal	62,608,532	79,899,456
Valuation adjustments	1,337,442	1,814,627
Market value	$63,945,974	$81,714,083

(4) Trading securities-underwriting-net

	12/31/15	12/31/14
Listed/OTC company stock	$454,657	$553,536
Listed/OTC company corporate bonds	672,247	1,046,381
Subtotal	1,126,904	1,599,917
Valuation adjustments	413,839	405,465
Market value	$1,540,743	$2,005,382

(5) Trading securities-hedging-net

	12/31/15	12/31/14
Listed/OTC company stock	$2,771,899	$5,437,984
Listed/OTC company warrants	64,000	144,057
Foreign securities	1,085,737	439,853
Subtotal	3,921,636	6,021,894
Valuation adjustments	(92,546)	65,964
Market value	$3,829,090	$6,087,858

(6) Long options

	12/31/15	12/31/14
Index options	$64,955	$22,446
Stock options	4,627	1,993
Subtotal	69,582	24,439
Open interest	(5,299)	1,442
Market value	$64,283	$25,881

(7) Futures trading margins-proprietary funds

	12/31/15	12/31/14
Account balance	$367,701	$642,595
Open interest	14,287	(61,322)
Account value	$381,988	$581,273

(8) Please refer to Note VI.20 for detail of derivative financial product assets.

(9) Others

	12/31/15	12/31/14
Other financial assets	$23,452	$203,211
Valuation adjustments	(360)	12,248
Market value	$23,092	$215,459

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

	12/31/15	12/31/14
Government bonds	$51,241	$71,727
Valuation adjustments	(798)	(582)
Market value	$50,443	$71,145

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

	12/31/15	12/31/14
Current		
Stock		
ESM company stock	$891,740	$374,818
Non-current		
Stock		
Taiwan Depository & Clearing Corp.	$74,932	$74,932
Taiwan Futures Exchange Corp.	151,125	151,125
Taiwan Stock Exchange Corp.	369,199	369,199
Dragon Investment Fund I Co., Ltd.	18,697	53,406
Shin Sheng Venture Capital Investment Corporation	-	12,165
He Ding Venture Capital Investment Corporation	35,224	38,909
Lien Ding Venture Capital Investment Corporation	21,134	23,345
Zuen Ping Venture Capital Investment Corporation	267	12,902
WK Technology Fund VIII	25,500	30,000
Centillion III Venture Capital Corporation	6,300	21,000
Prodence Venture Investment Corporation	17,120	18,870
TSC Venture Capital Corporation	2,700	2,700
Honpang Venture Capital Corporation	415	9,268
Reber Genetics Co., Ltd.	-	669
SAN-BYTE Co., LTD.	49,000	49,000
General Energy Solutions INC.	22,500	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
Chang Wah Technology Co., Ltd.	10,000	25,000
JMC Electronics Co., Ltd.	30,000	-
Victor Taichung Machinery Works Co., Ltd.	743	743
Taiwan High Speed Rail Corporation	-	25,000
CCM Global Limited	-	2,776
Total	$918,099	$1,077,299

(1) Shin Sheng Venture Capital Investment Corporation discharged the liquidator and acquired approval for all records relating to its liquidation from special shareholders' meeting held on December 23, 2015. Residual assets were distributed on December 25, 2015.

(2) Zuen Ping Venture Capital Investment Corporation obtained consent for its liquidation and dissolution at the annual meeting of shareholders held on May 17, 2015.

(3) The invested companies mentioned above assessed their recoverable amounts in the end of 2015. Among them, Dragon Investment Fund I Co., Ltd and Zuen Ping Venture Capital Investment Corporation recognized impairment loss of 29,026 thousand dollars and 7,505 thousand dollars respectively.

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

4. Available-for-Sale Financial Assets

	12/31/15	12/31/14
Current		
Listed/OTC company stock	$7,302,593	$7,612,869
Foreign securities	58,849	60,571
Total	$7,361,442	$7,673,440
Non-current		
Listed/OTC company stock	$162,177	$28,417
Bank Debentures	30,403	31,176
Foreign securities	89,224	84,176
Total	$281,804	$143,769

(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

	12/31/15	12/31/14
Non-current		
Corporate bonds	$-	$190,000
Bank Debentures	300,000	-
Total	$300,000	$190,000

(1) The subsidiary held Taiwan Power Company corporate bond on December 31, 2014 with the face value 40,000 thousand dollars and 150,000 thousand dollars respectively and the coupon rate 1.39% and 1.38% respectively.

(2) The subsidiary held subordinated debentures of Sunny Bank and Hwatai Bank on December 31, 2015 with the face value 200,000 thousand dollars and 100,000 thousand dollars respectively; both of the coupon rate are 2.50%.

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

6. Bonds Purchased under Resale Agreements

	12/31/15	12/31/14
Government bonds	$9,882,731	$5,865,331
Corporate bonds	2,813,252	1,750,966
Bank Debentures	3,749,446	1,840,904
Total	$16,445,429	$9,457,201
Resold amount as specified in respective agreements plus accrued interest	$16,432,569	$9,427,733
Resold date as specified in respective agreements	2016.1.4-2016.1.29	2015.1.7-2015.2.12

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% for OTC stock on December 31, 2015 and 2014. Annual interest rate on the loans is 6.30%-6.45% for the years ended December 31, 2015 and 2014.

According to the Securities and Futures Bureau, the Company and subsidiaries render the service of securities lending shall charge deposits for short sales or equivalent collaterals by proportion. The ratio is 90% for December 31, 2015 and 2014. Annual interest rate on the payables and collaterals were 0.1%-0.2% for the years ended December 31, 2015 and 2014.

8. Trading securities receivable

	12/31/15	12/31/14
Trading securities receivable- securities held by the clients as collateral	$2,726,584	$13,932

The Company and subsidiaries lend money to the clients and took the securities held by them as collateral. According to the related regulations, the collateral coverage ratio should not be lower than 130%.

9. Customers' Margin Accounts

	12/31/15	12/31/14
Cash in banks	$12,707,590	$8,487,500
Marking to market from the clearing house	1,428,080	2,178,835
Marking to market from the other futures brokers	610,207	533,776
Securities	109	291
Foreign customers' margin accounts	16,938,123	13,146,061
Total	$31,684,109	$24,346,463

10. Futures Commission Merchant Receivable

	12/31/15	12/31/14
Futures commission merchant receivable	$108,003	$109,585
Less: Allowance for bad debt	(108,003)	(109,585)
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 December 31, 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.

11. Accounts Receivable

	12/31/15	12/31/14
Exchange clearing receivable	$3,026,676	$5,579,197
Accounts receivable for settlement- brokerage	7,633,473	11,672,354
Accounts receivable for settlement- non-brokerage	5,630,808	4,150,797
Others	1,379,623	2,017,154
Total	$17,670,580	$23,419,502

12. Investments Accounted for Using The Equity Method

Investee	12/31/15 Amount	12/31/15 Ratio	12/31/14 Amount	12/31/14 Ratio
Investments in associates				
KGI Securities (Thailand) Public Company Limited	$2,058,308	34.97	$2,163,183	34.97
Trinitus Asset Management Limited	41,041	40.00	53,028	40.00
CDIB BioScience Ventures Management	3,642	1.20	6,106	1.20
Total	$2,102,991		$2,222,317	

(1) Investments in 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 2,182,797 thousand dollars and 2,323,691 thousand dollars as of December 31 2015 and 2014 respectively.

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

	12/31/15	12/31/14
Current assets	$5,606,432	$6,720,190
Non-current assets	2,148,516	2,181,893
Current liabilities	(2,996,711)	(3,804,421)
Non-current liabilities	(134,916)	(122,872)
Non-controlling interests	(2,510)	(2,503)
Attributed to controlling interests	$4,620,811	$4,972,287
Ownership ratio	34.97%	34.97%
Proportion of ownership	$1,615,898	$1,738,809
Goodwill	442,410	424,374
Book value	$2,058,308	$2,163,183

	For the years ended December 31	
	2015	2014
Revenue	$2,216,014	$2,309,215
Profit or loss from continuing operations	$550,335	$712,604
Other comprehensive income	20,297	5,472
Total comprehensive income	$570,632	$718,076
Dividends received from associate	$239,881	$234,966

B. The Group's investments in Trinitus Asset Management Limited and CDIB BioScience Ventures Management. are not material. The carrying amounts of the investment are 44,683 thousand dollars and 59,134 thousand dollars as of December 31 2015 and 2014 respectively, and the proportionate aggregate financial information of investments is as follows:

	For the years ended December 31	
	2015	2014
Profit or loss from continuing operations	$(13,096)	$(84)
Other comprehensive income	(19)	(550)
Total comprehensive income	$(13,115)	$(634)

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

	For the years ended December 31	
Investee	2015	2014
KGI Securities (Thailand) Public Company Limited	$192,441	$249,196
Trinitus Asset Management Limited	(13,741)	(737)
CDIB BioScience Ventures Management	645	654
Total	$179,345	$249,113

The amounts of investment income accounted for using the equity method were recognized based on the audited financial statements.

