

KGI SECURITIES CO. LTD.
CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Periods Ended June 30, 2017 and 2016
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.

Independent Auditors' Report

To KGI Securities CO. LTD.

Opinion

We have audited the accompanying consolidated balance sheets of KGI Securities Co. Ltd. (the "Company") and its subsidiaries as of June 30, 2017, December 31, 2016 and June 30, 2016, the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2017 and 2016, and six-month periods ended June 30, 2017 and 2016, and statements for changes in equity and cash flows for the six-month periods ended June 30, 2017 and 2016 and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2017, December 31, 2016 and June 30, 2016, and their consolidated financial performance and cash flows for the six-month periods ended June 30, 2017 and 2016, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of consolidated financial statements for the six-month periods ended June 30, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of derivative instruments

The Company and its subsidiaries invest in different types of financial assets and liabilities. As of June 30, 2017, the carrying amount of derivative assets and liabilities measured at fair value is significant to the consolidated financial statement. Except for those classified as level 1, the fair value of other derivative instruments cannot be retrieved from active market. Management therefore used valuation technique to determine the fair value. Level 2 derivative instruments are valued using parameters that are available or observable from an active market. The inputs of level 3 are not based on observable inputs from an active market. Since different valuation techniques and assumptions may have significant effect on the estimates of fair value, we considered the valuation of derivative instruments as a key audit matter.

Our audit method includes, but not limited to, assessing and testing the design and execution of the internal control regarding to valuation, and reviewing management's verification on fair value and authorization process of valuation models. In addition, we used our firm's internal valuation expert to reevaluate derivative instruments on a sampling basis, and compared the outcomes with the one from management to see if the difference is within acceptable range.

Please refer to Note V for significant accounting judgements, estimates and assumptions of derivatives valuation and Note XII for detail presentations and disclosures.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect NT 11,359,019 thousand dollars (3.92% of consolidated total assets), NT 11,000,124 thousand dollars (4.01% of consolidated total assets), and NT 8,947,341 thousand dollars (2.70% of consolidated total assets) of total assets as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively; and loss of NT 233,276 thousand dollars (42.25% of consolidated income before income tax) and income of NT 27,899 thousand dollars (11.34% of consolidated income before income tax) of income or loss before income tax for the three-month periods ended June 30, 2017 and 2016, respectively; and loss of NT 185,497 thousand dollars (17.33% of consolidated income before income tax) and income of NT 57,059 thousand dollars (13.33% of consolidated income before income tax) of income or loss before income tax for the six-month periods ended June 30, 2017 and 2016, respectively; and income of NT 13,846 thousand dollars (4.07% of consolidated other comprehensive income and losses) and loss of NT 884 thousand dollars (0.27% of consolidated other comprehensive income and losses) of the other comprehensive income or loss for the three-month periods ended June 30, 2017 and 2016, respectively; and income of NT 17,529 thousand dollars (2.40% of consolidated other comprehensive income and losses) and loss of NT 1,845 thousand dollars (0.33% of consolidated other comprehensive income and losses) of the other comprehensive income or loss for the six-month periods ended June 30, 2017 and 2016, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 "Interim Financial Reporting" as recognized by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of consolidated financial statements for the six-month periods ended June 30, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the six-month periods ended June 30, 2017 and 2016.

Hsu, Jung-Huang

Huang, Chien-Che



Ernst & Young, Taiwan

August 25, 2017

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2017, December 31, 2016 and June 30, 2016
(Expressed in New Taiwan Thousand Dollars)

ASSETS	2017/6/30	2016/12/31	2016/6/30
CURRENT ASSETS			
Cash and cash equivalents (Notes VI.1 and VII)	\$12,946,902	\$16,450,220	\$12,256,918
Financial assets measured at fair value through profit or loss-current (Notes VI.2, VI.20, VII and VIII)	74,359,180	61,107,195	109,227,065
Financial assets measured at cost-current (Notes VI.3)	818,347	1,090,749	1,140,897
Available-for-sale financial assets-current (Notes VI.4, VII and VIII)	8,689,090	9,246,926	7,108,979
Bonds purchased under resale agreements (Notes VI.6)	30,307,284	29,087,308	20,449,681
Margin loans receivable (Notes VI.7 and VII)	31,383,739	28,676,088	29,411,981
Refinancing margin	-	5,145	-
Refinancing deposits receivable	-	4,269	-
Trading securities receivable (Notes VI.8)	8,680,329	6,896,157	4,821,853
Customers' margin accounts (Notes VI.9 and VII)	36,526,948	37,066,541	38,406,838
Futures commission merchant receivable (Notes VI.10)	519	-	-
Stock borrowing collateral price	100,501	189,722	156,509
Stock borrowing margin	3,668,537	2,810,965	5,961,083
Notes receivable	683	1,939	197
Accounts receivable (Notes VI.11)	25,715,797	25,263,244	40,673,962
Prepayments	106,794	104,409	346,198
Other financial assets-current (Notes VI.1)	2,967,755	2,527,870	5,671,501
Current tax assets (Notes IV and VII)	605,877	453,719	573,437
Other current assets (Notes VII and VIII)	29,998,463	30,477,056	32,325,091
Total Current Assets	266,876,745	251,459,522	308,532,190
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Notes VI.2 and VIII)	50,006	50,033	50,046
Financial assets measured at cost-non-current (Notes VI.3)	865,233	918,314	920,587
Available-for-sale financial assets-non-current (Notes VI.4)	1,012,095	425,559	171,335
Held to maturity financial assets-non-current (Notes VI.5)	300,000	300,000	300,000
Investments accounted for using the equity method (Notes VI.12)	2,012,465	2,186,633	2,028,877
Property and equipment (Notes VI.13, VII and VIII)	5,972,402	6,029,167	6,295,425
Investment property (Notes VI.14, VII and VIII)	504,420	506,333	273,914
Intangible assets (Notes VI.15, VI.17 and VI.32)	8,468,045	8,601,811	8,697,592
Deferred tax assets	297,493	334,175	330,936
Other non-current assets (Notes VI.16, VII and VIII)	3,311,415	3,582,361	3,327,756
Total Non-current Assets	22,793,574	22,934,386	22,396,468
TOTAL ASSETS	\$289,670,319	\$274,393,908	\$330,928,658

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

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English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2017, December 31, 2016 and June 30, 2016

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	2017/6/30	2016/12/31	2016/6/30
CURRENT LIABILITIES			
Short-term borrowings (Notes VI.17 and VII)	\$14,430,777	\$12,777,858	\$17,915,870
Commercial papers payable (Note VI.18)	14,777,731	10,293,033	8,976,833
Financial liabilities measured at fair value through profit or loss-current (Notes VI.19 and VI.20)	22,366,187	12,175,215	19,819,272
Bonds sold under repurchase agreements (Notes VI.21 and VII)	59,132,332	57,422,129	84,799,124
Deposits for short sales (Notes VI.7 and VII)	1,749,876	2,681,255	2,233,020
Short sales proceeds payable (Notes VI.7 and VII)	10,325,104	10,869,488	13,111,086
Securities lending refundable deposits	9,906,038	11,335,953	9,844,090
Futures customers' equity (Notes VII)	35,972,804	36,084,937	37,450,325
Accounts payable (Notes VI.22 and VII)	40,678,821	39,187,188	54,617,642
Amounts received in advance	3,932	732	6,231
Amounts collected for other parties	1,501,079	1,808,278	1,683,947
Other payable	1,814,077	2,061,867	1,738,862
Other financial liabilities-current (Notes VI.20)	5,107,683	4,423,975	8,128,314
Current tax liabilities (Notes IV and VII)	892,886	698,437	1,029,481
Current portion of long-term borrowings (Note VI.23)	2,200,000	-	969,660
Other current liabilities	46,064	42,948	90,836
Total Current Liabilities	<u>220,905,391</u>	<u>201,863,293</u>	<u>262,414,593</u>
NON-CURRENT LIABILITIES			
Bonds payable (Notes VI.23)	4,800,000	7,000,000	7,000,000
Liabilities reserve-non-current (Note IV and VI.25)	222,009	224,908	155,657
Deferred tax liabilities	984,469	1,031,742	1,025,407
Other non-current liabilities (Note IV)	714,011	713,394	683,491
Total Non-Current Liabilities	<u>6,720,489</u>	<u>8,970,044</u>	<u>8,864,555</u>
Total Liabilities	<u>227,625,880</u>	<u>210,833,337</u>	<u>271,279,148</u>
EQUITY			
Capital stock abstract (Note VI.26)			
Common stock	34,988,123	34,988,123	34,988,123
Capital reserve (Notes VI.26)	8,645,526	8,644,122	8,642,200
Retained earnings (Note VI.26)			
Legal reserve	4,088,294	3,843,376	3,843,376
Special reserve	8,566,395	8,064,313	8,064,313
Unappropriated earnings (Note VI.26)	1,080,727	2,449,179	251,649
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation	(773,662)	(60,957)	8,914
Unrealized gain or loss on available-for-sale financial assets	2,283,893	2,315,891	547,895
Equity attributable to owners of the parent company	58,879,296	60,244,047	56,346,470
Non-controlling interests (Note VI.26 and VI.32)	3,165,143	3,316,524	3,303,040
Total Equity	<u>62,044,439</u>	<u>63,560,571</u>	<u>59,649,510</u>
TOTAL LIABILITIES AND EQUITY	<u>\$289,670,319</u>	<u>\$274,393,908</u>	<u>\$330,928,658</u>

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES Co. LTD. AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
For the Three-Month and Six-Month Periods Ended June 30, 2017 and 2016
(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Three-Month Periods Ended June 30		For the Six-Month Periods Ended June 30	
	2017	2016	2017	2016
REVENUES				
Brokerage handling fee revenue (Notes VI.27 and VII)	\$1,869,306	\$1,671,107	\$3,661,897	\$3,611,983
Revenue from borrowed securities	127,743	89,378	248,258	158,463
Revenue from underwriting business (Notes VI.27 and VII)	169,513	139,291	325,022	268,983
Revenue from wealth management services-net	15,020	13,001	29,782	26,528
Gains/(losses) on disposal of trading securities-net(Notes VI.27)	475,979	(186,307)	1,026,800	(79,354)
Revenue from providing agency service for stock affairs (Notes VII)	44,472	42,922	78,395	76,442
Interest income (Notes VI.27)	724,126	698,799	1,400,159	1,389,389
Dividend income	101,507	60,846	107,096	61,796
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.27)	598,708	(195,057)	650,838	485,504
Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net (Notes VI.27)	(25,577)	(25,905)	(95,050)	(57,086)
Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	(346,078)	(172,755)	(347,741)	(211,831)
Gains/(losses) on warrants issued-net (Notes VI.20)	36,334	180,739	37,004	317,943
Gains/(losses) on derivative financial product-futures-net (Notes VI.20)	(114,294)	171,596	(229,878)	252,045
Gains/(losses) on derivative financial product-GTSM-net (Notes VI.20)	(20,867)	349,205	(571,653)	219,890
Other operating revenue (Notes VI.27 and VII)	177,310	298,089	946,819	619,449
Total Revenues	<u>3,833,202</u>	<u>3,134,949</u>	<u>7,267,748</u>	<u>7,140,144</u>
COSTS AND EXPENSES				
Brokerage handling fee expenses	233,010	253,755	462,955	502,173
Dealing handling fee expenses	13,899	17,693	28,618	38,389
Refinancing handling fee expenses	74	206	212	419
Financial costs (Notes VI.27 and VII)	263,478	211,499	515,714	419,363
Losses on trading of borrowed securities	55,781	25,105	61,507	25,105
Futures commission expenses	19,152	20,858	44,028	55,863
Settlement and clearing service expenditures	59,213	65,956	112,487	129,337
Other operating costs	16,860	15,981	27,865	87,413
Employee benefits expenses (Notes IV, VI.24, VI.27 and VII)	1,654,817	1,544,885	3,333,611	3,179,952
Depreciation and amortization (Notes VI.27)	141,700	141,896	279,542	281,098
Other operating expenses (Notes VI.27 and VII)	1,259,832	1,069,811	2,168,600	2,533,449
Total Costs and Expenses	<u>3,717,816</u>	<u>3,367,645</u>	<u>7,035,139</u>	<u>7,252,561</u>
INCOME (LOSS) FROM OPERATIONS	<u>115,386</u>	<u>(232,696)</u>	<u>232,609</u>	<u>(112,417)</u>
NON-OPERATING INCOME OR COSTS				
Share of the profit or loss of associates and joint ventures accounting for using the equity method	33,887	71,353	101,305	123,882
Other income and costs (Notes VI.14, VI.27 and VII)	402,924	407,273	736,605	416,703
Total Non-operating Income or Costs	<u>436,811</u>	<u>478,626</u>	<u>837,910</u>	<u>540,585</u>
INCOME BEFORE INCOME TAX	552,197	245,930	1,070,519	428,168
INCOME TAX EXPENSES (Notes IV and VI.29)	<u>(19,625)</u>	<u>(36,466)</u>	<u>(120,534)</u>	<u>(140,227)</u>
NET INCOME	<u>532,572</u>	<u>209,464</u>	<u>949,985</u>	<u>287,941</u>
OTHER COMPREHENSIVE INCOME (Note VI.28)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	99,311	(58,753)	(708,646)	(280,454)
Unrealized gain or loss on available-for-sale financial assets	240,238	(263,171)	(19,131)	(278,361)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method- will be reclassified	624	(691)	(2,857)	(5,657)
Income tax relating to components that will be reclassified	139	(267)	(457)	(865)
Current other comprehensive income-net of tax	340,312	(322,882)	(731,091)	(565,337)
CURRENT COMPREHENSIVE INCOME (LOSS)	<u>\$872,884</u>	<u>\$(113,418)</u>	<u>\$218,894</u>	<u>\$(277,396)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent company	\$695,181	\$192,709	\$1,080,727	\$251,649
Non-controlling interests (Note VI.26 and Note VI.32)	<u>\$(162,609)</u>	<u>\$16,755</u>	<u>\$(130,742)</u>	<u>\$36,292</u>
CURRENT COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the parent company	\$1,024,663	\$(129,487)	\$336,024	\$(312,265)
Non-controlling interests (Note VI.26 and Note VI.32)	<u>\$(151,779)</u>	<u>\$16,069</u>	<u>\$(117,130)</u>	<u>\$34,869</u>
EARNINGS PER SHARE (Note VI.30)				
Net income attributable to owners of the parent company	<u>\$0.20</u>	<u>\$0.05</u>	<u>\$0.31</u>	<u>\$0.07</u>

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six-Month Periods Ended June 30, 2017 and 2016
(Expressed in New Taiwan Thousand Dollars)

Items	Equity Attributed to Owners of the Parent Company										
	Capital stock abstract	Retained Earnings				Other Equity			Total	Non-controlling Interests	Total Equity
	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				
Balance, January 1, 2016	\$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	
Appropriations:											
Legal reserve	-	-	232,350	-	(232,350)	-	-	-	-	-	
Special reserve	-	-	-	464,699	(464,699)	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,626,450)	-	-	(1,626,450)	-	(1,626,450)	
Net income for the six-month period ended June 30, 2016	-	-	-	-	251,649	-	-	251,649	36,292	287,941	
Other comprehensive income for the six-month period ended June 30, 2016	-	-	-	-	-	(282,693)	(281,221)	(563,914)	(1,423)	(565,337)	
Capital reduction	(3,000,000)	-	-	-	-	-	-	(3,000,000)	-	(3,000,000)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(41,004)	(41,004)	
Shared-based payment transaction	-	2,477	-	-	-	-	-	2,477	-	2,477	
Balance, June 30, 2016	\$34,988,123	\$8,642,200	\$3,843,376	\$8,064,313	\$251,649	\$8,914	\$547,895	\$56,346,470	\$3,303,040	\$59,649,510	
Balance, January 1, 2017	\$34,988,123	\$8,644,122	\$3,843,376	\$8,064,313	\$2,449,179	\$(60,957)	\$2,315,891	\$60,244,047	\$3,316,524	\$63,560,571	
Appropriations:											
Legal reserve	-	-	244,918	-	(244,918)	-	-	-	-	-	
Special reserve	-	-	-	502,082	(502,082)	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,702,179)	-	-	(1,702,179)	-	(1,702,179)	
Net income for the six-month period ended June 30, 2017	-	-	-	-	1,080,727	-	-	1,080,727	(130,742)	949,985	
Other comprehensive income for the six-month period ended June 30, 2017	-	-	-	-	-	(712,705)	(31,998)	(744,703)	13,612	(731,091)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(34,251)	(34,251)	
Shared-based payment transaction	-	1,404	-	-	-	-	-	1,404	-	1,404	
Balance, June 30, 2017	\$34,988,123	\$8,645,526	\$4,088,294	\$8,566,395	\$1,080,727	\$(773,662)	\$2,283,893	\$58,879,296	\$3,165,143	\$62,044,439	

