KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2018 and 2017

With Independent 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.

安永聯合會計師事務所
11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.
Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

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, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2018 and 2017, and six-month periods ended June 30, 2018 and 2017, and statements for changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017 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, 2018, December 31, 2017 and June 30, 2017, consolidated financial performance for the three-month periods ended June 30, 2018 and 2017, and six-month periods ended June 30, 2018 and 2017, and cash flows for the six-month periods ended June 30, 2018 and 2017, 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 endorsed and became effective 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, 2018. 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, 2018, 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. We also assessed the adequacy of disclosures for valuation of derivative instruments in Note V and Note XII.

Emphasis of matter – Apply for New Accounting Standards

We draw attention to Note III of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Fiancial Reporting Standard (IFRS) 9, "Financial instruments" and IFRS 15, "Revenue from Contracts with Customers" starting from January 1, 2018 and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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 9,711,518 thousand dollars (3.10% of consolidated total assets), NT 11,000,672 thousand dollars (3.97% of consolidated total assets), and NT 11,359,019 thousand dollars (3.92% of consolidated total assets) of total assets as of June 30, 2018, December 31, 2017, and June 30, 2017, respectively; and income of NT 27,489 thousand dollars (2.20% of consolidated income before income tax) and loss of NT 233,276 thousand dollars (42.25% of consolidated income before income tax) of income or loss before income tax for the three-month periods ended June 30, 2018 and 2017, respectively; and income of NT 61,196 thousand dollars (2.52% of consolidated income before income tax) and loss of NT 185,497 thousand dollars (17.33% of consolidated income before income tax) of income or loss before income tax for the six-month periods ended June 30, 2018 and 2017, respectively; and income of NT 0 thousand dollars (0.00% of consolidated other comprehensive income and losses) and income of NT 13,846 thousand dollars (4.07% of consolidated other comprehensive income and losses) of the other comprehensive income or loss for the three-month periods ended June 30, 2018 and 2017, respectively; and income of NT 0 thousand dollars (0.00% of consolidated other comprehensive income and losses) and income of NT 17,529 thousand dollars (2.40% of consolidated other comprehensive income and losses) of the other comprehensive income or loss for the six-month periods ended June 30, 2018 and 2017, 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 endorsed and became effective 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, 2018 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, 2018 and 2017.

Huang, Chien-Che

Fuh, Wen-Fun

Ernst & Young, Taiwan
August 27, 2018

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, 2018, December 31, 2017 and June 30,2017
(Expressed in New Taiwan Thousand Dollars)

ASSETS	6/30/2018	12/31/2017	6/30/2017
CURRENT ASSETS			
Cash and cash equivalents (Notes VI.1, VI.29 and VII)	$12,081,341	$15,701,224	$12,946,902
Financial assets measured at fair value through profit or loss-current (Notes IV, VI.2, VI.22, VII and VIII)	70,783,163	66,383,709	74,359,180
Financial assets measured at cost-current (Notes IV and VI.3)	-	464,219	818,347
Financial assets measured at fair value through other comprehensive income-current (Notes IV, VI.4, VI.29, VII and VIII)	11,278,773	-	-
Available-for-sale financial assets-current (Notes IV, VI.6, VII and VIII)	-	3,369,019	8,689,090
Bond investments under resale agreements (Notes VI.8 and VI.29)	31,650,368	21,129,128	30,307,284
Margin loans receivable (Notes VI.9, VI.29 and VII)	36,627,821	34,508,138	31,383,739
Refinancing margin	-	723	-
Refinancing deposits receivable	-	648	-
Trading securities receivable (Notes VI.10 and VI.29)	7,248,565	7,459,278	8,680,329
Customer margin accounts (Notes VI.11, VI.29 and VII)	22,556,660	23,061,445	36,526,948
Futures commission merchant receivable (Notes VI.12 and VI.29)	15,588	11	519
Stock borrowing collateral price	60,806	198,581	100,501
Stock borrowing margin	7,035,621	2,330,427	3,668,537
Notes receivable	1,055	769	683
Accounts receivable (Notes VI.13, VI.29 and VII)	28,165,760	21,127,503	25,715,797
Prepayments	140,906	157,542	106,794
Other financial assets-current (Notes VI.1 and VII)	3,782,015	2,620,785	2,967,755
Current tax assets	575,753	577,240	605,877
Other current assets (Notes VI.29, VII and VIII)	47,986,738	43,790,374	29,998,463
Total Current Assets	279,990,933	242,880,763	266,876,745
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Notes IV, VI.2 and VIII)	2,869,931	49,998	50,006
Financial assets measured at cost-non-current (Notes IV and VI.3)	-	987,613	865,233
Financial assets measured at fair value through other comprehensive income-non current (Notes IV and VI.4)	2,122	-	-
Financial assets measured at amortized cost (Notes IV, VI.5 and VI.29)	496,707	-	-
Available-for-sale financial assets-non-current (Notes IV and VI.6)	-	793,554	1,012,095
Held to maturity financial assets-non-current (Notes IV and VI.7)	-	500,000	300,000
Investments accounted for using the equity method (Notes IV, VI.14 and VIII)	11,759,242	13,535,865	2,012,465
Property and equipment (Notes VI.15, VII and VIII)	5,824,428	5,893,880	5,972,402
Investment property (Notes VI.16, VII and VIII)	500,594	502,507	504,420
Intangible assets (Notes VI.17)	8,086,064	8,171,951	8,468,045
Deferred tax assets	259,583	297,436	297,493
Other non-current assets (Notes VI.18, VI.29 and VIII)	3,343,497	3,274,927	3,311,415
Total Non-current Assets	33,142,168	34,007,731	22,793,574
TOTAL ASSETS	$313,133,101	$276,888,494	$289,670,319