(3) Since the Company and affiliate company, China Development Industrial Bank, jointly hold 21.20% shares of CDIB BioScience Ventures Management, 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.

13. 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	-	-	254,099	81,788	335,887
Business merging	-	-	34,182	4,407	38,589
Disposals	-	-	(505,959)	(10,762)	(516,721)
Transfers	1,338	855	29,791	24,430	56,414
Exchange differences	-	-	30,911	11,849	42,760
December 31, 2015	$4,120,492	$2,185,427	$2,848,169	$494,940	$9,649,028
January 1, 2014	$4,119,154	$2,184,572	$2,895,342	$341,570	$9,540,638
Additions	-	-	150,933	48,418	199,351
Business merging	-	-	55,485	2,532	58,017
Disposals	-	-	(140,241)	(29,146)	(169,387)
Transfers	-	-	12,077	10,720	22,797
Exchange differences	-	-	31,549	9,134	40,683
December 31, 2014	$4,119,154	$2,184,572	$3,005,145	$383,228	$9,692,099
Depreciation and Impairment:					
January 1, 2015	$-	$691,735	$2,542,881	$288,447	$3,523,063
Depreciations	-	40,599	198,299	60,832	299,730
Disposals	-	-	(503,369)	(10,758)	(514,127)
Transfers	-	303	860	7,548	8,711
Exchange differences	-	-	28,189	8,240	36,429
December 31, 2015	$-	$732,637	$2,266,860	$354,309	$3,353,806

	Land	Buildings	Equipment	Leasehold improvement	Total
January 1, 2014	$-	$651,148	$2,442,759	$238,121	$3,332,028
Depreciations	-	40,587	207,411	62,495	310,493
Disposals	-	-	(134,733)	(20,020)	(154,753)
Exchange differences	-	-	27,444	7,851	35,295
December 31, 2014	$-	$691,735	$2,542,881	$288,447	$3,523,063
Book value:					
December 31, 2015	$4,120,492	$1,452,790	$581,309	$140,631	$6,295,222
December 31, 2014	$4,119,154	$1,492,837	$462,264	$94,781	$6,169,036

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

14. 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)
December 31, 2015	$212,049	$108,465	$320,514
January 1, 2014	$245,121	$131,077	$376,198
Disposals	(31,734)	(21,757)	(53,491)
December 31, 2014	$213,387	$109,320	$322,707
Depreciation and Impairment:			
January 1, 2015	$-	$32,770	$32,770
Depreciations	-	2,177	2,177
Transfers	-	(303)	(303)
December 31, 2015	$-	$34,644	$34,644
January 1, 2014	$14,832	$46,740	$61,572
Depreciations	-	2,301	2,301
Disposals	(14,832)	(16,271)	(31,103)
December 31, 2014	$-	$32,770	$32,770
Book value:			
December 31, 2015	$212,049	$73,821	$285,870
December 31, 2014	$213,387	$76,550	$289,937

Investee	For the years ended December 31	
	2015	2014
Rental income from the lease of the investment property	$17,404	$18,380

(2) The investment property is not valued at fair value but at cost. Its fair value is categorized as level 3 and it is only used for disclosure. The fair value is 636,842 thousand dollars and 630,962 thousand dollars on December 31, 2015 and 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.

15. 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	372,878	-	34,710	407,588
Transfers	-	-	28,674	28,674
Exchange differences	10,624	-	-	10,624
Amortizations	-	(193,846)	(62,933)	(256,779)
December 31, 2015	$6,997,437	$1,639,972	$139,939	$8,777,348
January 1, 2014	$5,925,775	$2,031,252	$139,007	$8,096,034
Additions	644,683	-	56,904	701,587
Transfers	-	-	17,967	17,967
Decreases	(530)	-	-	(530)
Exchange differences	44,007	-	-	44,007
Amortizations	-	(197,434)	(74,390)	(271,824)
December 31, 2014	$6,613,935	$1,833,818	$139,488	$8,587,241

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

16. Other Non-Current Assets

	12/31/15	12/31/14
Operation bond	$1,447,740	$1,898,415
Settlement/clearance fund	560,724	558,736
Guarantee deposits-out	1,374,951	1,455,693
Collaterals assumed	34,201	34,201
Others	444,396	268,734
Total	$3,862,012	$4,215,779

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

17. Short-Term Borrowings

	12/31/15	12/31/14
Interbank loans	$462,924	$-
Credit loans	9,672,213	16,510,955
Secured loans	5,482,556	9,972,427
Bank overdraft	182,633	37
Total	$15,800,326	$26,483,419
Interest rate	0.50%-6.64%	1.02%-7.12%

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

18. Commercial Papers Payable-Net

	12/31/15	12/31/14
Commercial papers payable	$5,108,834	$9,265,591
Less: Discount	(6,481)	(6,617)
Net	$5,102,353	$9,258,974
Interest rate	0.45%-1.30%	0.40%-1.40%

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

	12/31/15	12/31/14
Current		
Financial liabilities held for trading		
Bonds sold under repurchase agreements -short sale	$652,471	$830,616
Liabilities for warrants issued	10,351,789	8,199,777
Repurchase warrants	(9,957,608)	(7,454,742)
Short options	56,265	23,255
Liabilities for securities and bonds borrowed	6,167,626	4,495,468
Derivative financial product liabilities	4,284,302	3,701,786
Financial liabilities designated initially at fair value through profit or loss	2,166,377	1,966,485
Total	$13,721,222	$11,762,645

(1) Bonds sold under repurchase agreements-short sale

	12/31/15	12/31/14
Government bonds	$655,132	$503,844
Corporate bonds	-	318,496
Subtotal	655,132	822,340
Valuation adjustments	(2,661)	8,276
Market value	$652,471	$830,616

(2) Liabilities for warrants issued and repurchase warrants

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

	12/31/15	12/31/14
Warrants issued	$14,351,344	$9,929,485
Gains/(losses) on value change	(3,999,555)	(1,729,708)
Market value	10,351,789	8,199,777
Repurchased warrants	12,535,149	7,785,754
Gains/(losses) on value change	(2,577,541)	(331,012)
Market value	9,957,608	7,454,742
Net value	$394,181	$745,035

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

	12/31/15	12/31/14
Index options	$60,620	$28,095
Stock options	6,715	837
Subtotal	67,335	28,932
Open interest	(11,070)	(5,677)
Market value	$56,265	$23,255

(4) Liabilities for securities and bonds borrowed

	12/31/15	12/31/14
Listed/OTC company stock	$2,917,183	$1,144,312
Foreign securities	3,327,286	3,270,776
Subtotal	6,244,469	4,415,088
Valuation adjustments	(76,843)	80,380
Market value	$6,167,626	$4,495,468

(5) Please refer to Note VI.20 for more details on derivative product liabilities and financial liabilities designated initially at fair value through profit or loss.

20. Derivative Instruments

(1) Nominal amount

Financial Instruments	12/31/15	12/31/14
Options and futures contract	$14,079,629	$27,073,492
Foreign futures and options	85,001,408	124,021,818
Interest rate swap (IRS)	223,144,391	92,777,120
Convertible bond asset swap (CBAS)-interest	11,781,300	12,290,365
CBAS-long option	11,345,800	10,572,300
CBAS-short option	15,699,900	17,614,300
Structured notes	16,194,507	15,856,879
Equity derivative instruments	292,546	7,906,629
Credit derivative instruments	4,014,286	634,360
Exchange rate derivative instruments	88,659,070	29,536,787
Total	$470,212,837	$338,284,050

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

Financial Instruments	12/31/15	12/31/14
Derivative instrument assets		
Contract value		
IRS	$584,315	$117,891
CBAS-interest	26,165	47,377
Long options		
CBAS	447,128	779,091
Structured notes	46,340	3,161
Equity derivative instruments	1,427	1,153