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-Month Periods Ended June 30, 2017 and 2016
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	\$1,070,519	\$428,168
Adjustments to reconcile income before income tax expenses to net cash (used in)/provided by operating activities:		
Depreciation	152,840	153,435
Amortization	126,702	127,663
Bad debt expense	205,621	384,296
Interest expense	515,714	419,363
Interest income	(1,751,457)	(1,655,631)
Dividend income	(171,495)	(280,810)
Share-based payment transactions	1,404	2,477
Share of the profit or loss of associates and joint ventures accounting for using the equity method	(101,305)	(123,882)
(Gains)/losses on disposal of property and equipment	1,806	300
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(13,211,670)	(30,819,865)
Financial assets measured at cost-current	232,087	(285,513)
Available-for-sale financial assets-current	429,617	48,730
Bonds purchased under resale agreements	(1,219,976)	(4,004,252)
Margin loans receivable	(2,707,651)	7,015,081
Refinancing margin	5,145	6,563
Refinancing deposits receivable	4,269	5,462
Trading securities receivable	(1,784,172)	(2,095,269)
Customers' margin accounts	539,593	(6,722,729)
Futures commission merchant receivable	(519)	-
Stock borrowing collateral price	89,221	289,918
Stock borrowing margin	(857,572)	602,196
Notes receivable	1,256	510
Accounts receivable	(186,849)	(23,175,961)
Prepayments	(2,385)	(57,681)
Other financial assets-current	(439,885)	(1,104,697)
Other current assets	298,675	2,448,272
Financial assets measured at fair value through profit or loss-non-current	27	397
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	10,190,972	6,098,050
Bonds sold under repurchase agreements	1,710,203	26,197,286
Deposits for short sales	(931,379)	(1,144,194)
Short sales proceeds payable	(544,384)	(669,333)
Securities lending refundable deposits	(1,429,915)	3,180,578
Futures customers' equity	(112,133)	6,733,822
Accounts payable	1,478,735	22,991,982
Amounts received in advance	3,200	5,381
Amounts collected for other parties	(307,199)	(2,964,907)
Other payable	(201,852)	(1,015,002)
Other financial liabilities-current	683,708	(3,946,594)
Other current liabilities	3,116	(32,189)
Liabilities reserve-non-current	(2,899)	83
Other non-current liabilities-others	617	(11,833)
Cash provided by/(used in) operating activities	(8,219,650)	(2,970,329)
Interest received	1,623,876	1,596,451
Dividend received	7,480	6,980
Interest paid	(548,754)	(408,442)
Income tax paid	(89,291)	(89,507)
Net cash used in operating activities	(7,226,339)	(1,864,847)

(Continue on next page)

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

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English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-Month Periods Ended June 30, 2017 and 2016
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available-for-sale financial assets-non-current	(391,645)	(50,118)
Disposal of available-for-sale financial assets-non-current	13,083	89,503
Purchase of financial assets measured at cost-non-current	(54,800)	(63,282)
Disposal of financial assets measured at cost-non-current	50	19,092
Refunding of financial assets measured at cost	-	40,569
Purchase of property and equipment	(83,380)	(104,802)
Disposal of property and equipment	306	23
Operation bond	(9,655)	30,341
Settlement/clearance fund	(17,320)	40,250
Guarantee deposits-out	275,554	320,802
Purchase of intangible assets	(37,615)	(41,709)
Other non-current assets	(823)	(4,693)
Dividends received	241,976	324,760
Net cash provided by investing activities	(64,269)	600,736
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	1,652,919	2,115,544
Commercial papers payable	4,484,698	3,874,480
Cash dividends	(1,736,430)	(1,627,790)
Cash reduction of capital	-	(3,000,000)
Net cash provided by financing activities	4,401,187	1,362,234
EFFECTS OF EXCHANGE RATE CHANGES	(613,897)	(292,782)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,503,318)	(194,659)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	16,450,220	12,451,577
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$12,946,902	\$12,256,918

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-month Periods Ended, June 30, 2017 and 2016
(Expressed in thousands of New Taiwan dollars unless otherwise stated)

I. Organization and Operations

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

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

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

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

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

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

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

The Company’s registered address is 3F, No. 698 and 3F, No. 700, Mingshui Road, Taipei City. As of June 30, 2017, 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 its subsidiaries were authorized for issue in accordance with a resolution of the Board of Directors on August 25, 2017.

III. Newly Issued or Revised Standards and Interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company and its subsidiaries applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2017. The first-time adoption has no material effect on the Company.

2. Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company and its subsidiaries at the date of issuance of the Company's financial statements are listed below:

Standards or interpretations	Effective date (Note 1)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"-Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Note 2
IAS 12 "Income Taxes" -Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Disclosure Initiative -Amendment to IAS 7 "Statement of Cash Flows"	January 1, 2017
IFRS 15 "Revenue from Contracts with Customers"-Clarifications to IFRS 15	January 1, 2018
IFRS 2 "Shared-Based Payment" -Amendments to IFRS 2	January 1, 2018
Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" — Amendments to IFRS 4	Note 3
Transfers of Investment Property — Amendments to IAS 40 "Investment Property"	January 1, 2018
Improvements to International Financial Reporting Standards (2014-2016 cycle):	
IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note:

1. Except for those dated, newly issued standards or interpretations mentioned above go into effect in the following years of each respective date.
2. The amendment was decided to defer going into effect, but allowed to apply in advance.
3. Please refer to III.2 - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" — Amendments to IFRS 4.

At the date of issuance of the Company and its subsidiaries' financial statements, FSC has not declared effective dates for other standards or interpretations except for IFRS 9 and IFRS 15, which should be effective on January 1, 2018.

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

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 a requirement that “own credit risk” adjustments are not recognized in profit or loss.

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

Consequential amendments on the related disclosures also become effective.

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.

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.

IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time.

IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendments contain (A) clarifying that any other vesting conditions except fair value (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (B) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (C) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss.

Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

Transfers of Investment Property — Amendments to IAS 40 “Investment Property”

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.

Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The above mentioned standards and interpretations issued by IASB have been endorsed by FSC, the local effective dates are to be determined by FSC. As the Company and its subsidiaries are still currently determining the potential impact of the standards and interpretations listed above, it is not practicable to estimate their impact on the Company and its subsidiaries at this point in time.

- Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company’s financial statements are listed below.

<u>Standards or interpretations</u>	<u>Effective date (Note 1)</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021

Note: Except for those dated, newly issued standards or interpretations mentioned above go into effect in the following years of each respective date.

The potential effects of the standards or interpretations on the Company and its subsidiaries’ financial statements are summarized as below.

IFRS 16 “Leases”

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.

IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC, the local effective dates are to be determined by FSC. As the Company and its subsidiaries are still currently determining the potential impact of the standards and interpretations listed above, it is not practicable to estimate their impact on the Company and its subsidiaries at this point in time.

IV. Significant Accounting Policies

Apart from the items mentioned below, the same accounting policies have been applied in the Company's consolidated financial statements for the six-month periods ended June 30, 2017 and 2016 as those applied in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2016.

1. Statement of Compliance

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

2. General Description of Reporting Entities

(1) The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/17	12/31/16	6/30/16
KGI Securities Co. Ltd.	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00	100.00
"	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting	100.00	100.00	100.00
"	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00	100.00
"	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00	100.00
"	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	99.99	99.99	99.99
"	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61	99.61
"	Global Securities Finance Corporation (GSFC) (Note)	Securities finance	21.99	21.99	21.99
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00	100.00
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00	100.00
"	KGI Investment advisory (Shanghai) Co., Ltd.	Investment consulting	100.00	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00	100.00
"	ANEW Holdings Limited	Investments holdings	-	100.00	100.00
KGI International Holdings Limited	KG Investments Asset Management (International) Limited	Investment services	-	100.00	100.00
"	KGI Limited	Investments holdings	100.00	100.00	100.00
"	Supersonic Services Inc.	Investments holdings	100.00	100.00	100.00
"	KGI International Limited	Investments holdings	100.00	100.00	100.00
"	Bauhinia 88 Ltd.	Investments holdings	100.00	100.00	100.00

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/17	12/31/16	6/30/16
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
"	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00	100.00
"	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00
"	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00
"	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00
"	KGI Hong Kong Limited	Management consulting services	100.00	100.00	100.00
"	KGI Asia Limited	Securities investment services	100.00	100.00	100.00
"	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00
"	Grand Cathay Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
"	KGI Asset Management Limited	Asset management	100.00	100.00	100.00
"	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	100.00
"	KGI Wealth Management Limited	Securities investment services	100.00	100.00	100.00
"	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00
Supersonic Services Inc.	KGI Korea Limited	Investments holdings	100.00	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00	100.00
"	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00
"	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00
"	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00
"	PT KGI Sekuritas Indonesia	Securities investment services	99.00	99.00	-
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	100.00
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd.	Futures and exchange services	100.00	100.00	100.00
"	KGI Securities (Singapore) Pte. Ltd.	Securities investment services	100.00	100.00	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.

- (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. Defined benefit cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.
4. Income tax expense (income) for an interim period is calculated using estimated average annual effective income tax rate times interim pre-tax earnings.

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 and its subsidiaries evaluate 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.

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.

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 its subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Cash on hand	\$3,442	\$3,436	\$203,684
Cash in banks	10,156,727	14,167,670	9,120,804
Cash equivalents			
Short-term commercial papers and bonds	1,743,790	1,381,465	1,936,219
Excess Margin	<u>1,042,943</u>	<u>897,649</u>	<u>996,211</u>
Total	<u><u>\$12,946,902</u></u>	<u><u>\$16,450,220</u></u>	<u><u>\$12,256,918</u></u>

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Interest rates	0.30%-0.40%	0.36%-0.52%	0.28%-0.37%

(2) As of June 30, 2017, December 31, 2016 and June 30, 2016, the certificate of deposits over three months from the original due date are classified as other financial assets-current, and the amounts are 2,967,755 thousand dollars, 2,527,870 thousand dollars, and 5,671,501 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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Current</u>			
Financial assets held for trading			
Lent securities	\$91,843	\$46,749	\$27,810
Open-ended funds and monetary market instruments	2,129,907	2,522,042	5,788,108
Trading securities-dealing-net	51,837,834	49,612,823	91,002,930
Trading securities-underwriting-net	1,534,039	1,668,809	1,322,643
Trading securities-hedging-net	12,117,707	4,471,325	5,811,523
Long options	89,526	103,039	124,199
Futures trading margins	591,137	519,165	837,497
-proprietary funds			
Derivative financial product assets	5,918,947	2,163,243	4,061,653
Others	<u>48,240</u>	<u>-</u>	<u>250,702</u>
Total	<u><u>\$74,359,180</u></u>	<u><u>\$61,107,195</u></u>	<u><u>\$109,227,065</u></u>

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Non-current</u>			
Financial assets held for trading	<u>\$50,006</u>	<u>\$50,033</u>	<u>\$50,046</u>

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

(1) Lent securities

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Listed/OTC company stock	\$73,006	\$48,723	\$27,637
Valuation adjustments	18,837	(1,974)	173
Market value	<u>\$91,843</u>	<u>\$46,749</u>	<u>\$27,810</u>

(2) Open-ended funds and monetary market instruments

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Funds	\$32,000	\$32,000	\$27,800
Others	2,097,629	2,490,433	5,759,907
Subtotal	2,129,629	2,522,433	5,787,707
Valuation adjustments	278	(391)	401
Market value	<u>\$2,129,907</u>	<u>\$2,522,042</u>	<u>\$5,788,108</u>

(3) Trading securities-dealing-net

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Listed/OTC/ESM company stock	\$4,114,235	\$4,827,020	\$6,788,695
Listed/OTC company warrants	35,261	20,879	26,751
Listed/OTC company corporate bonds and government bonds	18,372,880	19,865,107	52,388,133
Foreign securities	26,881,589	22,588,029	30,429,519
Others	53	52	53
Subtotal	49,404,018	47,301,087	89,633,151
Valuation adjustments	2,433,816	2,311,736	1,369,779
Market value	<u>\$51,837,834</u>	<u>\$49,612,823</u>	<u>\$91,002,930</u>

(4) Trading securities-underwriting-net

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Listed/OTC company stock	\$482,206	\$604,470	\$426,317
Listed/OTC company corporate bonds and convertible bonds	406,659	281,638	478,228
Others	18,000	149,705	-
Subtotal	906,865	1,035,813	904,545
Valuation adjustments	627,174	632,996	418,098
Market value	<u>\$1,534,039</u>	<u>\$1,668,809</u>	<u>\$1,322,643</u>

(5) Trading securities-hedging-net

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Listed/OTC company stock	\$11,207,197	\$3,897,509	\$4,892,972
Listed/OTC company warrants	23,979	3,789	54,417
Listed/OTC company convertible bond	1,787	-	-
Foreign securities	<u>600,656</u>	<u>592,084</u>	<u>797,664</u>
Subtotal	11,833,619	4,493,382	5,745,053
Valuation adjustments	<u>284,088</u>	<u>(22,057)</u>	<u>66,470</u>
Market value	<u>\$12,117,707</u>	<u>\$4,471,325</u>	<u>\$5,811,523</u>

(6) Long options

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Index options	\$106,243	\$86,395	\$132,646
Stock options	<u>8,447</u>	<u>9,007</u>	<u>15,874</u>
Subtotal	114,690	95,402	148,520
Open interest	<u>(25,164)</u>	<u>7,637</u>	<u>(24,321)</u>
Market value	<u>\$89,526</u>	<u>\$103,039</u>	<u>\$124,199</u>

(7) Futures trading margins-proprietary funds

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Account balance	\$609,772	\$516,691	\$840,085
Open interest	<u>(18,635)</u>	<u>2,474</u>	<u>(2,588)</u>
Account value	<u>\$591,137</u>	<u>\$519,165</u>	<u>\$837,497</u>

(8) Please refer to Note VI.20 for detail of derivative instruments.

(9) Others

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other financial assets	\$48,070	\$-	\$240,515
Valuation adjustments	<u>170</u>	<u>-</u>	<u>10,187</u>
Market value	<u>\$48,240</u>	<u>\$-</u>	<u>\$250,702</u>

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Government bonds	\$50,175	\$50,175	\$51,241
Valuation adjustments	<u>(169)</u>	<u>(142)</u>	<u>(1,195)</u>
Market value	<u>\$50,006</u>	<u>\$50,033</u>	<u>\$50,046</u>

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Current</u>			
<u>Stock</u>			
ESM company stock	\$818,347	\$1,090,749	\$1,140,897
<u>Non-current</u>			
<u>Stock</u>			
Taiwan Depository & Clearing Corp.	\$74,932	\$74,932	\$74,932
Taiwan Futures Exchange Corp.	151,125	151,125	151,125
Taiwan Stock Exchange Corp.	369,199	369,199	369,199
WinWay Tech. Co., Ltd.	47,580	47,580	47,580
Top Bright Holding Co., Ltd.	46,500	46,500	-
Drewloong Precision, Inc.	48,000	-	-
Others	127,897	228,978	277,751
Total	<u>\$865,233</u>	<u>\$918,314</u>	<u>\$920,587</u>

- (1) Zuen Ping Venture Capital Investment Corporation obtained has completed liquidation for the year ended December 31, 2016.
- (2) After the recoverable amounts were assessed, accumulated impairment losses 27,687 thousand dollars, 29,364 thousand dollars, and 29,026 thousand dollars were recognized respectively on Dragon Investment Fund I Co. obtained as of June 30, 2017, December 31, 2016, and June 30, 2016.
- (3) No pledged was made for financial assets measured at cost mentioned above.

4. Available-for-Sale Financial Assets

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Current</u>			
Listed/OTC company stock	\$8,677,598	\$9,235,619	\$7,096,698
Foreign securities	11,492	11,307	12,281
Total	<u>\$8,689,090</u>	<u>\$9,246,926</u>	<u>\$7,108,979</u>
<u>Non-current</u>			
Listed/OTC company stock	\$598,327	\$255,801	\$27,517
Beneficiary Certificate	232,107	-	-
Foreign securities	181,661	169,758	143,818
Total	<u>\$1,012,095</u>	<u>\$425,559</u>	<u>\$171,335</u>

- (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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Non-current</u>			
Bank Debentures	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>

- (1) The subsidiary held subordinated debentures of Sunny Bank and Hwatai Bank on June, 30, 2017, December 31, 2016, and June 30 2016 with the face value 200,000 thousand dollars and 100,000 thousand dollars respectively; both of the coupon rate are 2.50%.
- (2) No pledged was made for held to maturity financial assets mentioned above.