Financial Instruments	12/31/15	12/31/14
Credit derivative instruments	29,516	220,873
Exchange rate derivative instruments	234,536	417,960
Foreign futures and options	487,608	171,937
Total	$1,857,035	$1,759,443
Derivative instrument liabilities		
Contract value		
IRS	$592,948	$163,836
CBAS-interest	263,541	303,777
Short options		
CBAS	716,602	1,252,246
Structured notes	2,192,369	531,450
Equity derivative instruments	28,487	1,018,972
Credit derivative instruments	64,960	6,509
Exchange rate derivative instruments	90,619	38,694
Foreign futures and options	334,776	386,302
Total	$4,284,302	$3,701,786
Financial liabilities designated initially at fair value through profit or loss		
Structured notes	$2,166,377	$1,966,485
Other financial liabilities- current		
Structured notes-delivery value	$12,074,908	$13,478,627

Please refer to Note VI.2 and Note VI.19 for more details on financial assets or liabilities of option 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 years ended December 31	
	2015	2014
Liabilities for warrants issued:		
Gains on value change	$24,970,422	$29,519,517
Gains on exercising warrants before maturity	13,060	7,078
Repurchase of issued warrants:		
Losses on resale of warrants	(4,297,477)	(3,422,720)
Losses on value change	(19,828,556)	(25,654,649)
Expense for warrant	(125,114)	(118,353)
Gains/(losses) on warrants issued	$732,335	$330,873

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

	For the years ended December 31	
	2015	2014
Futures contracts	$(343,342)	$(506,797)
Options	314,460	(218,293)
Total	$(28,882)	$(725,090)

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

	For the years ended December 31	
	2015	2014
IRS	$248,121	$192,433
CBAS	144,530	(1,289,775)
Options	315,098	951
Structured notes	41,094	(787,099)
Equity derivative instruments	(42,987)	(307,053)
Credit derivative instruments	-	(7,069)
Exchange rate derivative instruments	(422,868)	26,853
Total	$282,988	$(2,170,759)

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

12/31/15

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	GreTai Futures	Short	4	$1,706	$2,036	
Futures Contracts	Elec-Sector Index Futures	Long	604	787,288	787,858	
Futures Contracts	Elec-Sector Index Futures	Short	8	10,543	10,413	
Futures Contracts	Finance Sector Index Futures	Long	215	212,356	210,309	
Futures Contracts	Finance Sector Index Futures	Short	27	26,379	26,412	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	467	479,781	481,196	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	2	1,960	2,063	
Futures Contracts	TaifEx NT Dollar Gold Futures	Short	5	2,122	2,120	
Futures Contracts	TaiEx Futures	Long	1,325	2,190,900	2,191,849	
Futures Contracts	TaiEx Futures	Short	359	587,928	593,366	
Futures Contracts	Mini-TaiEx Futures	Long	1,066	436,712	440,433	
Futures Contracts	Mini-TaiEx Futures	Short	7,197	2,984,716	2,977,727	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Short	6	2,487	2,486	
Futures Contracts	Stock Futures	Long	5,989	755,327	754,322	
Futures Contracts	Stock Futures	Short	16,233	1,606,936	1,606,207	
Futures Contracts	Foreign Futures	Long	212	890,018	890,117	
Futures Contracts	Foreign Futures	Short	721	511,869	509,395	
Futures Contracts	USD/CNH FX Futures	Long	258	864,255	875,723	
Futures Contracts	USD/CNH FX Futures	Short	186	614,628	618,680	
Futures Contracts	USD/CNT FX Futures	Long	353	239,576	239,772	
Futures Contracts	USD/CNT FX Futures	Short	528	351,466	352,497	
Futures Contracts	TOPIX Futures	Long	23	7,036	7,057	
Futures Contracts	TOPIX Futures	Short	35	10,771	10,740	
Futures Contracts	MSCI Taiwan Index Futures	Short	364	365,952	366,421	
Options Contracts	Index Options-Call	Long	4,015	17,311	17,920	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Options Contracts	Index Options-Put	Long	4,923	47,644	42,489	
Options Contracts	Index Options-Call	Short	7,200	(25,746)	23,825	
Options Contracts	Index Options-Put	Short	10,087	(34,874)	25,716	
Options Contracts	Stock Options-Call	Long	864	3,317	2,708	
Options Contracts	Stock Options-Put	Long	412	1,310	1,166	
Options Contracts	Stock Options-Call	Short	1,195	(3,079)	2,830	
Options Contracts	Stock Options-Put	Short	990	(3,636)	3,894	

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	

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.

21. Bonds Sold under Repurchase Agreements

	12/31/15	12/31/14
Government bonds	$28,745,045	$14,896,019
Bank Debentures	11,346,585	11,899,155
Convertible bonds	731,091	600,054
Corporate bonds	17,779,117	36,602,934
Total	$58,601,838	$63,998,162
Repurchased amount as specified in respective agreements plus accrued interest	$58,659,345	$64,141,723
Repurchased date as specified in respective agreements	2016.1.4-2016.3.17	2015.1.5-2015.3.17

22. Accounts Payable

	12/31/15	12/31/14
Exchange clearing payable	$1,863,332	$2,009,320
Accounts payable for settlement- brokerage	25,146,805	27,507,833
Accounts payable for settlement- non-brokerage	4,251,463	3,197,085
Others	334,274	383,070
Total	$31,595,874	$33,097,308

23. Bonds Payable

	12/31/15	12/31/14
100-1 Unsecured Corporation Bonds Payable	$-	$3,100,000
103-1 Unsecured Corporation Bonds Payable denominated in CNY	1,006,520	1,020,680
104-1 Unsecured Corporation Bonds Payable	7,000,000	-
Subtotal	8,006,520	4,120,680
Less: Due within in one year	(1,006,520)	(3,100,000)
Net amount	$7,000,000	$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.

24. 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. In addition, the Company and subsidiaries will assess the balance in pension fund at the end of the year; if the balance is not enough to pay the pension in the following year, the difference will be contributed before March in the next year.

Pension fund deposited in the Bank of Taiwan is utilized by Ministry of Labor in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment strategy of the fund is to be managed by the Ministry itself or outsourcing, actively or passively in the medium or long term. Considering market, credit, liquidity risk, the Ministry of Labor set controlling plan and the limit for fund risk, allowing it to achieve its expected return without taking too much risk. Every year, the minimum return resolved to be allocated should not be lower than the return resulting from the interest of certificate deposits for two years. If it is not enough, it should be made up by National Treasury with the approval of authority. Since the Company and subsidiaries do not have right to participate in the operation of the fund, we cannot disclose the fair value classification of the planed asset according to IAS 19.142. On 31, December, 2015, the defined benefit plan of the Company and subsidiaries plan to contribute 7,084 thousand dollars in the following year.

The duration of defined benefit obligation is as following:

	12/31/15	12/31/14
Average duration of defined benefit obligation	13-16 years	18-20 years

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

	For the years ended December 31	
	2015	2014
Pension incurred on defined contribution	$224,973	$203,738
Pension incurred on defined benefit	24,355	22,972
Total	$249,328	$226,710

The table below summarizes the pension incurred on defined benefit plan recognized in profit and loss:

	For the years ended December 31	
	2015	2014
Current service cost	$10,129	$12,892
Net interest on net defined benefit obligation (assets)	8,729	10,080
Past service cost	5,497	-
Total	$24,355	$22,972

(3) Reconciliation of present value of the defined benefit obligation and plans assets at fair value:

	12/31/15	12/31/14
Present value of the defined benefit obligation	$1,214,975	$993,091
Plans assets at fair value	(537,379)	(605,129)
Carrying amount of net defined benefit obligation	$677,596	$387,962

The reconciliation of net defined benefit obligation (asset):

	Present value of the defined benefit obligation	Plan assets at fair value	Net defined benefit obligation (asset)
January 1, 2015	$993,091	$605,129	$387,962
Current service cost	10,129	-	10,129
Interest expense (revenue)	22,344	13,615	8,729
Past service cost and gain/loss on settlement	5,497	-	5,497
Recognized in profit or loss	37,970	13,615	24,355
Remeasurement of defined benefit obligation/ asset			
The actuarial gain/loss on the change of mortality assumptions	(53,015)	-	(53,015)
The actuarial gain/loss on the change of financial assumptions	124,769	-	124,769
Adjustment based on experience	202,067	1,456	200,611
Recognized in OCI	273,821	1,456	272,365
Benefit paid	(89,907)	(89,907)	-
Employer contribution	-	7,086	(7,086)
December 31, 2015	$1,214,975	$537,379	$677,596

	Present value of the defined benefit obligation	Plan assets at fair value	Net defined benefit obligation (asset)
January 1, 2014	$1,224,837	$720,836	$504,001
Current service cost	12,892	-	12,892
Interest expense (revenue)	24,497	14,417	10,080
Recognized in profit or loss	37,389	14,417	22,972
Remeasurement of defined benefit obligation/ asset			
The actuarial gain/loss on the change of mortality assumptions	(312)	-	(312)
The actuarial gain/loss on the change of financial assumptions	(37,613)	-	(37,613)
Adjustment based on experience	(97,812)	609	(98,421)
Recognized in OCI	(135,737)	609	(136,346)
Benefit paid	(133,398)	(133,398)	-
Employer contribution	-	2,665	(2,665)
December 31, 2014	$993,091	$605,129	$387,962

(4) The assumptions for defined benefit plan used by the Company and subsidiaries are as follows:

	12/31/15	12/31/14
Discount rate	1.50%	2.25%
Expected Salary Growth Rate	2.00%	2.00%

Under the circumstance that all the other assumptions remain the same, if the material actuarial assumptions have reasonably possible changes respectively, increase or decrease on the present value of defined benefit obligation will be as following:

	12/31/15	12/31/14
Discount rate		
+0.5%	$(82,652)	$(69,423)
- 0.5%	$91,595	$77,233
Expected Salary Growth Rate		
+0.5%	$90,665	$77,034
-0.5%	$(82,660)	$(69,909)

When conducting sensitivity analysis, we analyze the possible effect of reasonably possible change of actuarial assumption (such as discount rate or expected salary growth rate) on defined benefit obligation assuming that all the other assumptions will remain the same. Since actuarial assumptions mutually relate to each other, it is rare that only one actuarial assumption changes. Therefore, there is limitation to this analysis.

The method and assumptions used in current period's sensitivity analysis have no difference from the one in previous period.

25. Provisions

Non-current	Litigation provision	Decommissioning liabilities	Total
January 1, 2015	$173,845	$23,768	$197,613
Additions	288	701	989
Current payment/reversal	(43,028)	-	(43,028)
December 31, 2015	$131,105	$24,469	$155,574
January 1, 2014	$185,939	$32,233	$218,172
Additions	11,987	804	12,791
Current payment/reversal	(24,081)	(9,269)	(33,350)
December 31, 2014	$173,845	$23,768	$197,613

26. Equity

(1) Common stock

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

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 reduction 8,000,000 thousand dollars. The case of capital reduction was approved by the authorities on August 6, 2014 and the record date was September 1, 2014.

(2) Capital reserve

	12/31/15	12/31/14
Additional paid-in capital	$2,603,148	$2,603,148
Treasury share transactions	364,435	364,435
Surplus from business combination	5,665,969	5,665,969
Employee share options	6,171	1,330
Total	$8,639,723	$8,634,882

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 Articles of Incorporation of earnings distribution are as following:

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.

In accordance with the Company Act 235.1 amended on May 20, 2015, the Company revised the Article in the extraordinary shareholders' meeting on December 28, 2015 as following:

If the Company has net income in the current year, it should appropriate at least 0.1% as employees' bonus. However, if the company still has accumulated losses, it should reserve same portion of income to offset it. The net income mentioned above is income before tax and before distributing earnings to employees.

For operation and benefits of shareholders, the Company adopted surplus dividend policy in compliance with related regulations. The Company distributes cash dividends, and these cash dividends should not less than 10% of all dividends.

The Company should pay applicable income tax, offset accumulated losses, set aside legal reserve, and appropriate or reverse special reserve under relevant regulations before distribution of current net income. Appropriation of the remains along with the beginning balance of undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company held the annual meeting of shareholders (represented by the board of directors) on May 29, 2015 and May 30 2014 respectively and resolved 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		

Please refer to Note VI.27 for the basis of recognition of employee compensation (bonus).

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 paid-in capital.

(4) Non-controlling interests

	For the years ended December 31	
	2015	2014
Beginning balance	$3,331,529	$6,063,547
Profit attributable to non-controlling interests	58,663	112,784
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Unrealized gains (losses) from available-for-sale	(1,934)	(192)
Net actuarial gains (losses) on defined benefit plan	(90)	45
Capital deduction of subsidiaries	-	(2,730,260)
Cash dividend issued from subsidiaries	(78,993)	(114,395)
Ending balance	$3,309,175	$3,331,529

27. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenues

	For the years ended December 31	
	2015	2014
Brokerage handling fee revenues	$4,872,254	$5,195,652
Foreign brokerage fee	3,865,503	2,366,829
Handling revenue of short sale	100,508	116,674
Handling fee revenue of securities borrowed	19,042	13,682
Foreign sub-brokerage revenues	108,617	117,518
Total	$8,965,924	$7,810,355

(2) Revenue from underwriting business

	For the years ended December 31	
	2015	2014
Return form underwriting of securities	$125,436	$239,357
Revenue from underwriting proceeding fee	55,302	116,530
Revenue from underwriting and counseling	43,746	34,854
Others	283,930	233,999
Total	$508,414	$624,740

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

	For the years ended December 31	
	2015	2014
Dealing		
Revenue	$952,391,719	$970,773,954
Cost	(950,753,573)	(966,770,536)
Subtotal	1,638,146	4,003,418
Underwriting		
Revenue	4,449,618	3,495,420
Cost	(4,366,413)	(3,266,396)
Subtotal	83,205	229,024
Hedging		
Revenue	114,078,001	102,725,016
Cost	(114,533,387)	(102,216,875)
Subtotal	(455,386)	508,141
Total	$1,265,965	$4,740,583

(4) Interest income

	For the years ended December 31	
	2015	2014
Margin loans	$2,638,602	$2,750,207
Bonds	720,240	765,671
Others	29,795	3,476
Total	$3,388,637	$3,519,354

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

	For the years ended December 31	
	2015	2014
Dealing-net	$(406,315)	$80,963
Underwriting-net	8,500	(109,747)
Hedging-net	(476,426)	(324,530)
Liability for purchase of government bonds	1	-
Total	$(874,240)	$(353,314)

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

	For the years ended December 31	
	2015	2014
Gains	$821,358	$147,332
Losses	(430,044)	(426,816)
Total	$391,314	$(279,484)

(7) Please refer to Note VI.20 for detail of derivative instruments' profit and loss.

(8) Other operating income

	For the years ended December 31	
	2015	2014
Exercising warrants before maturity- purchased from others	$25,903	$18,744
Other service fee income	30,503	18,585
Investment advisory income	9,864	15,102
Commission income	315,114	208,560
Investment trust and fund management income	118,366	139,395
Other operating income	246,894	200,679
Error accounts	(15,228)	(9,909)
Total	$731,416	$591,156

(9) Financial costs

	For the years ended December 31	
	2015	2014
Bills and bonds payable under repurchase agreements	$290,524	$278,782
Bank borrowing	424,400	256,614
Short-term notes and bills	63,980	49,922
Bonds	96,232	40,618
Others	115,336	87,691
Total	$990,472	$713,627

(10) Employee benefits expenses, depreciation and amortization

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

	For the years ended December 31	
Nature	2015	2014
Employee benefit expenses		
Salary expenses	$6,962,400	$5,965,766

Nature	For the years ended December 31 2015	2014
Insurance expenses	347,481	339,925
Pension expenses	249,328	226,710
Others	166,387	166,105
Total	$7,725,596	$6,698,506
Depreciations and amortizations		
Depreciations	$301,907	$312,794
Amortizations	256,932	271,990
Total	$558,839	$584,784

A. 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.

B. The company recognized 18,000 thousand dollars for employee compensation as operating expense in 2015 according to the earning condition. If the amount resolved by the board of directors differs significantly from the one recognized in the subsequent period, the difference would be adjusted in current net income.

C. The company recognized 27,000 thousand dollars as employee bonus in 2014 based on the Article and experience. The employee bonus that board of directors (on behalf of shareholders' meeting) resolved has no difference from the amount recognized in 2014 financial statements.