6. Bonds Purchased under Resale Agreements

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Government bonds	\$9,161,121	\$9,085,141	\$8,307,758
Corporate bonds	8,821,709	4,851,085	6,815,010
Bank Debentures	12,324,454	15,151,082	5,326,913
Total	<u>\$30,307,284</u>	<u>\$29,087,308</u>	<u>\$20,449,681</u>
Resold amount as specified in respective agreements plus accrued interest	<u>\$30,323,035</u>	<u>\$29,114,724</u>	<u>\$20,453,034</u>
Resold date as specified in respective agreements	7/3/17 -7/28/17	1/3/17 -2/22/17	7/1/16 -7/29/16

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. Annual interest rate on the loans were 6.30%-6.45% on June 30, 2017, December 31, 2016, and June 30, 2016.

According to the Securities and Futures Bureau, the Company and its subsidiaries render the service of securities lending shall charge deposits for short sales or equivalent collaterals by proportion. Annual interest rate on the payables and collaterals were 0.10%-0.20% on June 30, 2017, December 31, 2016, and June 30, 2016.

8. Trading securities receivable

The Company and its 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% and 140%.

9. Customers' Margin Accounts

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Cash in banks	\$15,646,017	\$15,465,349	\$14,935,099
Marking to market from the clearing house	2,576,111	2,073,183	1,616,047
Marking to market from the other futures brokers	1,958,736	1,014,202	1,809,361
Securities	575	103	68
Foreign customers' margin accounts	16,345,509	18,513,704	20,046,263
Total	<u>\$36,526,948</u>	<u>\$37,066,541</u>	<u>\$38,406,838</u>

10. Futures Commission Merchant Receivable

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Futures commission merchant receivable	\$93,522	\$93,003	\$108,003
Less: Allowance for bad debt	<u>(93,003)</u>	<u>(93,003)</u>	<u>(108,003)</u>
Net	<u>\$519</u>	<u>\$-</u>	<u>\$-</u>

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 36,619 thousand dollars as of June 30, 2017 and still in the process of claiming the recovery actively. For the remaining 70,757 thousand dollars loss, the subsidiary positively executed the repayment procedures and had recognized sufficient amounts of allowance.

11. Accounts Receivable

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Exchange clearing receivable	\$3,178,064	\$6,798,639	\$4,325,882
Accounts receivable for settlement- brokerage	11,731,565	8,385,692	11,742,546
Accounts receivable for settlement- non-brokerage	8,946,967	8,394,997	23,190,756
Interest receivable	765,595	639,799	888,608
Others	1,093,606	1,044,117	526,170
Total	<u>\$25,715,797</u>	<u>\$25,263,244</u>	<u>\$40,673,962</u>

12. Investments Accounted for Using The Equity Method

<u>Investee</u>	<u>6/30/17</u>		<u>12/31/16</u>	
	Amount	Percentage	Amount	Percentage
<u>Investments in associates</u>				
KGI Securities (Thailand) Public Company Limited	\$1,994,373	34.97	\$2,159,059	34.97
Trinitus Asset Management Limited	14,788	40.00	24,270	40.00
CDIB BioScience Ventures Management	3,304	1.20	3,304	1.20
Total	<u>\$2,012,465</u>		<u>\$2,186,633</u>	

<u>Investee</u>	<u>6/30/16</u>	
	Amount	Percentage
<u>Investments in associates</u>		
KGI Securities (Thailand) Public Company Limited	\$1,995,755	34.97
Trinitus Asset Management Limited	29,600	40.00
CDIB BioScience Ventures Management	3,522	1.20
Total	<u>\$2,028,877</u>	

(1) 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. Its fair value belongs to level 1 within the fair value hierarchy. The fair values of the Company's investment measured under the equity method are 2,495,830 thousand dollars, 2,448,105 thousand dollars and 2,084,517 thousand dollars as of June 30, 2017, December 31, 2016 and June 30, 2016 respectively.

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

	6/30/17	12/31/16	6/30/16
Current assets	\$11,654,161	\$8,952,221	\$10,740,447
Non-current assets	853,661	1,446,307	1,690,951
Current liabilities	(7,825,198)	(5,320,352)	(7,830,582)
Non-current liabilities	(141,270)	(136,330)	(126,680)
Non-controlling interests	(2,745)	(2,817)	(2,357)
Attributed to controlling interests	<u>\$4,538,609</u>	<u>\$4,939,029</u>	<u>\$4,471,779</u>
Ownership ratio	34.79%	34.97%	34.97%
Proportion of ownership	\$1,587,152	\$1,727,179	\$1,563,781
Goodwill	407,221	431,880	431,974
Book value	<u>\$1,994,373</u>	<u>\$2,159,059</u>	<u>\$1,995,755</u>

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Revenue	<u>\$511,188</u>	<u>\$708,417</u>	<u>\$1,171,268</u>	<u>\$1,325,743</u>
Profit or loss from continuing operations	\$111,636	\$225,463	313,034	\$384,854
Other comprehensive income	<u>1,676</u>	<u>(1,876)</u>	<u>(8,169)</u>	<u>(15,914)</u>
Total comprehensive income	<u>\$113,312</u>	<u>\$223,587</u>	<u>\$304,865</u>	<u>\$368,940</u>
Dividends received from associate	<u>\$234,522</u>	<u>\$164,598</u>	<u>\$234,522</u>	<u>\$164,598</u>

(2)The Company's investments in Trinitus Asset Management Limited and CDIB BioScience Ventures Management are not material. The carrying amounts of the investment are 18,092 thousand dollars, 27,574 thousand dollars and 33,122 thousand dollars as of June 30, 2017, December 31, 2016, and June 30, 2016 respectively, and the proportionate aggregate financial information of investments is as follow:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Profit or loss from continuing operations	\$(5,153)	\$(7,490)	\$(8,163)	\$(10,700)
Other comprehensive income	<u>38</u>	<u>(32)</u>	<u>-</u>	<u>(91)</u>
Total comprehensive income	<u>\$(5,115)</u>	<u>\$(7,522)</u>	<u>\$(8,163)</u>	<u>\$(10,791)</u>

(3)Since the Company and affiliate company, CDIB Capital Group, jointly hold 21.20% shares of CDIB BioScience Ventures Management, the investment is measured under the equity method.

(4)No pledged was made for investments accounted for using the equity method mentioned above.

13. Property and Equipment

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

	Land	Buildings	Equipment	Leasehold improvement	Total
<u>Cost:</u>					
At January 1, 2017	\$3,954,044	\$2,102,086	\$2,698,506	\$451,536	\$9,206,172
Additions	-	-	72,260	11,120	83,380
Disposals	-	-	(116,446)	(4,694)	(121,140)
Transfers	-	-	20,421	-	20,421
Exchange differences	-	-	(43,099)	(15,685)	(58,784)
At June 30, 2017	<u>\$3,954,044</u>	<u>\$2,102,086</u>	<u>\$2,631,642</u>	<u>\$442,277</u>	<u>\$9,130,049</u>
At January 1, 2016	\$4,120,492	\$2,185,427	\$2,848,169	\$494,940	\$9,649,028
Additions	-	-	90,170	14,632	104,802
Disposals	-	-	(221,626)	(80,162)	(301,788)
Transfers	3,477	9,760	33,511	269	47,017
Exchange differences	-	-	(13,897)	(5,846)	(19,743)
At June 30, 2016	<u>\$4,123,969</u>	<u>\$2,195,187</u>	<u>\$2,736,327</u>	<u>\$423,833</u>	<u>\$9,479,316</u>
<u>Depreciation and Impairment:</u>					
At January 1, 2017	\$-	\$746,089	\$2,111,136	\$319,780	\$3,177,005
Depreciation	-	19,475	106,755	24,697	150,927
Disposals	-	-	(114,334)	(4,694)	(119,028)
Transfers	-	-	-	-	-
Exchange differences	-	-	(36,150)	(15,107)	(51,257)
At June 30, 2017	<u>\$-</u>	<u>\$765,564</u>	<u>\$2,067,407</u>	<u>\$324,676</u>	<u>\$3,157,647</u>
At January 1, 2016	\$-	\$732,637	\$2,266,860	\$354,309	\$3,353,806
Depreciation	-	20,361	104,425	27,621	152,407
Disposals	-	-	(221,602)	(80,162)	(301,764)
Transfers	-	2,309	(741)	(3,591)	(2,023)
Exchange differences	-	-	(14,010)	(4,525)	(18,535)
At June 30, 2016	<u>\$-</u>	<u>\$755,307</u>	<u>\$2,134,932</u>	<u>\$293,652</u>	<u>\$3,183,891</u>
<u>Book value:</u>					
At June 30, 2017	<u>\$3,954,044</u>	<u>\$1,336,522</u>	<u>\$564,235</u>	<u>\$117,601</u>	<u>\$5,972,402</u>
At December 31, 2016	<u>\$3,954,044</u>	<u>\$1,355,997</u>	<u>\$587,370</u>	<u>\$131,756</u>	<u>\$6,029,167</u>
At June 30, 2016	<u>\$4,123,969</u>	<u>\$1,439,880</u>	<u>\$601,395</u>	<u>\$130,181</u>	<u>\$6,295,425</u>

(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	
<u>Cost:</u>				
At January 1, 2017	\$378,497	\$191,806	\$570,303	
Transfers	-	-	-	
At June 30, 2017	\$378,497	\$191,806	\$570,303	
At January 1, 2016	\$212,049	\$108,465	\$320,514	
Transfers	(3,477)	(9,760)	(13,237)	
At June 30, 2016	\$208,572	\$98,705	\$307,277	
<u>Depreciation and Impairment:</u>				
At January 1, 2017	\$-	\$63,970	\$63,970	
Depreciation	-	1,913	1,913	
At June 30, 2017	\$-	\$65,883	\$65,883	
At January 1, 2016	\$-	\$34,644	\$34,644	
Depreciation	-	1,028	1,028	
Transfers	-	(2,309)	(2,309)	
At June 30, 2016	\$-	\$33,363	\$33,363	
<u>Book value:</u>				
At June 30, 2017	\$378,497	\$125,923	\$504,420	
At December 31, 2016	\$378,497	\$127,836	\$506,333	
At June 30, 2016	\$208,572	\$65,342	\$273,914	
	For the three-month periods ended June 30		For the six-month periods ended June 30	
Investee	2017	2016	2017	2016
Rental income from the lease of the investment property	\$5,307	\$4,132	\$10,229	\$8,427

(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 1,025,708 thousand dollars, 904,205 thousand dollars and 591,103 thousand dollars on June 30, 2017, December 31, 2016 and June 30, 2016, 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
At January 1, 2017	\$7,000,554	\$1,447,334	\$153,923	\$8,601,811
Additions	-	-	37,615	37,615
Decreases	-	-	2,011	2,011
Exchange differences	(46,746)	-	-	(46,746)
Amortizations	-	(94,508)	(32,138)	(126,646)
At June 30, 2017	\$6,953,808	\$1,352,826	\$161,411	\$8,468,045

	Goodwill	Other intangible assets	Software	Total
At January 1, 2016	\$6,997,437	\$1,639,972	\$139,939	\$8,777,348
Additions	-	-	41,709	41,709
Exchange differences	6,082	-	-	6,082
Amortizations	-	(96,923)	(30,624)	(127,547)
At June 30, 2016	<u>\$7,003,519</u>	<u>\$1,543,049</u>	<u>\$151,024</u>	<u>\$8,697,592</u>

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

16. Other Non-Current Assets

	At June 30, 2017	12/31/16	At June 30, 2016
Operation bond	\$1,426,710	\$1,417,056	\$1,417,399
Settlement/clearance fund	544,613	527,293	520,474
Guarantee deposits-out	1,060,641	1,336,195	1,054,149
Collaterals assumed	34,201	34,201	34,201
Others	245,250	267,616	301,533
Total	<u>\$3,311,415</u>	<u>\$3,582,361</u>	<u>\$3,327,756</u>

(1) Clients of the foreign subsidiary breached the contracts in October, 2015. Because the receivables for settlement are not recoverable, the receivables are reclassified under other non-current assets. As of June 30, 2017, the foreign subsidiary positively executed the repayment procedures and recognized SGD 22,729 thousand dollars for the allowance.

(2) After assessed by the Company as unrecoverable, margin loans receivable and trading securities receivable of the subsidiaries were reclassified as overdue receivable and full amount of allowance for bad debt has been recognized.

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

17. Short-Term Borrowings

	At June 30, 2017	12/31/16	At June 30, 2016
Interbank loans	\$1,126,132	\$161,395	\$484,290
Credit loans	6,164,261	7,761,972	12,397,012
Secured loans	6,774,997	4,821,020	5,034,568
Bank overdraft	365,387	33,471	-
Total	<u>\$14,430,777</u>	<u>\$12,777,858</u>	<u>\$17,915,870</u>
Interest rate	0.88%-3.75%	0.65%-9.45%	0.65%-3.63%

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

18. Commercial Papers Payable-Net

	At June 30, 2017	12/31/16	At June 30, 2016
Commercial papers payable	\$14,787,057	\$10,300,460	\$8,983,353
Less: Discount	(9,326)	(7,427)	(6,520)
Net	<u>\$14,777,731</u>	<u>\$10,293,033</u>	<u>\$8,976,833</u>
Interest rate	0.39%-1.33%	0.48%-1.15%	0.32%-1.10%

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Current</u>			
Financial liabilities held for trading			
Bonds sold under repurchase agreements -short sale	\$1,032,202	\$2,211,581	\$871,974
Liabilities for warrants issued	11,782,759	9,438,441	8,717,731
Repurchase warrants	(11,050,591)	(9,118,906)	(8,276,983)
Liability for purchase of government bonds	-	150,000	-
Short options	92,423	60,203	136,605
Liabilities for securities and bonds borrowed	12,099,495	5,484,802	11,667,410
Derivative financial product liabilities	7,392,726	2,845,225	5,022,327
Financial liabilities designated initially at fair value through profit or loss	1,017,173	1,103,869	1,680,208
Total	<u>\$22,366,187</u>	<u>\$12,175,215</u>	<u>\$19,819,272</u>

(1) Bonds sold under repurchase agreements-short sale

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Government bonds	\$1,023,742	\$2,233,754	\$862,007
Valuation adjustments	8,460	(22,173)	9,967
Market value	<u>\$1,032,202</u>	<u>\$2,211,581</u>	<u>\$871,974</u>

(2) Liabilities for warrants issued and repurchase warrants

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Warrants issued	\$13,311,946	\$14,780,272	\$12,123,545
Gains/(losses) on value change	(1,529,187)	(5,341,831)	(3,405,814)
Market value	11,782,759	9,438,441	8,717,731
Repurchased warrants	12,023,531	13,208,142	10,371,535
Gains/(losses) on value change	(972,940)	(4,089,236)	(2,094,552)
Market value	11,050,591	9,118,906	8,276,983
Net value	<u>\$732,168</u>	<u>\$319,535</u>	<u>\$440,748</u>

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) Liability for purchase of government bonds

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Liability for purchase of government bonds	\$-	\$149,675	\$-
Valuation adjustments	-	325	-
Market value	<u>\$-</u>	<u>\$150,000</u>	<u>\$-</u>

(4) Short options

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Index options	\$74,626	\$67,916	\$149,677
Stock options	7,666	10,268	19,778
Subtotal	82,292	78,184	169,455
Open interest	10,131	(17,981)	(32,850)
Market value	<u>\$92,423</u>	<u>\$60,203</u>	<u>\$136,605</u>

(5) Liabilities for securities and bonds borrowed

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Listed/OTC company stock	\$5,399,982	\$2,616,718	\$5,332,081
Foreign securities	6,395,759	2,882,468	6,213,084
Subtotal	11,795,741	5,499,186	11,545,165
Valuation adjustments	303,754	(14,384)	122,245
Market value	<u>\$12,099,495</u>	<u>\$5,484,802</u>	<u>\$11,667,410</u>

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

20. Derivative Instruments

(1) Nominal amounts

<u>Financial Instruments</u>	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Options and futures contract	\$20,656,950	\$18,290,118	\$24,001,215
Foreign futures and options	18,987,443	28,689,035	36,927,572
Interest rate swap (IRS)	152,961,828	192,469,165	166,216,939
Convertible bond asset swap (CBAS)-interest	9,761,200	10,429,800	11,028,700
CBAS-long option	9,508,700	10,229,100	10,534,800
CBAS-short option	12,366,700	12,993,700	13,971,500
Structured notes	27,871,229	11,537,615	11,317,732
Equity derivative instruments	518,690	21,471	197,739
Credit derivative instruments	6,015,021	5,679,224	5,163,417
Exchange rate derivative instruments	78,672,893	90,230,667	128,682,824
Others	9,431	25,821	25,867
Total	<u>\$337,330,085</u>	<u>\$380,595,716</u>	<u>\$408,068,305</u>