D. 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.

(11) Other operating expenses

	For the years ended December 31 2015	2014
Postage and telephone expenses	$236,820	$248,066
Tax	972,638	895,224
Rental expenses	688,325	618,481
Repairs and maintenance	466,460	329,342
Computer information expenses	251,357	237,760
Professional expenses	356,359	348,891
Securities borrowed expenses	181,143	153,531
Other expenses	1,612,111	1,037,513
Total	$4,765,213	$3,868,808

(12) Other income and costs

	For the years ended December 31 2015	2014
Interest income	$556,052	$665,709
Rental income	17,706	18,635
Disposal of property and equipment	(1,160)	(11,053)
Disposal of investment property	-	10,651

	For the years ended December 31	
	2015	2014
Disposal of investment	4,413	34,811
Non-operating financial product at fair value through profit and loss	114,252	396,335
Exchange gain or loss	368,936	(20,455)
Dividend income	279,003	182,017
Management service income	384,133	389,332
Others	38,071	31,752
Total	$1,761,406	$1,697,734

28. Components of Other Comprehensive Income

For the year ended December 31, 2015

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items will not be reclassified as income subsequently:					
Remeasurement on defined benefit plan	$(272,365)	$-	$(272,365)	$46,394	$(225,971)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,031)	-	(3,031)	-	(3,031)
Items that may be reclassified as income subsequently:					
Exchange differences resulting from translating the financial statements of a foreign operation	531,952	-	531,952	-	531,952
Unrealized gains (losses) from available-for-sale financial assets	(225,046)	-	(225,046)	(858)	(225,904)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(135,718)	-	(135,718)	-	(135,718)
Total	$(104,208)	$-	$(104,208)	$45,536	$(58,672)

For the year ended December 31, 2014

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items will not be reclassified as income subsequently:					
Remeasurement on defined benefit plan	$136,346	$-	$136,346	$(23,197)	$113,149

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Items that may be reclassified as income subsequently:					
Exchange differences resulting from translating the financial statements of a foreign operation	617,204	-	617,204	-	617,204
Unrealized gains (losses) from available-for-sale financial assets	197,653	(385,329)	(187,676)	(2,383)	(190,059)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,389)	-	(2,389)	-	(2,389)
Total	$948,814	$(385,329)	$563,485	$(25,580)	$537,905

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 years ended December 31	
	2015	2014
Current income tax expense (income)		
Current period	$335,372	$204,486
Adjustments of prior periods	(157,685)	(1,120)
Deferred tax expense (income)		
Current period	149,643	320,997
Income tax expense	$327,330	$524,363

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2015	2014
Deferred tax expense (income)		
Unrealized gains (losses) from available-for-sale financial assets	$858	$2,383
Net gains (losses) on remeasurement of defined benefit plan	(46,394)	23,197
Income tax relating to components of other comprehensive income	$(45,536)	$25,580

(2) Reconciliation of accounting income and income tax expense is as follows:

	For the years ended December 31	
	2015	2014
Income before income tax	$2,938,404	$3,875,214
Income tax expense	$499,529	$658,786
Tax exempted income	(194,979)	(448,797)

	For the years ended December 31	
	2015	2014
Non tax-deductible expenses	32,405	32,845
Tax exempted income under Income Tax Law § 42	2,952	102,476
Tax effect of deferred income tax assets/liabilities	112,769	125,548
Tax effect of different tax rate for subsidiaries	(26,027)	(72,916)
Others	(8,970)	-
Alternative minimum tax expense	67,336	127,541
Adjustments of prior periods	(157,685)	(1,120)
Total income tax expense	$327,330	$524,363

(3) Balances of deferred income tax assets and liabilities resulting from the temporary differences:

	For the years ended December 31	
	2015	2014
Deferred income tax assets		
Bad debts	$10,606	$11,181
Unrealized exchange loss	54,991	46,551
Unrealized loss of warrants issued and repurchase warrants	27,319	-
Unrealized loss of derivative instruments	-	2,894
Provisions	-	2,404
Net actuarial gain or loss and pension	127,079	81,297
Others	4,342	-
Unused tax losses	177,035	292,911
Total	401,372	437,238
Deferred income tax liabilities		
Unrealized gain of available-for-sale financial assets	(7,495)	(6,637)
Unrealized exchange gain	(289)	(838)
Unrealized gain of warrants issued and repurchase warrants	-	(25,055)
Unrealized gain of derivative instruments	(92,655)	-
Goodwill	(909,342)	(909,342)
Land value increment tax liabilities	(9,252)	(9,252)
Others	(5,040)	(4,708)
Total	(1,024,073)	(955,832)
Net amount of deferred income tax assets (liabilities)	$(622,701)	$(518,594)

(4) Movement of deferred income tax assets (liabilities):

	For the years ended December 31	
	2015	2014
Beginning balance	$(518,594)	$(172,017)
Recognized in profit or loss	(149,643)	(320,997)
Recognized in other comprehensive income	45,536	(25,580)
Ending balance	$(622,701)	$(518,594)

(5) Unrecognized deferred income tax assets

The Company has no assets that may be used to reduce any subsequent periods' income tax expense should be recognized as deferred income tax assets.

(6) Unrecognized deferred income tax liabilities

The Company has no liabilities that may be used to increase any subsequent periods' income tax expense should be recognized as deferred income tax liabilities.

(7) The information of integrated Income Tax System

A. Balance of imputation income tax credit amounts:

	12/31/15	12/31/14
The Company	$1,035,318	$269,819
KGI Securities Investment Advisory Co. Ltd.	2,948	3,401
KGI Insurance Brokers Co. Ltd.	3,518	2,985
KGI Venture Capital Co. Ltd.	974	365
KGI Securities Investment Trust Co. Ltd.	888	888
KGI Futures	14,203	26,718
GSFC	70,838	99,670
KGI Information Technology Co. Ltd.	-	(Note)

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

	2015(Expected)	2014(Actual)
The Company	20.95%	20.81%
KGI Securities Investment Advisory Co. Ltd.	20.48%	20.48%
KGI Insurance Brokers Co. Ltd.	20.48%	20.48%
KGI Venture Capital Co. Ltd.	20.48%	14.67%
KGI Securities Investment Trust Co. Ltd.	-	-
KGI Futures	13.55%	13.81%
GSFC	20.48%	20.48%
KGI Information Technology Co. Ltd.	-	(Note)

Note: KGI Information is established in current period.

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.

(8) Information for unappropriated retained earnings:

There are no unappropriated retained earnings for the Company and domestic subsidiaries on the book of prior to 1997.

(9) Income tax return assessed

	Assessment information
The Company	Except for 2012 and 2014, the Company's income tax returns have been assessed by the Tax Bureau. The income tax returns of GCSC has been assessed through 2010.
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2013.
KGI Insurance Brokers Co. Ltd.	Assessed through 2014.
KGI Venture Capital Co. Ltd.	Assessed through 2013.
KGI Securities Investment Trust Co. Ltd.	Assessed through 2013.

	Assessment information
KGI Futures	Assessed through 2013.
GSFC	Assessed through 2013.

(10) Administrative remedy

The income tax returns from 2006 through 2011, and 2013 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 1,578,075 thousand dollars. The income tax returns from 2007 through 2010 for GCSC related to income from warrant transaction 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 37,938 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 years ended December 31	
	2015	2014
Basic EPS		
Attributable to the Company	$2,552,441	$3,238,067
Weighted average number of shares outstanding	3,798,812,320 shares	4,331,415,061 shares
Basic EPS (NT$)	$0.67	$0.75

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)	$7,411,831
Non-current assets	58,395
Assets subtotal	7,470,226

	Fair value on acquisition date
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 December 31, 2015, KGI Ong's, TG Holborn's and KGI Asset Management's revenue are 420,557 thousand dollars; net losses before income tax is 73,449 thousand dollars. Should the acquisition occurred on the beginning of this year, the revenue of the Company and subsidiaries' continuing operating units would be 15,575,961 thousand dollars and net income would be 3,362,753 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	
(include cash and cash equivalent NT $1,040,544)	$3,227,104
Non-current assets	38,986
Assets subtotal	3,266,090
Liabilities	
Current liabilities	(1,946,282)
Non-current liabilities	(701,326)
Liabilities subtotal	(2,647,608)
Identifiable net assets	$618,482

B. Goodwill and acquisition consideration of KGI Fraser:

Goodwill 372,878 thousand dollars of KGI Fraser raised from the acquisition consideration (cash transaction cost of acquisition) 991,360 thousand dollars minus the fair value of identifiable net assets 618,482 thousand dollars.

C. From the acquisition date to December 31, 2015, KGI Fraser's revenue are 197,610 thousand dollars; net losses before income tax is 298,275 thousand dollars. Should the acquisition occurred on the beginning of this year, the revenue of the Company and subsidiaries' continuing operating units would be 16,678,773 thousand dollars and net income would be 2,592,334 thousand dollars.

32. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 3,309,175 thousand dollars and 3,331,529 thousand dollars as of December 31, 2015 and 2014, respectively. Proportions held by non-controlling interests are as follows:

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

Information of subsidiaries that has material non-controlling interests is provided below

Subsidiary Company	12/31/15	12/31/14
GSFC	$3,298,914	$3,322,416

Financial information of subsidiaries that have material non-controlling interests are provided below:

(1) Summarized information of comprehensive income for GSFC

	For the years ended December 31	
	2015	2014
Revenue	$228,981	$260,192
Net profit from continuing operations	$72,636	$143,230
Other comprehensive income	(2,501)	(304)
Comprehensive income	$70,135	$142,926
Net profit allocated to non-controlling interests	$56,663	$111,737
Dividends paid to non-controlling interests	$(78,214)	$(113,956)

(2) Summarized information of financial position for GSFC

	12/31/15	12/31/14
Current assets	$5,283,962	$5,424,828
Non-current assets	1,361,282	1,311,734
Current liabilities	2,415,531	2,476,723
Non-current liabilities	900	900

(3) Summarized cash flow information for GSFC

	For the years ended December 31	
	2015	2014
Operating activities	$(371,544)	$18,928
Investing activities	(47,187)	1,894,644
Financing activities	299,661	(2,251,799)
Net increase/(decrease) in cash and cash equivalents	(119,070)	(338,227)

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 years ended December 31	
	2015	2014
(1) Brokerage handling fee revenue		
Parent company	$559	$381
Associates	2	2
Other related parties	31,708	27,822
Total	$32,269	$28,205
(2) Revenue from underwriting business		
Parent company	$8,000	$-
Other related parties	3,327	-
Total	$11,327	$-
(3) Revenue from providing agency service for stock affairs		
Parent company	$16,861	$21,461
Other related parties	287	207
Total	$17,148	$21,668
(4) Other operating revenue		
Parent company	$2,286	$-
Associates	5,876	7,272
Other related parties	1,565	-
Total	$9,727	$7,272
(5) Interest expense		
Other related parties	$15,644	$2,518

The above transactions process under ordinary trading condition.

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

	12/31/15	12/31/14
Other related parties	$2,090,621	$4,588,294

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

	12/31/15	12/31/14
(1) Open-ended funds and monetary market instruments		
Other related parties	$26,574	$16,218

	12/31/15 Notional Amount	12/31/14 Notional Amount
(2) Oustanding derivative financial instruments		
A. IRS		
Other related parties	$-	$800,000

	12/31/15 Notional Amount	12/31/14 Notional Amount
B.CBAS-interest		
Other related parties	$47,000	$103,900
C.CBAS -long option		
Other related parties	$47,000	$103,900
D.Equity options contracts		
Other related parties	$-	$7,832,000

4. Available-for-sale financial assets- current

	12/31/15	12/31/14
Stocks		
Parent company	$2,490,281	$3,056,117

5. Margin loans receivable

	12/31/15	12/31/14
Other related parties	$15,503	$10,070

6. Customers' margin accounts

	12/31/15	12/31/14
Other related parties	$177,650	$99,945

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

	12/31/15	12/31/14
Other related parties	$837,301	$886,521

8. Short-term borrowings

	12/31/15	12/31/14
Other related parties	$198,396	$190,308

9. Deposits for short sales

	12/31/15	12/31/14
Other related parties	$45,987	$36,099

10. Short sales proceeds payable

	12/31/15	12/31/14
Other related parties	$45,825	$39,915

11. Futures customers' equity

	12/31/15	12/31/14
Other related parties	$75,969	$99,945

12. Accounts payable

	12/31/15	12/31/14
Other related parties	$38,457	$8,778

13. Income tax assets and liabilities non-current

Detail of income tax refundable/payable resulting from the consolidated income tax return:

	12/31/15	12/31/14
Due from the parent company	$122,581	$122,581
Due to the parent company	$506,024	$411,405

14. Stocks transactions with related parties as follows:

	For the year ended December 31, 2015	
	Purchase of stocks	Sale of stocks
Other related parties	$13,860	$-

For the year ended on December 31, 2014：None

15. Bonds transactions with related parties as follows:

(1) Repurchase or resale agreement

	12/31/15	
Bold sold under repurchase agreement	Face amount	Maturity amount
Other related parties	$50,000	$50,008

12/31/14：None

(2) Purchase and sale of bonds

	For the year ended December 31, 2015	
	Purchase of bonds	Sale of bonds
Other related parties	$11,197,973	$12,345,078

	For the year ended December 31, 2014	
	Purchase of bonds	Sale of bonds
Other related parties	$8,341,334	$8,404,906

(3) Short sale of bonds

2015:None

	For the year ended December 31, 2014	
	Purchase of bonds	Sale of bonds
Other related parties	$49,612	$149,462

16. Other operating expenses

	For the years ended December 31	
	2015	2014
Parent company	$-	$1
Associates	2,652	5,045
Other related parties	17,315	15,369
Total	$19,967	$20,415

17. Other income and costs

	For the years ended December 31	
	2015	2014
Associates	$15,801	$20,411
Other related parties	22,308	36,041
Total	$38,109	$56,452

18. Information about key management personnel compensation as follows:

	For the years ended December 31	
	2015	2014
Short-term employee benefit	$131,416	$133,358
Post-employment benefits	2,721	4,652
Share-based payment transaction	2,527	652
Total	$136,664	$138,662

19. For the need of securities borrowing margin, the Company requested the bank guarantees from other related parties for the amount as following:

	12/31/15	12/31/14
Other related parties	$370,000	$380,000

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

	12/31/15	12/31/14
Property and equipment and investment property	$277,257	$-

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	12/31/15	12/31/14
Available-for-sale financial assets- current	$2,234,625	$2,427,264
Other current assets- pledged	1,586,377	2,734,140
Investments accounted for using the equity method	-	1,863,168
Financial assets measured at fair value through profit or loss-non-current	50,443	71,145
Property and equipment	4,759,486	4,794,003
Investment property	126,081	127,114
Non-current assets-guarantee deposits-out	855,483	1,090,102
Total	$9,612,495	$13,106,936

IX. **Commitments and Contingent Liabilities**

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

2. 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 has 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.

3. 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.

4. 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..

5. For the need of securities borrowing margin, the Company requested the bank guarantees for 3,680,000 thousand dollars.

6. 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.

7. 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. In order to enhance the Company's overseas operating capital and strengthen capital structure, the Company's Board of Directors decided to acquire 99% of PT Hasta Dana Sekuritas Indonesia in cash by subsidiary KGI Capital Asia Ltd. on December 28, 2015. The consideration is temporarily set as IDR 81,974,000 thousand dollars, and the actual acquisition price depends on the net adjusted value on the delivery date. This acquisition case would be valid once the local authority approves.

2. In order to increase the capital utilization effectiveness as well as the return on stockholders' profit, board of directors of KGI Securities Investment Advisory Co. Ltd. (acting on behalf of shareholders) decided the case of capital reduction 100,000 thousand dollars. The case of capital reduction was approved by the authorities on December 25, 2015.

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 risk management organizations 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 are 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 provide 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 managements include 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 restraints 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 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+ ~ below twC

12/31/15

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	$12,352,511	$92,000	$7,066	$-	$-	$-	$-	$12,451,577
Financial assets measured at fair value through profit or loss-current	58,964,090	335,963	4,344,217	-	-	-	-	63,644,270
Available-for-sale financial assets-current	58,849	-	-	-	-	-	-	58,849
Bonds purchased under resale agreements	15,144,686	1,300,743	-	-	-	-	-	16,445,429
Receivables	45,570,769	10,540,052	720,553	5,584	-	-	-	56,836,958
Customers' margin accounts	31,684,109	-	-	-	-	-	-	31,684,109
Stock borrowing collateral price and stock borrowing margin	4,706,715	2,302,991	-	-	-	-	-	7,009,706
Other financial assets-current	4,503,104	63,700	-	-	-	-	-	4,566,804
Other current assets	34,706,980	-	-	-	-	-	-	34,706,980
Financial assets measured at fair value through profit or loss-non-current	50,443	-	-	-	-	-	-	50,443
Available-for-sale financial assets-non-current	-	-	30,403	-	-	-	-	30,403
Held to maturity financial assets-non-current	-	-	300,000	-	-	-	-	300,000
Other non-current assets	3,549,546	-	200,169	-	-	-	-	3,749,715
Total	$211,291,802	$14,635,449	$5,602,408	$5,584	$-	$-	$-	$231,535,243
Percentage	91.26%	6.32%	2.42%	0.00%	-	-	-	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
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	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
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%

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 equivalent

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 and Held-to-maturity 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

12/31/15

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$5,839,696	$6,611,881	$-	$-	$-	$12,451,577
Financial assets measured at fair value through profit or loss-current	62,155,405	9,365,078	6,510,869	416,553	212,593	78,660,498
Financial assets measured at cost-current	891,740	-	-	-	-	891,740
Available-for-sale financial assets-current	7,361,442	-	-	-	-	7,361,442
Bonds purchased under resale agreements	-	16,432,569	-	-	-	16,432,569
Receivables	33,383,882	3,647,879	16,383,520	3,421,677	-	56,836,958
Customers' margin accounts	31,684,109	-	-	-	-	31,684,109
Stock borrowing collateral price and stock borrowing margin	5,349,578	608,916	1,051,212	-	-	7,009,706
Other financial assets-current	-	-	4,566,804	-	-	4,566,804
Income tax assets	-	-	11,114	6	562,305	573,425
Other current assets	33,972,455	375,795	358,730	-	-	34,706,980
Financial assets measured at fair value through profit or loss-non-current	-	-	51,000	-	-	51,000
Financial assets measured at cost-non-current	-	-	-	415	917,684	918,099
Available-for-sale financial assets-non-current	-	30,403	-	-	251,401	281,804
Held to maturity financial assets-non-current	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,102,991	2,102,991
Others non-current assets	-	-	-	231,589	3,555,338	3,786,927
Total	$180,638,307	$37,072,521	$28,933,249	$4,070,240	$7,902,312	$258,616,629
Percentage	69.85%	14.33%	11.19%	1.57%	3.06%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/15