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

<u>Financial Instruments</u>	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Derivative instrument assets			
Contract value			
IRS	\$463,666	\$606,240	\$1,058,080
CBAS-interest	17,928	12,422	28,603
Long options			
CBAS	706,159	610,676	523,507
Structured notes	115,037	63,517	53,833

Financial Instruments	6/30/17	12/31/16	6/30/16
Equity derivative instruments	371	-	-
Credit derivative instruments	4,557	26,624	22,305
Exchange rate derivative instruments	3,079,080	673,262	2,166,950
Foreign futures and options	1,531,919	170,352	208,153
Others	230	150	222
Total	\$5,918,947	\$2,163,243	\$4,061,653
Derivative instrument liabilities			
Contract value			
IRS	\$483,641	\$528,765	\$1,065,431
CBAS-interest	157,592	200,103	233,452
Short options			
CBAS	967,380	827,138	754,502
Structured notes	565,988	451,452	439,916
Equity derivative instruments	377,082	7,672	65,997
Credit derivative instruments	25,672	6,558	11,979
Exchange rate derivative instruments	3,139,684	475,442	2,099,149
Foreign futures and options	1,675,457	347,945	351,679
Others	230	150	222
Total	\$7,392,726	\$2,845,225	\$5,022,327
Financial liabilities designated initially at fair value through profit or loss			
Structured notes	\$1,017,173	\$1,103,869	\$1,680,208
Other financial liabilities- current			
Structured notes-delivery value	\$5,107,683	\$4,423,975	\$8,128,314

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 three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Liabilities for warrants issued:				
Gains on value change	\$5,841,410	\$6,524,885	\$11,130,619	\$13,436,015
Gains on exercising warrants before maturity	1,764	433	1,345	434
Repurchase of issued warrants:				
Losses on resale of warrants	(648,365)	(1,326,350)	(1,161,307)	(2,528,228)
Losses on value change	(5,129,422)	(4,997,938)	(9,879,242)	(10,548,030)
Expense for warrant	(29,053)	(20,291)	(54,411)	(42,248)
Gains/(losses) on warrants issued	\$36,334	\$180,739	\$37,004	\$317,943

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

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2017	2016	2017	2016
Futures contracts	\$(84,921)	\$187,080	\$(164,362)	\$258,216
Options	(29,373)	(15,484)	(65,516)	(6,171)
Total	\$(114,294)	\$171,596	\$(229,878)	\$252,045

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

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2017	2016	2017	2016
IRS	\$(16,163)	\$(7,465)	\$(120,643)	\$(6,495)
CBAS	(12,216)	64,383	(70,340)	141,742
Options	16,200	21,230	49,895	59,386
Structured notes	(15,796)	(40,631)	(13,179)	(164,821)
Equity derivative instruments	(13,882)	115,157	(22,244)	114,503
Credit derivative instruments	(14,191)	35,998	(28,165)	17,243
Exchange rate derivative instruments	35,181	160,533	(366,977)	58,332
Total	\$(20,867)	\$349,205	\$(571,653)	\$219,890

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

6/30/17

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	357	\$621,369	\$615,539	
Futures Contracts	Foreign Futures	Long	1,491	934,232	937,069	
Futures Contracts	Foreign Futures	Short	623	1,597,595	1,594,993	
Futures Contracts	Finance Sector Index Futures	Long	239	269,807	269,449	
Futures Contracts	Finance Sector Index Futures	Short	42	46,801	47,351	
Futures Contracts	Gold Futures	Long	5	1,908	1,900	
Futures Contracts	Gold Futures	Short	53	20,227	20,097	
Futures Contracts	GreTai Futures	Long	9	4,829	4,817	
Futures Contracts	GreTai Futures	Short	17	9,203	9,156	
Futures Contracts	Indian Nifty Index Futures	Long	1	476	476	
Futures Contracts	Indian Nifty Index Futures	Short	123	59,236	58,579	
Futures Contracts	Mini-TaiEx Futures	Long	630	315,333	319,362	
Futures Contracts	Mini-TaiEx Futures	Short	1,122	557,268	570,926	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	32	16,510	16,569	
Futures Contracts	USD/CNH FX Futures	Long	28	86,027	85,498	
Futures Contracts	USD/CNH FX Futures	Short	158	487,216	484,339	
Futures Contracts	USD/CNT FX Futures	Long	626	385,750	383,798	
Futures Contracts	USD/CNT FX Futures	Short	540	333,508	331,643	
Futures Contracts	USA S&P 500 Futures	Long	56	27,257	27,102	
Futures Contracts	Stock Futures	Long	3,407	678,108	662,632	
Futures Contracts	Stock Futures	Short	17,571	3,191,801	3,225,516	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Futures Contracts	TWD/Gold Futures	Long	63	29,057	28,936	
Futures Contracts	TWD/Gold Futures	Short	26	12,028	11,973	
Futures Contracts	TOPIX Futures	Short	564	182,261	181,558	
Futures Contracts	TaiEx Futures	Long	1,683	3,357,526	3,416,846	
Futures Contracts	TaiEx Futures	Short	2,544	5,131,414	5,182,447	
Futures Contracts	Taiwan 50 Index futures	Short	21	16,329	16,418	
Futures Contracts	USA DJIA Futures	Long	372	158,836	158,200	
Futures Contracts	EUR/USD FX Futures	Long	96	66,516	66,941	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	93	109,515	109,606	
Futures Contracts	Yuanta ETF Futures	Long	1,467	1,145,934	1,179,930	
Futures Contracts	USD/JPY FX Futures	Long	73	44,396	44,313	
Futures Contracts	HK-HSI Futures	Long	13	64,982	64,841	
Futures Contracts	Mini-HK-HSI Futures Index	Short	65	64,852	64,841	
Futures Contracts	MSCI Taiwan Index Futures	Long	319	376,478	374,140	
Futures Contracts	MSCI Taiwan Index Futures	Short	49	55,382	57,037	
Options Contracts	Index Options-Call	Long	14,737	56,413	37,912	
Options Contracts	Index Options-Put	Long	10,879	49,830	43,487	
Options Contracts	Index Options-Call	Short	20,720	(41,579)	55,124	
Options Contracts	Index Options-Put	Short	18,428	(33,047)	30,561	
Options Contracts	Stock Options-Call	Long	1,174	5,652	6,680	
Options Contracts	Stock Options-Put	Long	1,190	2,795	1,447	
Options Contracts	Stock Options-Call	Short	1,643	(4,594)	5,447	
Options Contracts	Stock Options-Put	Short	904	(3,072)	1,291	

12/31/16

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Futures Contracts	GreTai Futures	Long	11	\$5,422	\$5,498	
Futures Contracts	GreTai Futures	Short	210	103,420	105,294	
Futures Contracts	Elec-Sector Index Futures	Long	46	67,708	67,988	
Futures Contracts	Elec-Sector Index Futures	Short	1	1,440	1,474	
Futures Contracts	Finance Sector Index Futures	Long	30	32,196	32,334	
Futures Contracts	Gold Futures	Long	11	4,056	4,118	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	35	39,618	39,743	
Futures Contracts	TaiEx NT Dollar Gold Futures	Short	132	58,408	59,961	
Futures Contracts	TaiEx Futures	Long	2,930	5,358,492	5,419,295	
Futures Contracts	TaiEx Futures	Short	2,595	4,759,702	4,799,968	
Futures Contracts	Mini TaiEx Futures	Long	1,020	466,746	471,744	
Futures Contracts	Mini TaiEx Futures	Short	210	93,339	95,153	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Short	5	2,315	2,316	
Futures Contracts	Stock Futures	Long	3,410	388,567	391,936	
Futures Contracts	Stock Futures	Short	17,718	2,183,470	2,179,646	
Futures Contracts	Foreign Futures	Long	1,321	517,848	518,815	
Futures Contracts	Foreign Futures	Short	1,108	2,917,599	2,932,902	
Futures Contracts	Indian Nifty Index Futures	Short	117	47,245	47,758	
Futures Contracts	USD/CNH FX Futures	Long	6	19,408	19,443	
Futures Contracts	USD/CNH FX Futures	Short	168	556,655	564,056	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Futures Contracts	USD/CNT FX Futures	Long	249	162,170	162,973	
Futures Contracts	USD/CNT FX Futures	Short	388	256,809	261,012	
Futures Contracts	TOPIX Futures	Long	42	12,752	12,753	
Futures Contracts	EUR/USD FX Futures	Long	1	677	681	
Futures Contracts	USD/JPY FX Futures	Short	7	4,496	4,503	
Futures Contracts	MSCI Taiwan Index Futures	Long	1	1,111	1,110	
Futures Contracts	HK-HSI Futures Index	Long	30	27,452	27,422	
Futures Contracts	HK-HSI Futures Index	Short	6	27,411	27,422	
Options Contracts	Index Options-Call	Long	11,950	46,246	79,024	
Options Contracts	Index Options-Put	Long	8,938	40,149	17,099	
Options Contracts	Index Options-Call	Short	14,793	(23,638)	32,465	
Options Contracts	Index Options-Put	Short	15,730	(44,278)	16,828	
Options Contracts	Stock Options-Call	Long	1,627	5,325	4,051	
Options Contracts	Stock Options-Put	Long	1,331	3,682	2,865	
Options Contracts	Stock Options-Call	Short	1,328	(4,418)	3,549	
Options Contracts	Stock Options-Put	Short	799	(5,850)	7,361	

6/30/16

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Futures Contracts	GreTai Futures	Long	1	\$506	\$512	
Futures Contracts	GreTai Futures	Short	1	507	513	
Futures Contracts	Elec-Sector Index Futures	Long	686	934,949	949,698	
Futures Contracts	Finance Sector Index Futures	Long	134	124,219	124,432	
Futures Contracts	Finance Sector Index Futures	Short	108	99,404	99,673	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	118	122,073	122,773	
Futures Contracts	TaiEx NT Dollar Gold Futures	Short	11	5,691	5,669	
Futures Contracts	TaiEx Futures	Long	2,291	3,816,406	3,859,259	
Futures Contracts	TaiEx Futures	Short	1,126	1,871,158	1,893,874	
Futures Contracts	Mini-TaiEx Futures	Long	6,452	2,700,082	2,746,190	
Futures Contracts	Mini-TaiEx Futures	Short	8,406	3,514,633	3,566,983	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	16	6,892	6,891	
Futures Contracts	Stock Futures	Long	5,032	834,676	846,979	
Futures Contracts	Stock Futures	Short	11,247	1,496,837	1,514,599	
Futures Contracts	Foreign Futures	Long	1,240	637,034	643,380	
Futures Contracts	Foreign Futures	Short	6,696	3,513,145	3,547,680	
Futures Contracts	USD/CNH FX Futures	Long	360	1,157,548	1,167,198	
Futures Contracts	USD/CNH FX Futures	Short	85	277,305	278,973	
Futures Contracts	USD/CNT FX Futures	Long	133	86,121	86,949	
Futures Contracts	USD/CNT FX Futures	Short	503	327,335	327,159	
Futures Contracts	TOPIX Futures	Short	103	126,432	128,244	
Futures Contracts	Mini-TOPIX Futures	Short	14	5,411	5,475	
Futures Contracts	MSCI Taiwan Index Futures	Long	2	2,028	2,025	
Futures Contracts	MSCI Taiwan Index Futures	Short	1,815	1,853,596	1,860,752	
Futures Contracts	Hong Kong H-shares Index Futures	Long	45	78,681	81,686	
Futures Contracts	Mini-Hang Seng Index Futures	Short	16	13,851	13,946	
Futures Contracts	China A50 Index Futures	Short	261	76,720	77,830	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/Short	Lots			
Options Contracts	Index Options-Call	Long	12,266	50,440	55,898	
Options Contracts	Index Options-Put	Long	10,734	82,206	53,731	
Options Contracts	Index Options-Call	Short	16,351	(58,648)	76,334	
Options Contracts	Index Options-Put	Short	26,491	(91,029)	46,001	
Options Contracts	Stock Options-Call	Long	2,194	9,813	10,828	
Options Contracts	Stock Options-Put	Long	1,690	6,061	3,742	
Options Contracts	Stock Options-Call	Short	1,476	(6,952)	6,008	
Options Contracts	Stock Options-Put	Short	1,977	(12,826)	8,262	

E. Credit risk valuation adjustment

The Company and its 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 its subsidiaries take an opponent's Probability of Default, "PD" (given the Company and its 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 its 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 its subsidiaries, the Company and its 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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Government bonds	\$10,573,667	\$12,851,916	\$39,180,339
Bank Debentures	26,296,538	26,374,646	20,069,785
Convertible bonds	719,713	279,492	688,234
Corporate bonds	<u>21,542,414</u>	<u>17,916,075</u>	<u>24,860,766</u>
Total	<u>\$59,132,332</u>	<u>\$57,422,129</u>	<u>\$84,799,124</u>
Repurchased amount as specified in respective agreements plus accrued interest	<u>\$59,201,589</u>	<u>\$57,598,541</u>	<u>\$85,006,187</u>
Repurchased date as specified in respective agreements	7/3/17 -9/18/17	1/3/17 -3/27/17	7/1/16 -8/23/16

22.Accounts Payable

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Exchange clearing payable	\$4,333,286	\$2,875,364	\$3,171,217
Accounts payable for settlement- brokerage	29,012,187	28,340,417	27,943,910
Accounts payable for settlement- non- brokerage	6,623,170	7,632,206	23,123,802
Others	710,178	339,201	378,713
Total	<u>\$40,678,821</u>	<u>\$39,187,188</u>	<u>\$54,617,642</u>

23.Bonds Payable

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
103-1 Unsecured Corporation Bonds Payable denominated in CNY	\$-	\$-	\$969,660
104-1 Unsecured Corporation Bonds Payable	7,000,000	7,000,000	7,000,000
Subtotal	7,000,000	7,000,000	7,969,660
Less: Due within in one year	(2,200,000)	-	(969,660)
Net amount	<u>\$4,800,000</u>	<u>\$7,000,000</u>	<u>\$7,000,000</u>

(1) 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

(2) 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 its 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.

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Pension incurred on defined contribution	\$55,949	\$59,213	\$111,821	\$118,192
Pension incurred on defined benefit	5,540	5,587	11,126	11,274
Total	<u>\$61,489</u>	<u>\$64,800</u>	<u>\$122,947</u>	<u>\$129,466</u>

25. Provision

	6/30/17	12/31/16	6/30/16
Litigation provision	\$136,198	\$130,727	\$131,168
Decommissioning liabilities	85,811	94,181	24,489
Total	<u>\$222,009</u>	<u>\$224,908</u>	<u>\$155,657</u>

26. Equity

(1) Common stock

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Authorized shares (thousand shares)	<u>4,600,000</u>	<u>4,600,000</u>	<u>4,600,000</u>
Authorized capital	<u>\$46,000,000</u>	<u>\$46,000,000</u>	<u>\$46,000,000</u>

3,498,812 thousand shares of the Company's stock were issued and outstanding as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively. The company's paid-up capital was 34,988,123 thousand dollars as of June 30, 2017, December 31, 2016, and June 30, 2016, respectively, each at a par value of \$10.

In order to increase the Company's capital utilization effectiveness and coordinate with parent company's future development plan and overall capital allocation plan, the Company's Board of Directors (acting on behalf of shareholders) decided the case of capital reduction 3,000,000 thousand dollars. The case of capital reduction was approved by the authorities on June 7, 2016 and the record date was June 17, 2016.

(2) Capital reserve

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Additional paid-in capital	\$2,603,148	\$2,603,148	\$2,603,148
Treasury share transactions	364,435	364,435	364,435
Surplus from business combination	5,665,969	5,665,969	5,665,969
Employee share options	11,957	10,570	8,648
Employee share options expired	17	-	-
Total	<u>\$8,645,526</u>	<u>\$8,644,122</u>	<u>\$8,642,200</u>

Capital reserve from excess over par value of stocks issued (including additional paid-in capital, treasury share transactions, and surplus from business combination) and donations received can be used to make up the company's deficiencies. Under the circumstances without deficiencies, capital reserve can be used to distribute to shareholders by cash or be capitalized. Nevertheless, the amount of capital reserve that can be capitalized is limited to prescribed percentage of authorized and issued capital.

(3) Distribution of earnings and dividend policy

A. The Articles of Incorporation of earnings distribution are as following:

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:

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 June 9, 2017 and May 10, 2016 respectively and resolved the distribution of annual net income for 2016 and 2015 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2016	2015	2016	2015
Legal reserve	\$244,918	\$232,350	-	-
Special reserve	502,082	464,699	-	-
Cash dividends	1,702,179	1,626,450	0.487	0.428
Total	<u>\$2,449,179</u>	<u>\$2,323,499</u>		

C. According to the Rule No. 1010028514 issued by FSC on June 29, 2012, when the Company distributes earnings, it must set aside (from current profit or loss and undistributed earnings from the preceding period) special reserves equal in amounts to other net deductions from shareholders equity arising during that same year. Any other net deductions from shareholders equity items accumulated from the preceding year must not be distributed; instead, an equivalent amount must be set aside from undistributed earnings to special reserves. Thereafter, when other shareholders equity deductions are shifted back, the company may distribute earnings in an amount equal to the amount shifted back.

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 six-month periods ended June 30	
	2017	2016
Beginning balance	\$3,316,524	\$3,309,175
Profit attributable to non-controlling interests	(130,742)	36,292
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Unrealized gains (losses) from available-for-sale	13,683	(1,423)
Exchange differences resulting from translating the financial statements of a foreign operation	(71)	-
Cash dividend issued from subsidiaries	(34,251)	(41,004)
Ending balance	<u>\$3,165,143</u>	<u>\$3,303,040</u>

27. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenues

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Brokerage handling fee revenues	\$1,166,143	\$1,029,754	\$2,268,384	\$2,191,829
Foreign brokerage fee	629,180	584,883	1,260,752	1,315,539
Handling revenue of short sale	12,413	18,150	24,395	35,761

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Handling fee revenue of securities borrowed	14,158	5,211	20,206	11,724
Foreign sub-brokerage revenues	47,412	33,109	88,160	57,130
Total	\$1,869,306	\$1,671,107	\$3,661,897	\$3,611,983

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Revenue from underwriting of securities	\$48,831	\$85,885	\$126,189	\$168,527
Revenue from underwriting proceeding fee	83,194	3,459	93,210	22,043
Revenue from underwriting and counseling	6,800	18,022	13,960	27,727
Others	30,688	31,925	91,663	50,686
Total	\$169,513	\$139,291	\$325,022	\$268,983

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
<u>Dealing</u>				
Revenue	\$162,081,588	\$244,568,188	\$350,887,161	\$489,340,718
Cost	(161,899,503)	(244,589,881)	(350,381,550)	(489,055,736)
Subtotal	182,085	(21,693)	505,611	284,982
<u>Underwriting</u>				
Revenue	286,896	527,763	714,255	871,433
Cost	(274,192)	(519,292)	(703,180)	(837,281)
Subtotal	12,704	8,471	11,075	34,152
<u>Hedging</u>				
Revenue	23,156,178	17,902,512	43,459,894	39,430,523
Cost	(22,874,988)	(18,075,597)	(42,949,780)	(39,829,011)
Subtotal	281,190	(173,085)	510,114	(398,488)
Total	\$475,979	\$(186,307)	\$1,026,800	\$(79,354)

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Margin loans	\$456,114	\$458,976	\$885,025	\$945,819
Bonds	219,060	215,589	426,236	399,155
Others	48,952	24,234	88,898	44,415
Total	\$724,126	\$698,799	\$1,400,159	\$1,389,389

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Dealing-net	\$342,417	\$(235,068)	\$331,304	\$135,518
Underwriting-net	7,354	10,824	(5,822)	4,259
Hedging-net	248,937	29,187	325,031	345,727
Trading securities- liability for purchase of government bonds	-	-	325	-
Total	<u>\$598,708</u>	<u>\$(195,057)</u>	<u>\$650,838</u>	<u>\$485,504</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Gains	\$45,359	\$95,025	\$78,924	\$220,082
Losses	(70,936)	(120,930)	(173,974)	(277,168)
Total	<u>\$(25,577)</u>	<u>\$(25,905)</u>	<u>\$(95,050)</u>	<u>\$(57,086)</u>

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

(8) Other operating income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Exercising warrants before maturity- purchased from others	\$6,354	\$(882)	\$7,375	\$(8,150)
Other service fee income	2,912	2,382	4,998	8,023
Investment advisory income	35,715	50,257	47,834	87,861
Commission income	68,400	139,188	210,369	192,749
Investment trust and fund management income	37,106	25,864	73,137	53,463
Other operating income	53,058	119,787	97,819	217,325
Error accounts	(1,599)	(4,171)	(2,282)	(5,964)
Exchange gain or loss	(24,636)	(34,336)	507,569	74,142
Total	<u>\$177,310</u>	<u>\$298,089</u>	<u>\$946,819</u>	<u>\$619,449</u>

(9) Financial cost

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Bills and bonds payable under repurchase agreements	\$148,388	\$96,571	\$290,421	\$167,557
Bank borrowing	58,371	58,341	118,073	138,811
Short-term notes and bills	13,295	5,168	23,358	8,877
Bonds	23,576	31,911	46,892	64,334
Others	19,848	19,508	36,970	39,784
Total	<u>\$263,478</u>	<u>\$211,499</u>	<u>\$515,714</u>	<u>\$419,363</u>

(10) Employee benefits expenses, depreciation and amortization

Item	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Employee benefit expenses				
Salary expenses	\$1,489,794	\$1,374,685	\$2,980,447	\$2,812,412
Insurance expenses	76,450	78,423	168,566	173,482
Pension expenses	61,489	64,800	122,947	129,466
Others	27,084	26,977	61,651	64,592
Total	<u>\$1,654,817</u>	<u>\$1,544,885</u>	<u>\$3,333,611</u>	<u>\$3,179,952</u>
Depreciations and amortizations				
Depreciations	\$77,117	\$76,266	\$152,840	\$153,435
Amortizations	64,583	65,630	126,702	127,663
Total	<u>\$141,700</u>	<u>\$141,896</u>	<u>\$279,542</u>	<u>\$281,098</u>

- A. Due to the specialty of industry of the Company and its subsidiaries, the employee benefit expenses and the depreciation and amortization expenses are classified as operating expenses.
- B. The Company appropriates at least 0.1% of income before tax and before distributing earnings to employees as employees' bonus income. The employees' bonus of 7,520 thousand dollars, 91 thousand dollars, 7,949 thousand dollars, and 311 thousand dollars were recognized respectively under salary expenses based on profit earning performance for three-month periods ended June 30, 2017 and 2016 and the six-month periods ended June 30, 2017 and 2016.
- C. The Company held the annual meeting of shareholders on March 24, 2017 and March 25, 2016 respectively and resolved the distribution of employees' bonus of 18,000 thousand dollars and 18,000 thousand dollars for the years ended December 31, 2016 and 2015 respectively, which are not different from the expenses recognized in the financial reports of 2016 and 2015.
- 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 three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Postage and telephone expenses	\$60,654	\$58,994	\$114,779	\$117,319
Tax	195,352	216,757	371,432	436,252
Rental expenses	178,137	180,693	358,674	365,232
Computer information expenses	122,163	136,685	239,500	256,632
Bad debt expense	261,869	25,875	262,224	394,460
Professional expenses	40,354	68,761	81,562	151,691
Securities borrowed expenses	74,953	80,914	152,649	127,073
Handling fee	56,465	41,992	118,172	214,652
Other expenses	269,885	259,140	469,608	470,138
Total	<u>\$1,259,832</u>	<u>\$1,069,811</u>	<u>\$2,168,600</u>	<u>\$2,533,449</u>

(12) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Interest income	\$179,153	\$133,351	\$351,298	\$266,242
Disposal of investment	32,286	5,856	35,218	15,874
Non-operating financial product at fair value through profit and loss	9,239	(61,433)	18,833	(396,855)
Dividend income	62,283	207,555	64,399	219,014
Management service income	82,570	91,608	162,293	179,125
Others	37,393	30,336	104,564	133,303
Total	<u>\$402,924</u>	<u>\$407,273</u>	<u>\$736,605</u>	<u>\$416,703</u>

28. Components of Other Comprehensive Income

For the three-month periods ended June 30, 2017

Items that may be reclassified subsequently to profit or loss:	Arising		Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
	Arising	Reclassification			
Exchange differences resulting from translating the financial statements of a foreign operation	\$99,311	\$-	\$99,311	\$	\$99,311

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Unrealized gains (losses) from available-for-sale financial assets	283,449	(43,211)	240,238	139	240,377
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	624	-	624	-	624
Total	<u>\$383,384</u>	<u>\$(43,211)</u>	<u>\$340,173</u>	<u>\$139</u>	<u>\$340,312</u>

For the three-month periods ended June 30, 2016

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(58,753)	\$-	\$(58,753)	\$-	\$(58,753)
Unrealized gains (losses) from available-for-sale financial assets	(263,171)	-	(263,171)	(267)	(263,438)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(691)	-	(691)	-	(691)
Total	<u>\$(322,615)</u>	<u>\$-</u>	<u>\$(322,615)</u>	<u>\$(267)</u>	<u>\$(322,882)</u>

For the six-month periods ended June 30, 2017

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(708,646)	\$-	\$(708,646)	\$-	\$(708,646)
Unrealized gains (losses) from available-for-sale financial assets	24,080	(43,211)	(19,131)	(457)	(19,588)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,857)	-	(2,857)	-	(2,857)
Total	<u>\$(687,423)</u>	<u>\$(43,211)</u>	<u>\$(730,634)</u>	<u>\$(457)</u>	<u>\$(731,091)</u>

For the six-month periods ended June 30, 2016

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(280,454)	\$-	\$(280,454)	\$-	\$(280,454)
Unrealized gains (losses) from available-for-sale financial assets	(278,361)	-	(278,361)	(865)	(279,226)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(5,657)	-	(5,657)	-	(5,657)
Total	<u>\$(564,472)</u>	<u>\$-</u>	<u>\$(564,472)</u>	<u>\$(865)</u>	<u>\$(565,337)</u>

29. Income Tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Current income tax expense (income)				
Current period	\$54,429	\$86,577	\$137,352	\$114,840
Adjustments of prior periods	(8,149)	(43,410)	(38,532)	(45,518)
Deferred income tax expense (income)				
Current period	(26,655)	(6,701)	21,714	70,905
Income tax expense (income)	<u>\$19,625</u>	<u>\$36,466</u>	<u>\$120,534</u>	<u>\$140,227</u>

Income tax relating to components of other comprehensive income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Deferred income tax expense (income)				
Unrealized gains (losses) from available-for-sale financial assets	<u>\$(139)</u>	<u>\$267</u>	<u>\$457</u>	<u>\$865</u>

(2) The information of integrated Income Tax System

A. Balance of imputation income tax credit amounts:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
The Company	\$373,384	\$749,526	\$517,277
KGI Securities Investment Advisory Co. Ltd.	1,744	2,867	2,067
KGI Insurance Brokers Co. Ltd.	9,855	17,217	10,486
KGI Venture Capital Co. Ltd.	9	1,025	195
KGI Securities Investment Trust Co. Ltd.	888	888	888
KGI Futures	25,351	68,273	834
GSFC	44,372	57,422	57,196
KGI Information Technology Co. Ltd.	-	-	-

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

	<u>2016 (Actual)</u>	<u>2015 (Actual)</u>
The Company	20.92%	20.95%
KGI Securities Investment Advisory Co. Ltd.	20.48%	20.48%
KGI Insurance Brokers Co. Ltd.	20.48%	5.37%
KGI Venture Capital Co. Ltd.	13.76%	20.48%
KGI Securities Investment Trust Co. Ltd.	-	-
KGI Futures	20.87%	2.86%
GSFC	20.48%	20.48%
KGI Information Technology Co. Ltd.	-	-

(3) Information for unappropriated retained earnings:

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

(4) Income tax return assessed

	<u>Assessment information</u>
The Company	The Company's income tax returns have been assessed by the Tax Bureau through 2013. The income tax returns of GCSC has been assessed through 2012.
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2015.
KGI Insurance Brokers Co. Ltd.	Assessed through 2015.
KGI Venture Capital Co. Ltd.	Assessed through 2015.
KGI Securities Investment Trust Co. Ltd.	Assessed through 2015.
KGI Futures	Assessed through 2015.
GSFC	Assessed through 2015.

(5) Administrative remedy

For the years from 2008 through 2013, the Company was assessed for additional income tax of 961,948 thousand dollars by the Tax Bureau. GCSC was assessed for additional income tax of 15,607 thousand dollars for 2011. The Company does not agree with such assessments and is in the

process of appealing. The Company has already recognized the estimated amount of assessed additional tax liabilities.

30. Earnings Per Share

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Basic EPS				
Attributable to the parent company	\$695,181	\$192,709	\$1,080,727	\$251,649
Weighted average number of shares outstanding	3,498,812,320 shares	3,752,658,474 shares	3,498,812,320 shares	3,775,735,397 shares
Basic EPS (NT\$)	\$0.20	\$0.05	\$0.31	\$0.07

31. Business Combination

For the purpose of expanding foreign business and strengthen the group’s regional layout, the Company’s investee, KGI Capital Asia Limited, acquired PT KGI Sekuritas Indonesia (“KGI Indonesia”) 99% voting shares on August 31, 2016. KGI Indonesia is a non-listed company located in Indonesia specialized in the securities related business.

- (1) The fair value of KGI Indonesia’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 \$47,450)	\$225,578
Non-current assets	4,334
Assets subtotal	229,912
Liabilities	
Current liabilities	(108,462)
Non-current liabilities	(21)
Liabilities subtotal	(108,483)
Identifiable net assets	\$121,429

- (2) Goodwill and acquisition consideration of KGI Indonesia:

Goodwill 76,975 thousand dollars of KGI Indonesia raised from the acquisition consideration (cash transaction cost of acquisition) 197,190 thousand dollars plus the fair value of non-controlling interests 1,214 thousand dollars minus the fair value of identifiable net assets 121,429 thousand dollars.

32. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 3,165,142 thousand dollars, 3,316,524 thousand dollars, and 3,303,040 thousand dollars as of June 30, 2017, December 31, 2016, June 30 2016, respectively. Proportions held by non-controlling interests are as follows:

<u>Subsidiary Company</u>	<u>Country</u>	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
KGI Futures	Taiwan	0.39%	0.39%	0.39%
KGI Securities Investment Trust Co. Ltd.	Taiwan	0.01%	0.01%	0.01%
GSFC	Taiwan	78.01%	78.01%	78.01%
KGI Indonesia	Indonesia	1.00%	1.00%	-

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

<u>Subsidiary Company</u>	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
GSFC	\$3,154,554	\$3,304,592	\$3,923,164

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

(1) Summarized information of comprehensive income for GSFC

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue	<u>\$67,218</u>	<u>\$64,625</u>	<u>\$144,680</u>	<u>\$114,021</u>
Net profit from continuing operations	<u>\$(209,010)</u>	<u>\$20,979</u>	<u>\$(168,465)</u>	<u>\$45,319</u>
Other comprehensive income	<u>13,846</u>	<u>(884)</u>	<u>17,529</u>	<u>(1,845)</u>
Comprehensive income	<u>\$(195,164)</u>	<u>\$20,095</u>	<u>\$(150,936)</u>	<u>\$43,474</u>
Net profit allocated to non- controlling interests	<u>\$(163,049)</u>	<u>\$16,366</u>	<u>\$(131,420)</u>	<u>\$35,354</u>
Dividends paid to non- controlling interests	<u>\$32,292</u>	<u>\$39,664</u>	<u>\$32,292</u>	<u>\$39,664</u>

(2) Summarized information of financial position for GSFC

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Current assets	\$9,449,753	\$9,125,264	\$7,542,488
Non-current assets	1,909,266	1,545,921	1,404,853
Current liabilities	7,314,329	6,434,194	4,724,999
Non-current liabilities	930	900	900

(3) Summarized cash flow information for GSFC

	For the six-month periods ended June 30	
	<u>2017</u>	<u>2016</u>
Operating activities	<u>\$(860,214)</u>	<u>\$(2,046,896)</u>
Investing activities	<u>(326,213)</u>	<u>(57,955)</u>
Financing activities	<u>1,067,459</u>	<u>2,299,273</u>
Net increase/(decrease) in cash and cash equivalents	<u>(118,968)</u>	<u>194,422</u>

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

VII. Significant Related-Party Transaction

1. Related parties and their relationships with the Company and its subsidiaries

<u>Related party</u>	<u>Relationships with the Company and its subsidiaries</u>
China Development Financial Holding Corp. (CDFH)	The Company's parent company (the parent company)
KGI Securities (Thailand) Public Company Limited (KGI TH)	Invested by the subsidiary and accounted for using the equity method (associate)
Trinitus Asset Management Limited(Trinitus)	Invested by the subsidiary and accounted for using the equity method (associate)
CDIB Capital Group (CDIB Capital)	Sister company(other related party)
KGI Bank Co., Ltd. (KGI Bank)	Sister company (other related party)
Fund managed by KGI Securities Investment Trust Co. Ltd. (KGI Investment Trust Fund)	Investment trust fund managed by the subsidiary (other related party)
KGI Charity Foundation	The Company is the main donor (other related party)
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	The parent company's board of director (other related party)
CDIB Venture Capital Corp. (CDIB Venture Capital)	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Partners Investment Holding Corp. (CDIB Partners Investment Holding)	Invested by the sister company and accounted for using the equity method (other related party)
Tuntex Gas Corp. (Tuntex Gas)	Invested by the sister company and accounted for using the equity method (other related party)
CDC Finance & Leasing Corp. (CDC Finance & Leasing)	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Capital Investment I Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Capital Investment II Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Global Markets I Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Global Markets III Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB & Partners Investment Holding Pte. Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
Others	Other related-parties

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	<u>For the three-month periods ended June 30</u>		<u>For the six-month periods ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>A. Brokerage handling fee revenue</u>				
Parent company	\$-	\$-	\$-	\$440
Associates	-	-	-	1
Other related parties				
KGI Investment Trust Fund	3,296	2,025	5,544	4,395
KGI Bank	11,142	1,181	11,547	1,805
Others	1,700	1,415	3,183	3,085
<u>Total</u>	<u>\$16,138</u>	<u>4,621</u>	<u>\$20,274</u>	<u>9,726</u>

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
B. Revenue from underwriting business				
Other related parties				
KGI Bank	\$-	\$7,121	\$4,715	\$7,121
C. Revenue from providing agency service for stock affairs				
Parent company				
CDFH	\$4,349	\$5,765	\$7,776	\$9,118
Other related parties	65	78	136	149
Total	\$4,414	\$5,843	\$7,912	\$9,267
D. Other operating revenue				
Parent company				
CDFH	\$2,372	\$2,286	\$4,743	\$4,572
Associates	-	220	-	403
Other related parties				
KGI Bank	28	4,038	53	4,610
Total	\$2,400	\$6,544	\$4,796	\$9,585

The above transactions process under ordinary trading condition.