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$-	$15,800,326	$-	$-	$-	$15,800,326
Commercial papers payable-net	-	5,102,353	-	-	-	5,102,353
Financial liabilities measured at fair value through profit or loss-current	3,613,207	3,456,835	5,013,474	1,744,111	211,648	14,039,275
Bonds sold under repurchase agreements	-	58,659,345	-	-	-	58,659,345

Statement of cash flow analysis for financial liabilities

12/31/15

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Payables	41,587,463	1,560,608	5,265,050	340,386	-	48,753,507
Securities lending refundable deposits	-	1,757,169	4,906,343	-	-	6,663,512
Futures customers' equity	30,716,503	-	-	-	-	30,716,503
Other current liabilities	4,014,203	1,317,802	2,172,534	106	-	7,504,645
Other financial liabilities-current	-	12,079,347	2,609	-	-	12,081,956
Income tax liabilities	-	-	197,482	852,172	-	1,049,654
Current portion of long-term borrowings	-	-	1,006,520	-	-	1,006,520
Bonds payable	-	-	-	7,000,000	-	7,000,000
Liabilities reserve-non-current	-	-	-	23,248	132,326	155,574
Other non-current liabilities	-	-	-	616,578	78,746	695,324
Total	$79,931,376	$99,733,785	$18,564,012	$10,576,601	$422,720	$209,228,494
Percentage	38.20%	47.67%	8.87%	5.06%	0.20%	100.00%

Statement of capital liquidation gap

12/31/15

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$180,638,307	$37,072,521	$28,933,249	$4,070,240	$7,902,312	$258,616,629
Cash outflow	79,931,376	99,733,785	18,564,012	10,576,601	422,720	209,228,494
Amount of cash flow gap	$100,706,931	$(62,661,264)	$10,369,237	$(6,506,361)	$7,479,592	$49,388,135

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
Available-for-sale financial assets-non-current	-	-	-	31,176	112,593	143,769

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	
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

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 December 31, 2015 and 2014, shows that the sums from deducting cash outflow from cash inflow are 49,388,135 thousand dollars and 49,288,954 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 69.85% 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 December 31, 2015 and 2014, net cash inflow calculated from net spot financial assets are respectively 100,706,931 thousand dollars and 93,673,366 thousand dollars, which are sufficient to cover the net cash outflows of 69,167,625 thousand dollars and 77,758,449 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, exchange rates and commodity risk.

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).

D. Commodity risk sensitivity: measured by the change of the fair value of related commodities with the fair value of other kinds of commodities (As the potential loss amount given that the fair value decrease 1%).

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

Comparisons of risk sensitive factors

Risk sensitivity	12/31/15	12/31/14
Interest rate risk	$12,186	$9,004
Equity securities risk	15,566,569	15,841,025
Exchange rate risk	589,868	1,245,900
Commodity risk sensitivity	4,465	-

(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 for trading purpose are as follows:

Risk type	For the year ended December 31, 2015			12/31/15
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$485,026	$169,082	$1,034,615	$329,128
Interest Rate	82,291	41,766	152,689	71,769
Exchange Rate	13,417	2,825	45,515	6,310
Commodity	2,018	-	5,174	1,228

Risk type	For the year ended December 31, 2014			12/31/14
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$374,660	$55,489	$538,744	$326,952
Interest Rate	68,342	45,461	103,474	84,617
Exchange Rate	21,763	7	283,963	11,457

(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 12/31/15	Loss 12/31/14
Interest exposures	Yield curve	+ 50 bps	$(609,298)	$(450,117)
Equity exposures	Equity index	- 25%	(3,891,642)	(3,960,256)
Exchange rate exposures	Exchange rate to USD	- 7 %	(41,291)	(87,213)
Commodity exposures	Price of commodity	-25%	(1,116)	-

5. Fair value of financial instruments

(1) Fair value of financial assets and liabilities

Financial instruments	12/31/15	12/31/14
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		
Financial assets held for trading		
Non-derivative financial instruments		
Lent securities	$54,860	$102,760
Open-ended funds and monetary market instruments	6,673,779	6,303,224
Trading securities	69,315,807	89,807,323
Others	23,092	215,459
Derivative financial instruments		
Long options	64,283	25,881
Futures trading margins-proprietary funds	381,988	581,273
Derivative instrument assets	1,857,035	1,759,443
Financial assets measured at cost-current	891,740	374,818
Financial assets measured at fair value through profit or loss-non-current	50,443	71,145
Available-for-sale financial assets (including financial assets measured at cost):		
Available-for-sale financial assets - current	7,361,442	7,673,440
Financial assets measured at cost - non-current	918,099	1,077,299
Available-for-sale financial assets-non-current	281,804	143,769
Held to maturity financial assets-non-current	300,000	190,000
Loans and receivables:		
Cash and cash equivalents (Cash on hand excluded)	12,448,021	13,509,118
Bonds purchased under resale agreements	16,445,429	9,457,201
Receivables-net	56,836,958	69,687,915
Customers' margin accounts	31,684,109	24,346,463
Stock borrowing collateral price and stock borrowing margin	7,009,706	2,346,775
Other financial assets-current	4,566,804	7,553,823
Other current assets	34,706,980	26,763,803
Other non-current assets		
Operating bond	1,447,740	1,898,415
Settlement/clearance fund	560,724	558,736
Guarantee deposits-out	1,374,951	1,455,693
Collaterals assumed	34,201	34,201
Other non-current assets- others	150,169	-

Financial instruments	12/31/15	12/31/14
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 financial instruments		
Bonds purchased under resale agreements-short sale	652,471	830,616
Liabilities for securities and bonds borrowed	6,167,626	4,495,468
Derivative financial instruments		
Liabilities for warrants issued	10,351,789	8,199,777
Repurchase warrants	(9,957,608)	(7,454,742)
Short options	56,265	23,255
Derivative instruments liabilities	4,284,302	3,701,786
Other financial liabilities- current	12,074,908	13,478,627
Financial liabilities are designated initially at fair value through profit or loss	2,166,377	1,966,485
Financial liabilities at amortized cost:		
Short-term borrowings	15,800,326	26,483,419
Commercial papers payable-net	5,102,353	9,258,974
Bonds sold under repurchase agreements	58,601,838	63,998,162
Payables	48,753,507	48,941,029
Securities lending refundable deposits	6,663,512	10,105,641
Futures customers' equity	30,716,503	23,790,080
Current portion of long-term borrowings	1,006,520	3,100,000
Bonds payable	7,000,000	1,020,680
Other financial liabilities-non-current		
Guarantee deposits-in	16,954	9,609

(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:

12/31/15

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	$13,709,714	$13,709,714	$-	$-
Bonds	53,967,357	16,708,020	37,259,337	-
Others	8,440,910	290,177	8,150,733	-
Available-for-sale financial assets				
Stocks	7,553,994	7,553,994	-	-
Bonds	89,252	58,849	30,403	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	6,820,097	3,493,208	3,326,889	-
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	2,303,306	447,096	1,841,178	15,032
Liabilities				
Financial liabilities measured at fair value through profit or loss	6,901,125	456,154	6,409,830	35,141

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	-

12/31/14

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
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

Note 1: The classification of the chart above is consistent with the one of the balanced sheet.

Note 2: While using valuation model to measure the fair value, if the inputs include observable market data and unobservable parameters, the Company and subsidiaries should determine if the inputs will have material effect on the measurement of fair value. If the unobservable inputs have material effect on the measurement, the fair value should be classified as level 3.