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

	6/30/17	12/31/16	6/30/16
Other related parties			
KGI Bank	\$2,538,669	\$2,706,110	\$481,008
Bank of Taiwan	37,246	9,927	732,864
Total	\$2,575,915	\$2,716,037	\$1,213,872

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

	6/30/17	12/31/16	6/30/16
A. Open-ended funds and monetary market instruments			
Other related parties			
KGI Investment Trust Fund	\$32,278	\$31,609	\$18,334
	6/30/17	12/31/16	6/30/16
	Notional Amount	Notional Amount	Notional Amount
B. Outstanding derivative financial instruments			
a. IRS			
Other related parties			
KGI Bank	\$973,952	\$710,138	\$-

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
	Notional Amount	Notional Amount	Notional Amount
b. FX SWAP			
Other related parties			
KGI Bank	\$-	\$-	\$76,312
c. CBAS-interest			
Other related parties			
KGI Bank	\$576,540	\$114,000	\$152,500
d. CBAS -long option			
Other related parties			
KGI Bank	\$576,540	\$114,000	\$152,500
(4) Available-for-sale financial assets- current:			
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
<u>Stocks</u>			
Parent company			
CDFH	\$2,671,833	\$2,438,842	\$2,351,092
(5) Margin loans receivable:			
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
Other individuals	\$11,527	\$12,245	\$10,185
(6) Customers' margin accounts:			
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
KGI Bank	\$1,797,648	\$846,673	\$818,787
(7) Other receivables (recognized as other current assets):			
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Associates			
KGI TH	\$-	\$-	\$4,588
Others	-	106	91
Other related parties			
KGI Bank	19,743	11,943	4,716
Bank of Taiwan	3	3	1,557
Others	-	-	4
Total	\$19,746	\$12,052	\$10,956
(8) Other restricted assets (recognized as other current assets):			
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
KGI Bank	\$923,428	\$1,427,905	\$1,315,998
Others	-	-	3,293
Total	\$923,428	\$1,427,905	\$1,319,291

(9) Short-term borrowings:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
Bank of Taiwan	\$243,488	\$-	\$258,288

(10) Deposits for short sales:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
KGI Investment Trust Fund	\$17,845	\$43,406	\$20,061
Others	710	3,780	779
Total	<u>\$18,555</u>	<u>\$47,186</u>	<u>\$20,840</u>

(11) Short sales proceeds payable:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
KGI Investment Trust Fund	\$19,733	\$47,993	\$21,123
Others	785	4,180	861
Total	<u>\$20,518</u>	<u>\$52,173</u>	<u>\$21,984</u>

(12) Futures customers' equity:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Other related parties			
KGI Investment Trust Fund	\$62,657	\$45,184	\$47,020
KGI Bank	853,242	18,005	18,005
Total	<u>\$915,899</u>	<u>\$63,189</u>	<u>\$65,025</u>

(13) Accounts Payable:

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Associates	\$-	\$730	\$2,968
Other related parties			
CDIB Capital Investment I Ltd.	20,820	22,104	7,094
CDIB Global Markets I Ltd.	-	-	20,589
CDIB & Partners Investment Holding Pte. Ltd.	1,741	1,375	16,320
CDIB Capital	10,556	11,194	-
Bank of Taiwan	50,521	-	-
Others	2,876	134	1,402
Total	<u>\$86,514</u>	<u>\$35,537</u>	<u>\$48,373</u>

(14) Current income tax assets and liabilities:

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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Due from CDFH (the parent company)	<u>\$-</u>	<u>\$-</u>	<u>\$126,307</u>
Due to CDFH (the parent company)	<u>\$334,215</u>	<u>\$275,787</u>	<u>\$477,706</u>

(15) Bonds transactions with related parties as follows:

A. Repurchase or resale agreement-Bonds sold under repurchase agreement

		6/30/17	
		Face amount	Maturity amount
Other related parties			
KGI Investment Trust Fund		\$523,086	\$523,128
		12/31/16	
		Face amount	Maturity amount
Other related parties			
KGI Investment Trust Fund		\$715,372	\$715,443
		6/30/16	
		Face amount	Maturity amount
Other related parties			
KGI Investment Trust Fund		\$255,093	\$255,164

B. Purchase and sale of bonds

		For the six-month periods ended June 30, 2017	
		Purchase of bonds	Sale of bonds
Other related parties			
KGI Bank		\$1,845,381	\$2,332,059
Bank of Taiwan		400,455	199,831
Total		\$2,245,836	\$2,531,890
		For the six-month periods ended June 30, 2016	
		Purchase of bonds	Sale of bonds
Other related parties			
KGI Bank		\$1,257,954	\$3,423,022
Bank of Taiwan		49,950	739,201
Total		\$1,307,904	\$4,162,223

(16) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Associates				
KGI TH	\$332	\$329	\$723	\$565
Other related parties				
KGI Bank	2,757	713	4,482	1,523
Bank of Taiwan	698	1,086	1,433	2,524
KGI Charity Foundation	6,000	-	6,000	-
Others	100	-	100	-
Total	\$9,887	\$2,128	\$12,738	\$4,612

(17) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Associates				
KGI TH	\$8,683	\$1,351	\$8,829	\$6,676
Other related parties				
KGI Bank	23,441	13,952	51,252	22,063
Others	123	1,698	226	1,821
Total	<u>\$32,247</u>	<u>\$17,001</u>	<u>\$60,307</u>	<u>\$30,560</u>

(18) Information about key management personnel compensation as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Short-term employee benefit	\$36,115	\$30,162	\$72,129	\$63,154
Post-employment benefits	783	744	1,585	1,536
Share-based payment transaction	471	612	948	1,248
Total	<u>\$37,369</u>	<u>\$31,518</u>	<u>\$74,662</u>	<u>\$65,938</u>

(19) For business need, the Company requested the bank guarantees from other related parties for the amount as following:

	6/30/17	12/31/16	6/30/16
Other related parties			
Bank of Taiwan	<u>\$60,000</u>	<u>\$1,050,000</u>	<u>\$500,000</u>

(20) The following assets serve as guarantee for short-term loan to KGI Bank (other related parties):

	6/30/17	12/31/16	6/30/16
Property and equipment and investment property	<u>\$274,153</u>	<u>\$275,188</u>	<u>\$276,223</u>

VIII. Assets Pledged

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

Description of the Assets	6/30/17	12/31/16	6/30/16
Financial assets measured at fair value through profit or loss-current-trading securities-dealing	\$201,945	\$201,914	\$508,802
Available-for-sale financial assets- current	2,681,550	2,836,425	2,203,650
Other current assets- restricted	2,171,272	2,268,396	2,022,051
Financial assets measured at fair value through profit or loss-non-current	50,006	50,033	50,046
Property and equipment	4,660,572	4,677,647	4,742,227
Investment property	479,927	481,839	125,564
Non-current assets-guarantee deposits-out	1,060,641	1,336,195	1,054,149
Total	<u>\$11,305,913</u>	<u>\$11,852,449</u>	<u>\$10,706,489</u>

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 October 25, 2016, Taiwan High Court judged that while certain clients conveyed all of the rights exercisable on the basis of the ownership of stocks of Jen-Hsin Securities Co., including those converted into stocks of China Development Financial Holding Corporation, 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. This case is currently processed by the Supreme 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 1,610,000 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

In order to coordinate with parent company’s future development plan and overall capital allocation plan, the Company’s Board of Directors (acting on behalf of shareholders) decided the case of capital reduction 5,000,000 thousand dollars. The case of capital reduction was approved by the authorities on July 14, 2017 and the record date was August 4, 2017.

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 its 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 its 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 its 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 its 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 its 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 its 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.

<u>Interior Risk Rating of the Company and its subsidiaries</u>	<u>Taiwan Ratings</u>
Low Risk	twAAA ~ twAA
Medium-Low Risk	twAA- ~ twA
Medium Risk	twA- ~ twBBB-
High Risk	twBB+ ~ below twC

6/30/17

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	\$12,856,775	\$-	\$90,127	\$-	\$-	\$-	\$-	\$12,946,902
Financial assets measured at fair value through profit or loss-current	49,204,356	300,564	3,900,990	-	-	-	-	53,405,910
Available-for-sale financial assets-current	11,492	-	-	-	-	-	-	11,492
Bonds purchased under resale agreements	26,904,775	3,402,509	-	-	-	-	-	30,307,284
Receivables	55,139,895	10,135,470	499,250	6,452	-	-	-	65,781,067
Customers' margin accounts	36,526,948	-	-	-	-	-	-	36,526,948
Stock borrowing collateral price and stock borrowing margin	3,100,623	668,415	-	-	-	-	-	3,769,038
Other financial assets-current	2,967,755	-	-	-	-	-	-	2,967,755
Other current assets	29,998,463	-	-	-	-	-	-	29,998,463
Financial assets measured at fair value through profit or loss-non-current	50,006	-	-	-	-	-	-	50,006
Held to maturity financial assets-non-current	-	-	300,000	-	-	-	-	300,000
Other non-current assets	3,187,531	-	50,000	-	-	-	-	3,237,531
Total	\$219,948,619	\$14,506,958	\$4,840,367	\$6,452	\$-	\$-	\$-	\$239,302,396
Percentage	91.91%	6.06%	2.02%	0.01%	-	-	-	100.00%

12/31/16

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	\$16,401,449	\$17,900	\$30,871	\$-	\$-	\$-	\$-	\$16,450,220
Financial assets measured at fair value through profit or loss-current	43,109,950	447,192	2,886,469	-	-	-	-	46,443,611
Available-for-sale financial assets-current	11,307	-	-	-	-	-	-	11,307
Bonds purchased under resale agreements	26,142,100	2,945,208	-	-	-	-	-	29,087,308
Receivables	49,815,491	10,580,853	446,369	4,129	-	-	-	60,846,842
Customers' margin accounts	37,066,541	-	-	-	-	-	-	37,066,541
Stock borrowing collateral price and stock borrowing margin	2,376,961	623,726	-	-	-	-	-	3,000,687
Other financial assets-current	2,498,770	29,100	-	-	-	-	-	2,527,870
Other current assets	30,477,056	-	-	-	-	-	-	30,477,056
Financial assets measured at fair value through profit or loss-non-current	50,033	-	-	-	-	-	-	50,033
Held to maturity financial assets-non-current	-	-	300,000	-	-	-	-	300,000
Other non-current assets	3,443,492	-	50,702	-	-	-	-	3,494,194
Total	\$211,393,150	\$14,643,979	\$3,714,411	\$4,129	\$-	\$-	\$-	\$229,755,669
Percentage	92.01%	6.37%	1.62%	0.00%	-	-	-	100.00%

6/30/16

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	\$12,057,589	\$23,200	\$176,129	\$-	\$-	\$-	\$-	\$12,256,918
Financial assets measured at fair value through profit or loss-current	84,121,340	136,295	3,194,689	-	-	-	-	87,452,324
Available-for-sale financial assets-current	12,281	-	-	-	-	-	-	12,281
Bonds purchased under resale agreements	19,898,413	551,268	-	-	-	-	-	20,449,681
Receivables	64,229,947	10,078,590	593,742	5,714	-	-	-	74,907,993
Customers' margin accounts	38,406,838	-	-	-	-	-	-	38,406,838
Stock borrowing collateral price and stock borrowing margin	4,837,619	1,279,973	-	-	-	-	-	6,117,592
Other financial assets-current	5,647,701	23,800	-	-	-	-	-	5,671,501
Other current assets	32,325,091	-	-	-	-	-	-	32,325,091
Financial assets measured at fair value through profit or loss-non-current	50,046	-	-	-	-	-	-	50,046
Held to maturity financial assets-non-current	-	-	300,000	-	-	-	-	300,000
Other non-current assets	3,154,936	-	90,841	-	-	-	-	3,245,777
Total	\$264,741,801	\$12,093,126	\$4,355,401	\$5,714	\$-	\$-	\$-	\$281,196,042
Percentage	94.15%	4.30%	1.55%	0.00%	-	-	-	100.00%

Financial assets for the Company and its 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. Besides, the subsidiaries periodically review the credit risk exposure of bonds purchased under resale agreements and 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 its 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 its subsidiaries will closely monitor market fluctuations and counterparties credit history, and also enforce related control measures to minimize the credit risk it faces.

D. 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 Sunny Bank and Hwatai Bank that the Company's subsidiary 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 amount materiality. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

3. Analysis of Capital liquidation risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/17

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$5,624,070	\$7,322,832	\$-	\$-	\$-	\$12,946,902
Financial assets measured at fair value through profit or loss-current	54,128,679	5,259,114	14,667,327	327,549	137,249	74,519,918
Financial assets measured at cost-current	818,347	-	-	-	-	818,347
Available-for-sale financial assets-current	8,689,090	-	-	-	-	8,689,090
Bonds purchased under resale agreements	-	30,323,035	-	-	-	30,323,035
Receivables	37,236,800	5,176,364	19,239,691	4,128,212	-	65,781,067
Customers' margin accounts	36,526,948	-	-	-	-	36,526,948
Stock borrowing collateral price and stock borrowing margin	929,074	2,116,336	723,628	-	-	3,769,038
Other financial assets-current	-	-	2,967,755	-	-	2,967,755
Income tax assets	-	-	23,027	13,226	569,624	605,877
Other current assets	28,864,866	925,087	208,510	-	-	29,998,463
Financial assets measured at fair value through profit or loss-non-current	-	50,313	-	-	-	50,313
Financial assets measured at cost-non-current	-	-	415	-	864,818	865,233
Available-for-sale financial assets-non-current	-	-	-	543,935	468,160	1,012,095
Held to maturity financial assets-non-current	-	-	-	-	300,000	300,000

Statement of cash flow analysis for financial assets

6/30/17

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Investments accounted for using the equity method	-	-	-	-	2,012,465	2,012,465
Others non-current assets	-	100,000	-	469,657	2,707,484	3,277,141
Total	\$172,817,874	\$51,273,081	\$37,830,353	\$5,482,579	\$7,059,800	\$274,463,687
Percentage	62.97%	18.68%	13.78%	2.00%	2.57%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/17

Financial Liabilities	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$14,430,777	\$-	\$-	\$-	\$14,430,777
Commercial papers payable-net	-	14,777,731	-	-	-	14,777,731
Financial liabilities measured at fair value through profit or loss-current	6,988,238	6,255,077	8,257,726	914,347	137,250	22,552,638
Bonds sold under repurchase agreements	-	59,201,589	-	-	-	59,201,589
Payables	48,861,259	138,775	3,676,287	77,480	-	52,753,801
Securities lending refundable deposits	-	1,180,589	8,725,449	-	-	9,906,038
Futures customers' equity	35,972,804	-	-	-	-	35,972,804
Other current liabilities	783,943	889,233	1,688,018	26	-	3,361,220
Other financial liabilities-current	-	5,079,213	31,045	-	-	5,110,258
Income tax liabilities	-	210,032	87,012	92,025	503,817	892,886
Current portion of long-term borrowings	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve-non-current	-	-	-	23,079	198,930	222,009
Other non-current liabilities	-	-	-	638,852	75,159	714,011
Total	\$92,606,244	\$102,163,016	\$24,665,537	\$6,545,809	\$915,156	\$226,895,762
Percentage	40.81%	45.03%	10.87%	2.89%	0.40%	100.00%

Statement of capital liquidation gap

6/30/17

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$172,817,874	\$51,273,081	\$37,830,353	\$5,482,579	\$7,059,800	\$274,463,687
Cash outflow	92,606,244	102,163,016	24,665,537	6,545,809	915,156	226,895,762
Amount of cash flow gap	\$80,211,630	\$(50,889,935)	\$13,164,816	\$(1,063,230)	\$6,144,644	\$47,567,925

Statement of cash flow analysis for financial assets

12/31/16

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$6,009,351	\$10,440,869	\$-	\$-	\$-	\$16,450,220
Financial assets measured at fair value through profit or loss-current	50,073,606	3,543,039	7,114,717	424,822	169,399	61,325,583
Financial assets measured at cost-current	1,090,749	-	-	-	-	1,090,749
Available-for-sale financial assets-current	9,246,926	-	-	-	-	9,246,926
Bonds purchased under resale agreements	-	29,114,724	-	-	-	29,114,724
Receivables	35,547,141	4,864,635	15,087,392	5,347,674	-	60,846,842
Customers' margin accounts	37,066,541	-	-	-	-	37,066,541

Stock borrowing collateral price and stock borrowing margin	2,092,300	466,917	441,470	-	-	3,000,687
Other financial assets-current	-	-	2,527,870	-	-	2,527,870
Income tax assets	-	-	17,500	13,394	422,825	453,719
Other current assets	29,675,416	163,028	638,612	-	-	30,477,056
Financial assets measured at fair value through profit or loss-non-current	-	-	50,313	-	-	50,313
Financial assets measured at cost-non-current	-	-	-	415	917,899	918,314
Available-for-sale financial assets-non-current	-	-	-	142,975	282,584	425,559
Held to maturity financial assets-non-current	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,186,633	2,186,633
Others non-current assets	220,000	-	100,000	376,804	2,834,601	3,531,405
Total	\$171,022,030	\$48,593,212	\$25,977,874	\$6,306,084	\$7,113,941	\$259,013,141
Percentage	66.03%	18.76%	10.03%	2.43%	2.75%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/16

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$12,777,858	\$-	\$-	\$-	\$12,777,858
Commercial papers payable-net	-	10,293,033	-	-	-	10,293,033
Financial liabilities measured at fair value through profit or loss-current	3,657,874	4,716,941	2,942,584	922,739	169,399	12,409,537
Bonds sold under repurchase agreements	-	57,598,541	-	-	-	57,598,541
Payables	46,896,855	861,531	4,829,585	149,960	-	52,737,931
Securities lending refundable deposit	-	4,414,965	6,920,988	-	-	11,335,953
Futures customers' equity	36,084,937	-	-	-	-	36,084,937
Other current liabilities	535,836	871,919	2,505,228	110	-	3,913,093
Other financial liabilities-current	-	4,426,111	-	-	-	4,426,111
Income tax liabilities	-	-	88,753	198,492	411,192	698,437
Bonds payable	-	-	-	7,000,000	-	7,000,000
Liabilities reserve-non-current	-	-	-	23,248	201,660	224,908
Other non-current liabilities	-	-	822	640,197	72,375	713,394
Total	\$87,175,502	\$95,960,899	\$17,287,960	\$8,934,746	\$854,626	\$210,213,733
Percentage	41.47%	45.65%	8.22%	4.25%	0.41%	100.00%

Statement of capital liquidation gap

12/31/16

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$171,022,030	\$48,593,212	\$25,977,874	\$6,306,084	\$7,113,941	\$259,013,141
Cash outflow	87,175,502	95,960,899	17,287,960	8,934,746	854,626	210,213,733
Amount of cash flow gap	\$83,846,528	\$(47,367,687)	\$8,689,914	\$(2,628,662)	\$6,259,315	\$48,799,408

Statement of cash flow analysis for financial assets

6/30/16

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$8,565,556	\$3,691,362	\$-	\$-	\$-	\$12,256,918
Financial assets measured at fair value through profit or loss-current	88,420,745	7,020,398	13,179,582	514,159	230,083	109,364,967

Financial assets measured at cost-current	1,140,897	-	-	-	-	1,140,897
Available-for-sale financial assets-current	7,108,979	-	-	-	-	7,108,979
Bonds purchased under resale agreements	-	20,453,034	-	-	-	20,453,034
Receivables	51,597,346	4,226,165	14,922,287	4,162,195	-	74,907,993
Customers' margin accounts	38,406,838	-	-	-	-	38,406,838
Stock borrowing collateral price and stock borrowing margin	3,292,457	928,920	1,896,215	-	-	6,117,592
Other financial assets-current	-	-	5,671,501	-	-	5,671,501
Income tax assets	-	-	11,117	159	562,161	573,437
Other current assets	31,579,012	436,216	309,863	-	-	32,325,091
Financial assets measured at fair value through profit or loss-non-current	-	51,000	-	-	-	51,000
Financial assets measured at cost-non-current	-	-	-	415	920,172	920,587
Available-for-sale financial assets-non-current	-	-	-	-	171,335	171,335
Held to maturity financial assets-non-current	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,028,877	2,028,877
Others non-current assets	-	-	-	112,261	3,133,626	3,245,887
Total	\$230,111,830	\$36,807,095	\$35,990,565	\$4,789,189	\$7,346,254	\$315,044,933
Percentage	73.04%	11.68%	11.43%	1.52%	2.33%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/16

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$17,915,870	\$-	\$-	\$-	\$17,915,870
Commercial papers payable-net	-	8,976,833	-	-	-	8,976,833
Financial liabilities measured at fair value through profit or loss-current	6,345,721	4,303,030	7,708,446	1,395,072	230,083	19,982,352
Bonds sold under repurchase agreements	-	85,006,187	-	-	-	85,006,187
Payables	65,154,548	115,322	4,526,009	165,869	-	69,961,748
Securities lending refundable deposit	-	1,699,991	8,144,099	-	-	9,844,090
Futures customers' equity	37,450,325	-	-	-	-	37,450,325
Other current liabilities	722,242	805,610	1,985,707	86	-	3,513,645
Other financial liabilities-current	-	8,087,947	43,323	-	-	8,131,270
Income tax liabilities	-	7,848	99,497	922,136	-	1,029,481
Current portion of long-term borrowings	-	-	969,660	-	-	969,660
Bonds payable	-	-	-	7,000,000	-	7,000,000
Liabilities reserve-non-current	-	-	-	23,248	132,409	155,657
Other non-current liabilities	-	-	1,100	613,159	69,232	683,491
Total	\$109,672,836	\$126,918,638	\$23,477,841	\$10,119,570	\$431,724	\$270,620,609
Percentage	40.53%	46.90%	8.67%	3.74%	0.16%	100.00%

Statement of capital liquidation gap

6/30/16

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$230,111,830	\$36,807,095	\$35,990,565	\$4,789,189	\$7,346,254	\$315,044,933
Cash outflow	109,672,836	126,918,638	23,477,841	10,119,570	431,723	270,620,609
Amount of cash flow gap	\$120,438,994	\$(90,111,543)	\$12,512,724	\$(5,330,381)	\$6,914,531	\$44,424,324

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 its subsidiaries when it comes to fund dispatching. The cash flow gap statements on June 30, 2017, December 31, 2016, and June 30, 2016, show that the sums from deducting cash outflow from cash inflow are 47,567,925 thousand dollars, 48,799,408 thousand dollars, and 44,424,324 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 its subsidiaries, taking up to nearly 62.97% 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 its subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On June 30, 2017, December 31, 2016, and June 30, 2016, net cash inflow calculated from net spot financial assets are respectively 80,211,630 thousand dollars, 83,846,528 thousand dollars and 120,438,994 thousand dollars, which are sufficient to cover the net cash outflows of 51,953,165 thousand dollars, 49,996,349 thousand dollars and 95,441,924 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 its 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 estimated influence on the income of investment portfolio under potential extreme events or circumstances.

(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 its 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 investment portfolio held by the Company and its subsidiaries are as follows:

Comparisons of risk sensitive factors

Risk sensitivity	6/30/17	12/31/16	6/30/16
Interest rate risk	\$4,945	\$2,321	\$16,924
Equity securities risk	17,208,169	18,656,595	14,845,001
Exchange rate risk	1,068,270	1,416,056	2,305,982
Commodity risk sensitivity	15,365	(2,051)	(16,923)

(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 its 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 its 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 investment portfolio held by the Company and its subsidiaries are as follows:

Risk type	For the six-month period ended June 30, 2017			6/30/17
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$328,811	\$211,517	\$527,618	\$280,543
Interest Rate	77,133	44,719	136,617	85,284
Exchange Rate	8,277	5,098	15,489	7,344
Commodity	4,169	303	33,934	4,543

Risk type	For the six-month period ended June 30, 2016			6/30/16
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$383,786	\$249,427	\$569,996	\$397,536
Interest Rate	84,210	39,998	155,840	48,267
Exchange Rate	24,423	3,932	92,958	16,605
Commodity	5,246	58	18,399	3,341

(3) Stress test

Stress test is one of the risk management tools. It mainly measures the effects on profit/loss of extreme changes in market risk factors in an investment portfolio, helping a company's board of directors and 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 historic and hypothetical scenario analysis. The test results are reported to Risk Management Committee and board of directors periodically.

5. Fair value of financial instruments

(1) Fair value of financial assets and liabilities

Financial instruments	6/30/17	12/31/16	6/30/16
Financial assets			
Financial assets measured at fair value through profit or loss:			
Financial assets measured at fair value through profit or loss-current			
Financial assets held for trading			
Non-derivative financial instruments			
Lent securities	\$91,843	\$46,749	\$27,810
Open-ended funds and monetary market Instruments	2,129,907	2,522,042	5,788,108
Trading securities	65,489,580	55,752,957	98,137,096
Others	48,240	-	250,702
Derivative financial instruments			
Long options	89,526	103,039	124,199
Futures trading margins-proprietary funds	591,137	519,065	837,497
Derivative instrument assets	5,918,947	2,163,243	4,061,653
Financial assets measured at fair value through profit or loss-non-current	50,006	50,033	50,046
Available-for-sale financial assets:			
Available-for-sale financial assets-current	8,689,090	9,246,926	7,108,979
Available-for-sale financial assets-non-current	1,012,095	425,559	171,335
Financial assets measured at cost:			
Financial assets measured at cost-current	818,347	1,090,749	1,140,897
Financial assets measured at cost-non-current	865,233	918,314	920,587
Held to maturity financial assets:			
Held to maturity financial assets-non-current	300,000	300,000	300,000
Loans and receivables:			
Cash and cash equivalents (Cash on hand excluded)	12,943,460	16,446,784	12,053,234
Bonds purchased under resale agreements	30,307,284	29,087,308	20,449,681
Receivables-net	65,781,067	60,846,842	74,907,993
Customers' margin accounts	36,526,948	37,066,541	38,406,838

Financial instruments	6/30/17	12/31/16	6/30/16
Stock borrowing collateral price and stock borrowing margin	3,769,038	3,000,687	6,117,592
Other financial assets-current	2,967,755	2,527,870	5,671,501
Other current assets	29,998,463	30,477,056	32,325,091
Other non-current assets			
Operating bond	1,426,710	1,417,056	1,417,399
Settlement/clearance fund	544,613	527,293	520,474
Guarantee deposits-out	1,060,641	1,336,195	1,054,149
Collaterals assumed	34,201	34,201	34,201
Other non-current assets- others	-	702	40,841
<u>Financial liabilities</u>			
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	1,032,202	2,211,581	871,974
Liability for purchase of government bonds	-	150,000	-
Liabilities for securities and bonds borrowed	12,099,495	5,484,802	11,667,410
Derivative financial instruments			
Liabilities for warrants issued	11,782,759	9,438,441	8,717,731
Repurchase warrants	(11,050,591)	(9,118,906)	(8,276,983)
Short options	92,423	60,203	136,605
Derivative instruments liabilities	7,392,726	2,845,225	5,022,327
Other financial liabilities- current	5,107,683	4,423,975	8,128,314
Financial liabilities are designated initially at fair value through profit or loss	1,017,173	1,103,869	1,680,208
Financial liabilities at amortized cost:			
Short-term borrowings	14,430,777	12,777,858	17,915,870
Commercial papers payable-net	14,777,731	10,293,033	8,976,833
Bonds sold under repurchase agreements	59,132,332	57,422,129	84,799,124
Payables	52,753,801	52,737,931	69,961,748
Securities lending refundable deposits	9,906,038	11,335,953	9,844,090
Futures customers' equity	35,972,804	36,084,937	37,450,325
Current portion of long-term borrowings	2,200,000	-	969,660
Bonds payable	4,800,000	7,000,000	7,000,000
Other financial liabilities-non-current			
Guarantee deposits-in	21,859	19,287	16,277

(2) Valuation techniques and assumptions in estimating fair value

The Company and its 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. And it is reasonable to use the book value to estimate the fair value.
- 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 quoted prices in active markets 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 1 that 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 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 its subsidiaries do not have any financial assets measured at fair value on a non-recurring basis. Assets and liabilities measured at fair value on a recurring basis, presented by fair value hierarchy are as follows:

6/30/17

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	\$20,918,912	\$20,918,912	\$-	\$-
Bonds	36,522,619	17,566,769	18,955,850	-
Others	10,368,045	117,266	10,250,779	-
Available-for-sale financial assets				
Stocks	9,457,586	9,390,223	-	67,363
Bonds	11,492	11,492	-	-
Others	232,107	232,107	-	-
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Stocks	5,920,476	5,920,476	-	-
Bonds	7,211,221	1,032,202	6,179,019	-
<u>Derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
	6,599,610	1,827,832	4,765,729	6,049
Liabilities				
Financial liabilities measured at fair value through profit or loss				
	9,234,490	2,028,042	6,819,646	386,802

12/31/16

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	\$14,616,692	\$14,616,692	\$-	\$-
Bonds	35,388,760	17,696,477	17,692,283	-
Others	8,366,329	79,948	8,286,381	-
Available-for-sale financial assets				
Stocks	9,661,178	9,603,028	-	58,150
Bonds	11,307	11,307	-	-
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Stocks	2,620,533	2,620,533	-	-
Bonds	5,225,850	2,361,581	2,864,269	-
<u>Derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
	2,785,447	640,495	2,091,097	53,855
Liabilities				
Financial liabilities measured at fair value through profit or loss				
	4,328,832	438,904	3,881,414	8,514

6/30/16

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	\$18,022,817	\$18,022,817	\$-	\$-
Bonds	77,069,115	25,415,579	51,653,536	-
Others	9,161,830	117,507	9,044,323	-
Available-for-sale financial assets				
Stocks	7,268,033	7,218,529	-	49,504
Bonds	12,281	12,281	-	-
Liabilities				
Financial liabilities measured at fair value through profit or loss				
	12,539,384	6,326,573	6,212,811	-
<u>Derivative instruments</u>				
Assets				
Financial assets measured at fair value through profit or loss				
	5,023,349	975,874	4,035,145	12,330
Liabilities				
Financial liabilities measured at fair value through profit or loss				
	7,279,888	620,729	6,590,022	69,137

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 its 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

Financial instruments measured at fair value	1/1/17-6/30/17		1/1/16-6/30/16	
	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	\$-	\$-	\$51,427	\$-
Financial liabilities measured at fair value through profit or loss				
Bonds	\$-	\$-	\$-	\$-

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 six-month period ended June 30, 2017

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								
Financial assets measured at fair value through profit or loss-current	\$53,855	\$(19,851)	\$-	\$28,757	\$-	\$(56,712)	\$-	\$6,049
Available-for-sale financial assets-non-current	58,150	-	9,213	-	-	-	-	67,363

For the six-month period ended June 30, 2016

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								
Financial assets measured at fair value through profit or loss-current	\$15,032	\$10,394	\$-	\$29,945	\$-	\$(43,041)	\$-	\$12,330
Available-for-sale financial assets-non-current	-	-	-	49,504	-	-	-	49,504

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

For the six-month period ended June 30, 2017

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								
Financial liabilities measured at fair value through profit or loss-current	\$8,514	\$26,729	\$-	\$400,216	\$-	\$(48,657)	\$-	\$386,802

For the six-month period ended June 30, 2016

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								
Financial liabilities measured at fair value through profit or loss-current	\$35,141	\$179,547	\$-	\$434,562	\$-	\$(580,113)	\$-	\$69,137

- c. Total gains or losses from financial assets and liabilities still held by the Company for the six-month periods ended June 30, 2017 and 2016 are as follows:

	For six-month periods ended June 30	
	2017	2016
Total gains or losses		
Recognized in profit or loss	\$(24,332)	\$(22,663)

- d. There are no significant changes in the Company and its subsidiaries' valuation models or in levels of the fair value hierarchy between current and prior periods as of June 30, 2017 and 2016.