(A) Transfers between Level 1 and Level 2 during the period

	For the years ended December 31			
	2015		2014	
Financial instruments measured at fair value	From level 1 to level 2	From level 2 to level 1	From level 1 to level 2	From level 2 to level 1
Financial assets measured at fair value through profit or loss Bonds	$25,481,666	$32,207,656	$55,918,750	$56,368,619
Financial liabilities measured at fair value through profit or loss Bonds	203,695	203,802	447,529	497,254

The transfers between Level 1 and Level 2 mentioned above are due to the change of benchmark index 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 year ended December 31, 2015

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		in profit or loss	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	$73,381	$-	$4,179,189	$-	$(4,240,699)	$-	$15,032

For the year ended December 31, 2014

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		in profit or loss	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	$(26,553)	$-	$2,588,721	$-	$(2,710,091)	$-	$3,161

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

For the year ended December 31, 2015

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		in profit or loss	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	$(443,350)	$-	$1,069,386	$-	$(1,681,404)	$(1,896,600)	$35,141

For the year ended December 31, 2014

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
		in profit or loss	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	$34,322	$-	$2,566,699	$-	$(863,668)	$-	$2,987,109

c. Total gains or losses from financial assets and liabilities still held by the Company as of December 31, 2015 and 2014 are as follows:

	For the years ended December 31	
	2015	2014
Total gains or losses		
Recognized in profit or loss	$209,879	$(190,295)

d. The reason why financial instruments are transferred from level 3 in 2015 was the valuation technique modification for structured notes and credit linked note. The inputs are taken from the active market, which meet the definition of fair value level 2.

(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.

12/31/2015

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	16.11%~62.20%	Depending on contract terms.
Financial liabilities:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	10.53%~66.72%	Depending on contract terms.
Equity derivative instruments－short option	Martingale Pricing Technique	History Volatility	28.09%~71.56%	Depending on contract terms.
Financial liabilities designated initially at fair value－Structured notes	Reduced Form Pricing Technique	Credit spread	N/A	N/A

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.

Except for credit-linked structured notes, The Company and subsidiaries applied the same valuation technique and significant unobservable inputs as of December 31, 2015 and 2014. According to IFRS 13, the Company and subsidiaries postponed applying its requirements beginning from 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. The effect of possible changes of valuation inputs on the current profit or loss is shown below:

12/31/2015

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Derivatives				
Structured notes- options	Historical volatility	+ 25% / -25%	$249	$170
Equity derivative instruments－long option	Historical volatility	+ 25% / -25%	-	-
Total			$249	$170
Financial liabilities:				
Derivatives				

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Structured notes- options	Historical volatility	-25% / +25%	$19	$44
Equity derivative instruments －short option	Historical volatility	-25% / +25%	674	763
Total			$693	$807

12/31/2014

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Derivatives				
Structured notes- options	Historical volatility	+ 25% / -25%	$1,432	$1,342
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	$38	$37
Equity derivative instruments －short option	Historical volatility	-25% / +25%	38	99
Financial liabilities designated initially at fair value－ Structured notes	Credit spread	50bps / -50bps	15,126	15,410
Total			$15,202	$15,546

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

12/31/2015

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method (Note XI.12)	$2,182,797	$-	$-	$2,182,797
Investment properties (Note XI.14)	-	-	636,842	636,842

12/31/2014：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:

12/31/15					
Financial assets	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	$58,663,263	$58,601,838	$58,663,263	$58,601,838	$61,425
Securities borrowing transactions	54,860	76,804	54,860	76,804	(21,944)

(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:

12/31/15					
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	$11,345,800	$447,127	$447,127	$-	$447,127

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.

12/31/15						
Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Long call option	$-	$835,600	$3,293,700	$7,216,500	$-	$11,345,800

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.

12/31/15			
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	$(176,259)	$(257,532)	$(433,791)

7. Offsetting financial assets and financial liabilities

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:

12/31/15						
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	$1,857,035	$-	$1,857,035	$-	$76,126	$1,780,909
Resell agreement	16,445,429	-	16,445,429	16,445,429	-	-
Total	$18,302,464	$-	$18,302,464	$16,445,429	$76,126	$1,780,909

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

12/31/15						
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	$4,284,302	$-	$4,284,302	$-	$656,140	$3,628,162
Repurchase agreement	58,601,838	-	58,601,838	58,601,838	-	-
Total	$62,886,140	$-	$62,886,140	$58,601,838	$656,140	$3,628,162

(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
Repurchase 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 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	$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.

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.

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

	12/31/15	
	Book value	Fair value
Available-for-sale financial assets-current	$4,358,869	$4,358,869

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 year ended December 31, 2015	(88,944)	-
Total	$1,702,503	$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	12/31/15		12/31/14		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,965,939 / 407,338	4.83	1,011,350 / 466,132	2.17	≧1	Satisfied

Article #	Calculation Formula	12/31/15		12/31/14		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Current assets / Current liabilities	2,320,730 / 238,942	9.71	1,434,251 / 143,281	10.01	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,965,939 / 400,000	491.48%	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	1,417,650 / 215,941	656.50%	658,514 / 463,206	142.16%	≧20% ≧15%	〃

KGI Futures

Article #	Calculation Formula	12/31/15		12/31/14		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	2,624,668 / 372,168	7.05	2,330,514 / 203,524	11.45	≧1	Satisfied
17	Current assets / Current liabilities	20,589,705 / 18,589,073	1.11	13,763,599 / 12,063,412	1.14	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	2,624,668 / 760,000	345.35%	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	2,221,296 / 3,662,040	60.66%	1,978,098 / 2,310,489	85.61%	≧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

	12/31/15	12/31/14
Cash in bank	$876,118	$819,113
Financial assets	22,837,422	18,687,157
Receivables	99,904	34,370
Total trusted assets	$23,813,444	$19,540,640

	12/31/15	12/31/14
Payables	$30,124	$19,781
Trust capital	23,578,392	18,177,476
Reserves and retained earnings	204,928	1,343,383
Total trusted liabilities	$23,813,444	$19,540,640

B. Income statement of trust business

	For the year ended December 31, 2015	For the year ended December 31, 2014
Revenues	$2,136,357	$2,172,161
Expenses	(2,327,314)	(972,288)
Income before tax	(190,957)	1,199,873
Income tax	-	-
Net income	$(190,957)	$1,199,873

C. Trust Property catalog

	12/31/15	12/31/14
Cash in bank	$876,118	$819,113
Stocks	15,470,397	12,818,490
Funds	7,320,525	5,768,699
Structured notes	46,500	99,968
Total	$23,713,540	$19,506,270

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) According to Zheng-Gre-Fu Letter NO.1030026386, disclose the information as following:

Offshore Securities Unit of the Company engaged in custody and investment of funds affairs on behalf of customers. Related bank deposits under such affairs on December 31, 2015 was USD 1,245 thousand dollars.

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

	12/31/15			12/31/14		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$1,986,796	33.07	$65,631,077	$1,707,274	31.72	$54,144,135
HKD	42,428	4.26	180,852	138,252	4.09	565,282
GBP	455	48.78	22,173	131	49.32	6,460
JPY	3,174,913	0.27	867,667	339,254	0.26	89,772
EUR	4,387	35.89	157,479	831	38.53	32,006
CNY	142,098	5.03	715,099	865,261	5.10	4,415,774
AUD	162	24.16	3,908	486	25.96	12,620
Non-monetary Items						
USD	678,354	33.07	22,430,463	1,079,037	31.72	34,224,909
HKD	21,956	4.27	93,673	144,710	4.09	591,822

Financial instruments	12/31/15 Foreign currency (thousand dollars)	Exchange rate	NTD	12/31/14 Foreign currency (thousand dollars)	Exchange rate	NTD
CNY	569,182	5.03	2,864,465	1,346,593	5.10	6,872,202
AUD	3,468	24.16	83,799	458	25.96	11,902
JPY	73,782	0.27	20,268	-	-	-
NZD	2,924	22.69	66,340	-	-	-
Investments accounted for using the equity method						
USD	63,490	33.07	2,099,349	69,872	31.72	2,216,211
Financial liabilities						
Monetary Items						
USD	3,019,284	33.07	99,771,345	3,265,209	31.72	103,558,649
HKD	10,695	4.25	45,470	28,071	4.09	114,674
GBP	316	48.67	15,374	63	49.27	3,100
JPY	3,084,976	0.27	842,970	328,501	0.26	86,921
EUR	4,159	35.88	149,214	184	38.47	7,066
CNY	239,563	5.03	1,205,603	1,068,724	5.10	5,454,127
Non-monetary Items						
USD	208,276	33.07	6,886,852	314,816	31.72	9,985,342
HKD	-	-	-	34,360	4.09	140,522
JPY	73,782	0.27	20,268	-	-	-
CNY	468,906	5.03	2,359,815	158,675	5.10	809,782
AUD	3,468	24.16	83,799	458	25.96	11,902
NZD	2,924	22.69	66,340	-	-	-

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 368,936 thousand dollars and 20,455 thousand dollars for the year ended on December 31, 2015 and 2014, respectively.