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

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

6/30/17

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Available-for-sale financial assets	Note	Note	Note	Note

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	11.22%-70.48%	Depending on contract terms.
Equity derivative instruments-long option	Martingale Pricing Technique	History Volatility	30.43%-42.36%	Depending on contract terms.
Credit Default Swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt;

Financial liabilities:

Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	7.6%-38.95%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	14.88%-65.72%	Depending on contract terms.

Note: Fair value is from third-party quotations

12/31/16

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Available-for-sale financial assets	Note	Note	Note	Note
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	13.72%-53.10%	Depending on contract terms.
Credit Default Swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt;

Financial liabilities:

Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	13.52%-29.19%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	16.13%-31.40%	Depending on contract terms.

Note: Fair value is from third-party quotations

6/30/16

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Available-for-sale financial assets	Most recent quotes	-	-	-
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	16.73%-74.60%	Depending on contract terms.
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	11.28%-42.21%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	15.30%-32.14%	Depending on contract terms.

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.

The recovery rate adopted by the company in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25. The company set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

The Company and its 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:

6/30/17

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Available-for-sale financial assets	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	\$2,423	\$2,396
Equity derivative instruments – long option	Historical volatility	+25% / -25%	42	38
Total			<u>\$2,465</u>	<u>\$2,434</u>

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$(25)	\$(38)
Equity derivative instruments – short option	Historical volatility	-25% / +25%	1,889	2,068
Total			<u>\$1,864</u>	<u>\$2,030</u>

12/31/16

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Available-for-sale financial assets	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Derivatives				
Structured notes- options	Historical volatility	+ 25% / -25%	\$1,662	\$1,476
Total			<u>\$1,662</u>	<u>\$1,476</u>

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$-	\$-
Equity derivative instruments – short option	Historical volatility	-25% / +25%	-	-
Total			<u>\$-</u>	<u>\$-</u>

6/30/16

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Derivatives				
Structured notes- options	Historical volatility	+ 25% / -25%	\$1,160	\$1,268
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$8	\$32
Equity derivative instruments – short option	Historical volatility	-25% / +25%	-	-
Total			<u>\$8</u>	<u>\$32</u>

Evaluation process for level 3 fair value measurements

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

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

6/30/17

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method	\$2,495,830	\$-	\$-	\$2,495,830
Investment properties	-	-	1,025,708	1,025,708

12/31/16

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method	\$2,448,105	\$-	\$-	\$2,448,105
Investment properties	-	-	904,205	904,205

6/30/16

	Level 1	Level 2	Level 3	Total
Investments accounted for using the equity method	\$2,084,517	\$-	\$-	\$2,084,517
Investment properties	-	-	591,103	591,103

Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.12 and VI.14 for the fair value hierarchy of investments accounted for using the equity method and investment properties mentioned above.

6. Transfer of financial assets

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

In the Company and its 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 its 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 its subsidiaries are not allowed to use, sell, or pledge those transferred financial assets, but still retain their interest rate risk, credit risk, and market risk, so they are not derecognized in their entirety.

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

6/30/17					
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	\$58,752,025	\$59,132,332	\$58,752,025	\$59,132,332	\$(380,307)
Securities borrowing transactions	91,843	128,580	91,843	128,580	(36,737)

12/31/16					
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	\$56,923,804	\$57,422,129	\$56,923,804	\$57,422,129	\$(498,325)
Securities borrowing transactions	46,749	65,449	46,749	65,449	(18,700)

6/30/16					
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	\$84,793,162	\$84,799,124	\$84,793,162	\$84,799,124	\$(5,962)
Securities borrowing transactions	27,810	38,934	27,810	38,934	(11,124)

(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:

Period	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	
6/30/17	Long call option	\$9,508,700	\$706,159	\$706,159	\$-	\$706,159
12/31/16	Long call option	\$10,229,100	\$610,676	\$610,676	\$-	\$610,676
6/30/16	Long call option	\$10,534,800	\$523,507	\$523,507	\$-	\$523,507

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.

Period	Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
6/30/17	Long call option	\$-	\$2,045,200	\$1,899,500	\$5,564,000	\$-	\$9,508,700
12/31/16	Long call option	\$4,568,600	\$990,100	\$3,106,700	\$1,563,700	\$-	\$10,229,100
6/30/16	Long call option	\$-	\$331,600	\$3,309,000	\$6,894,200	\$-	\$10,534,800

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.

Period	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
6/30/17	Long call option	\$(26,836)	\$(86,668)	\$(113,504)
12/31/16	Long call option	\$(41,236)	\$611,220	\$569,984
6/30/16	Long call option	\$(256,315)	\$(2,260)	\$(258,575)

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 its subsidiaries’ transactions on derivative instrument assets and derivative instrument liabilities. The Company and its subsidiaries are allowed to offset the mentioned instruments only in the event of default and insolvency or bankruptcy.

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

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

6/30/17						
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	\$5,918,947	\$-	\$5,918,947	\$-	\$98,908	\$5,820,039
Resell agreement	30,307,284	-	30,307,284	30,307,284	-	-
Total	\$36,226,231	\$-	\$36,226,231	\$30,307,284	\$98,908	\$5,820,039

6/30/17						
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 in pledge	
Derivative	\$7,392,726	\$-	\$7,392,726	\$-	\$612,169	\$6,780,557
Repurchase agreement	59,132,332	-	59,132,332	59,132,332	-	-
Total	\$66,525,058	\$-	\$66,525,058	\$59,132,332	\$612,169	\$6,780,557

12/31/16						
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	\$2,163,243	\$-	\$2,163,243	\$-	\$132,559	\$2,030,684
Resell agreement	29,087,308	-	29,087,308	29,087,308	-	-
Total	\$31,250,551	\$-	\$31,250,551	\$29,087,308	\$132,559	\$2,030,684

12/31/16						
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 in pledge	
Derivative	\$2,845,225	\$-	\$2,845,225	\$-	\$465,985	\$2,379,240
Repurchase agreement	57,422,129	-	57,422,129	57,422,129	-	-
Total	\$60,267,354	\$-	\$60,267,354	\$57,422,129	\$465,985	\$2,379,240

6/30/16						
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	\$4,061,653	\$-	\$4,061,653	\$-	\$87,198	\$3,974,455
Resell agreement	20,449,681	-	20,449,681	20,449,681	-	-
Total	\$24,511,334	\$-	\$24,511,334	\$20,449,681	\$87,198	\$3,974,455

6/30/16						
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 in pledge	
Derivative	\$5,022,327	\$-	\$5,022,327	\$-	\$722,231	\$4,300,096
Repurchase agreement	84,799,124	-	84,799,124	84,799,124	-	-
Total	\$89,821,451	\$-	\$89,821,451	\$84,799,124	\$722,231	\$4,300,096

(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 its 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 its subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

The company's Capital adequacy ratios as of June 30, 2017, December 31, 2016, and June 30, 2016 are disclosed as follows

(1) Capital Adequacy Ratio

Item	6/30/17	12/31/16	6/30/16
Qualified net equity Capital	\$18,442,043	\$17,895,797	17,551,768
Equivalent amount of operating risk	5,705,210	5,434,116	7,091,428
Capital adequacy ratio	323%	329%	248%

Item	For the six-month periods Ended	
	2017	2016
Average	317%	288%
Maximum	340%	305%
Minimum	286%	248%

(2) Equivalent amounts and percentages of operating risks

Item	6/30/17		12/31/16	
	Amount	Percentage	Amount	Percentage
Market risk	\$2,171,693	38.06%	\$2,333,574	42.94%
Credit risk	2,022,978	35.46%	1,541,798	28.37%
Operational risk	1,510,539	26.48%	1,558,744	28.69%
Total	\$5,705,210	100.00%	\$5,434,116	100.00%

Item	6/30/16	
	Amount	Percentage
Market risk	\$3,709,298	52.31%
Credit risk	1,823,386	25.71%
Operational risk	1,558,744	21.98%
Total	\$7,091,428	100.00%

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:

	6/30/17	
	Book value	Fair value
Available-for-sale financial assets-current	\$5,239,100	\$5,239,100

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 2017	\$2,706,992	\$532,263
For the six-month period ended June 30, 2017	(124,258)	-
Total	\$2,582,734	\$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 its subsidiaries’ various financial ratios under ROC Futures Commission Merchant Laws.

Futures department of the Company

Article #	Calculation Formula	6/30/17		12/31/16		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>1,774,840</u> 587,782	3.02	<u>1,784,471</u> 394,084	4.53	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>2,138,082</u> 300,975	7.70	<u>2,133,932</u> 166,579	12.81	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>1,774,840</u> 400,000	443.71%	<u>1,784,471</u> 400,000	446.12%	≥ 60% ≥ 40%	"
22	<u>Net capital amount</u> <u>after adjustment</u> The total amount of customer's margin required by the non-offset position for the futures dealer	<u>1,233,725</u> 377,708	326.64%	<u>1,322,873</u> 281,618	469.74%	≥ 20% ≥ 15%	"

Article #	Calculation Formula	6/30/16	
		Calculation	Ratio
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>1,854,405</u> 627,480	2.96
17	<u>Current assets</u> Current liabilities	<u>2,437,056</u> 490,408	4.97
22	<u>Stock holders' equity</u> Minimum paid-in capital	<u>1,854,405</u> 400,000	463.60%
22	<u>Net capital amount</u> <u>after adjustment</u> The total amount of customer's margin required by the non-offset position for the futures dealer	<u>1,176,717</u> 339,581	346.52%

KGI Futures

Article #	Calculation Formula	6/30/17		12/31/16		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stockholders' equity</u> (Total liabilities – Futures customers' equity)	<u>2,404,517</u> 493,256	4.87	<u>2,735,161</u> 298,763	9.15	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>23,612,290</u> 21,832,763	1.08	<u>22,820,898</u> 20,694,894	1.10	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>2,404,517</u> 760,000	316.38%	<u>2,735,161</u> 760,000	359.89%	≥ 60% ≥ 40%	"
22	<u>Net capital amount after adjustment</u> The total amount of customer's margin required by the non-offset position for the futures dealer	<u>2,079,346</u> 4,014,680	51.79%	<u>2,338,562</u> 3,376,756	69.25%	≥ 20% ≥ 15%	"

Article #	Calculation Formula	6/30/16	
		Calculation	Ratio
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>2,525,962</u> 350,778	7.20
17	<u>Current assets</u> Current liabilities	<u>23,699,305</u> 21,765,989	1.09
22	<u>Stock holders' equity</u> Minimum paid-in capital	<u>2,525,962</u> 760,000	332.36%
22	<u>Net capital amount after adjustment</u> The total amount of customer's margin required by the non-offset position for the futures dealer	<u>1,999,956</u> 4,585,071	43.62%

- (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

	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Cash in bank	\$962,116	\$809,142	\$1,412,517
Financial assets	25,497,137	22,988,241	20,161,027
Receivables	114,403	72,988	294,754
Total trusted assets	<u>\$26,573,656</u>	<u>\$23,870,371</u>	<u>\$21,868,298</u>
	<u>6/30/17</u>	<u>12/31/16</u>	<u>6/30/16</u>
Payables	\$24,214	\$16,097	\$56,583
Trust capital	25,239,420	23,786,620	21,581,717
Reserves and retained earnings	1,310,022	67,654	229,998
Total trusted liabilities	<u>\$26,573,656</u>	<u>\$23,870,371</u>	<u>\$21,868,298</u>

B. Income statement of trust business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2017	2016	2017	2016
Revenues	\$404,179	\$177,375	\$2,173,136	\$1,518,692
Expenses	74,079	172,581	(2,058,775)	(2,139,216)
Income before tax	478,258	349,956	114,361	(620,524)
Income tax	-	-	-	-
Net income	<u>\$478,258</u>	<u>\$349,956</u>	<u>\$114,361</u>	<u>\$(620,524)</u>

C. Trust Property catalog

	6/30/17	12/31/16	6/30/16
Cash in bank	\$962,116	\$809,142	\$1,412,517
Stocks	12,489,101	13,755,119	13,381,809
Funds	12,912,289	9,227,067	6,729,065
Structured notes	95,747	6,055	50,153
Total	<u>\$26,459,253</u>	<u>\$23,797,383</u>	<u>\$21,573,544</u>

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 June 30, 2017, December 31, 2016, and June 30, 2016 are USD 1,356 thousand dollars, USD 1,118 thousand dollars, and USD 2,678 thousand dollars respectively.

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

Financial instruments	6/30/17			12/31/16		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$2,642,555	30.44	\$80,423,646	\$2,336,758	32.21	\$75,259,143
HKD	153,247	3.90	597,244	127,231	4.16	529,229
GBP	646	39.60	25,582	426	39.61	16,876
JPY	12,922,328	0.27	3,509,128	8,724,871	0.28	2,404,829
EUR	5,021	33.70	169,175	33,751	33.92	1,144,684
CNY	35,331	4.49	158,614	244,837	4.62	1,131,607
AUD	475	23.36	11,089	4,373	23.30	101,903
SGD	335	22.10	7,408	9,014	22.31	201,095
<u>Non-monetary Items</u>						
USD	1,064,573	30.44	32,401,329	761,214	32.28	24,571,228
HKD	21,578	3.90	84,132	10,013	4.16	41,674
CNY	368,625	4.49	1,654,944	412,573	4.62	1,906,873
AUD	13,731	23.36	320,748	4,529	23.30	105,539
JPY	122,499	0.27	33,271	188,576	0.28	51,990
NZD	-	-	-	1,935	22.42	43,364
EUR	-	-	-	524	33.92	17,788
<u>Investments accounted for using the equity method</u>						
USD	66,013	30.44	2,009,161	67,639	32.28	2,183,329
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	4,019,994	30.44	122,347,420	3,678,462	32.28	118,729,246
HKD	131,802	3.90	513,631	79,633	4.16	331,116

Financial instruments	6/30/17			12/31/16		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
	GBP	430	39.60	17,028	273	39.61
JPY	12,667,960	0.27	3,440,618	8,413,574	0.28	2,319,492
EUR	2,769	34.72	96,124	31,848	33.92	1,080,125
CNY	5,896	4.49	26,465	300,806	4.62	1,390,287
AUD	8,503	23.36	198,636	4,100	23.30	95,538
SGD	89	22.10	1,968	8,768	22.31	195,616
THB	102	0.9	91	102	0.9	92
<u>Non-monetary Items</u>						
USD	427,244	30.44	13,003,601	196,950	32.28	6,357,340
JPY	122,499	0.27	33,271	160,416	0.28	44,227
CNY	40,288	4.49	180,874	39,941	4.62	184,602
AUD	4,660	23.36	108,850	4,529	23.30	105,539
NZD	-	-	-	1,935	22.42	43,364
EUR	264	34.73	9,180	1	33.92	45
6/30/16						
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD			
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$2,777,946	32.28	89,685,545			
HKD	146,492	4.16	609,521			
GBP	5,104	43.46	221,808			
JPY	11,527,306	0.31	3,622,353			
EUR	25,278	35.88	906,990			
CNY	899,820	4.85	4,362,598			
AUD	25,319	23.98	607,071			
SGD	23,150	23.93	553,953			
THB	211,402	0.92	194,067			
<u>Non-monetary Items</u>						
USD	1,114,194	32.29	35,972,870			
HKD	138,759	4.16	577,403			
CNY	662,890	4.85	3,213,891			
AUD	12,948	23.98	310,462			
JPY	300,672	0.31	94,471			
NZD	3,281	22.90	75,145			
<u>Investments</u>						
<u>accounted for using the equity method</u>						
USD	62,732	32.29	2,025,355			
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	4,247,789	32.29	137,140,910			
HKD	49,859	4.16	207,412			
GBP	3,957	43.46	171,959			
JPY	11,198,177	0.31	3,518,941			

6/30/16			
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD
EUR	22,802	36.00	820,813
CNY	1,255,315	4.85	6,086,140
AUD	27,383	23.98	656,553
SGD	23,074	23.93	552,139
THB	211,910	0.92	194,533
<u>Non-monetary Items</u>			
USD	317,394	32.29	10,247,391
JPY	300,672	0.31	94,471
CNY	38,991	4.85	189,039
AUD	10,450	23.98	250,562
NZD	3,281	22.90	75,145

Due to various types of functional currencies, it is inefficient for the Company and its subsidiaries to disclose information on exchange differences by foreign currencies having significant effect on the Company and its subsidiaries. Exchange differences are 507,569 thousand dollars and 74,142 thousand dollars for the six-month periods ended on June 30, 2017 and 2016, respectively.