(Continue on next page)

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

(Continue from previous page)

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2018, December 31, 2017 and June 30,2017

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	6/30/2018	12/31/2017	6/30/2017
CURRENT LIABILITIES			
Short-term borrowings (Notes VI.19 and VII)	$24,974,628	$20,036,492	$14,430,777
Commercial papers payable (Note VI.20)	12,062,236	8,625,804	14,777,731
Financial liabilities measured at fair value through profit or loss-current (Notes IV, VI.21, VI.22 and VII)	12,497,370	12,062,577	22,366,187
Liabilities for bonds with attached repurchase agreements (Notes VI.23 and VII)	76,938,259	54,732,813	59,132,332
Securities financing refundable deposits (Notes VI.9 and VII)	1,889,136	3,129,677	1,749,876
Deposits payable for securities financing (Notes VI.9 and VII)	13,998,203	12,510,125	10,325,104
Securities lending refundable deposits	15,677,270	12,429,101	9,906,038
Futures customers' equity (Notes VII)	22,529,017	23,041,948	35,972,804
Accounts payable (Notes VI.24 and VII)	55,392,270	50,229,621	40,678,821
Amounts received in advance	4,271	1,750	3,932
Amounts collected for other parties	1,473,384	1,713,862	1,501,079
Other payable (Notes VII)	2,322,061	2,891,563	1,814,077
Other financial liabilities-current	4,210,160	4,099,601	5,107,683
Current tax liabilities (Notes VII)	712,301	697,262	892,886
Long-term liabilities-current portion (Note VI.25)	-	2,200,000	2,200,000
Other current liabilities	68,300	65,048	46,064
Total Current Liabilities	244,748,866	208,467,244	220,905,391
NON-CURRENT LIABILITIES			
Bonds payable (Notes VI.25)	4,800,000	4,800,000	4,800,000
Liabilities reserve-non-current (Note VI.27)	219,096	220,583	222,009
Deferred tax liabilities	1,302,592	1,076,918	984,469
Other non-current liabilities	742,161	862,884	714,011
Total Non-Current Liabilities	7,063,849	6,960,385	6,720,489
Total Liabilities	251,812,715	215,427,629	227,625,880
EQUITY			
Capital stock abstract (Note VI.28)			
Common stock	32,418,432	29,988,123	34,988,123
Capital reserve (Notes VI.28)	8,647,392	8,646,690	8,645,526
Retained earnings (Note VI.28)			
Legal reserve	4,888,610	4,088,294	4,088,294
Special reserve	11,338,931	8,566,395	8,566,395
Unappropriated earnings	3,389,228	8,003,162	1,080,727
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation	(726,422)	(950,756)	(773,662)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(1,964,738)	-	-
Unrealized gain or loss on available-for-sale financial assets	-	(181,133)	2,283,893
Equity attributable to owners of the parent company	57,991,433	58,160,775	58,879,296
Non-controlling interests (Note VI.28 and VI.33)	3,328,953	3,300,090	3,165,143
Total Equity	61,320,386	61,460,865	62,044,439
TOTAL LIABILITIES AND EQUITY	$313,133,101	$276,888,494	$289,670,319

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, 2018 and 2017

(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	
	2018	2017	2018	2017
REVENUES				
Brokerage handling fee revenue (Notes VI.29 and VII)	$2,384,357	$1,869,306	$4,856,737	$3,661,897
Revenue from borrowed securities	169,569	127,743	301,036	248,258
Revenue from underwriting business (Notes VI.29 and VII)	107,252	169,513	281,403	325,022
Revenue from wealth management services-net	25,347	15,020	57,246	29,782
Gains/(losses) on disposal of trading securities-net (Notes IV and VI.29)	1,130,246	475,979	(825,346)	1,026,800
Revenue from providing agency service for stock affairs (Notes VII)	46,283	44,472	81,261	78,395
Interest income (Notes VI.29)	885,654	724,126	1,685,087	1,400,159
Dividend income	57,278	101,507	62,191	107,096
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note IV and VI.29)	(882,383)	598,708	1,153,353	650,838
Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net (Note IV and VI.29)	(73,342)	(25,577)	(35,844)	(95,050)
Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net (Note IV)	98,024	(346,078)	97,831	(347,741)
Gains/(losses) on warrants issued-net (Notes IV and VI.22)	39,954	36,334	331,027	37,004
Gains/(losses) on derivative financial product-futures-net (Notes IV and VI.22)	304,396	(114,294)	287,885	(229,878)
Gains/(losses) on derivative financial product-GTSM-net (Notes IV and VI.22)	498,083	(20,867)	255,924	(571,653)
Expected credit losses/(gains) (Note IV, VI.29 and XII)	(5,281)	-	(100,212)	-
Other operating revenue (Notes IV, VI.29 and VII)	(220,217)	177,310	307,764	946,819
Total Revenues	4,565,220	3,833,202	8,797,343	7,267,748
COSTS AND EXPENSES				
Brokerage handling fee expenses	233,374	233,010	475,135	462,955
Dealing handling fee expenses	14,560	13,899	31,673	28,618
Refinancing handling fee expenses	22	74	75	212
Financial costs (Notes VI.29 and VII)	362,061	263,478	682,783	515,714
Losses on trading of borrowed securities	-	55,781	1,047	61,507
Futures commission expenses	20,257	19,152	48,130	44,028
Settlement and clearing service expenditures	69,742	59,213	141,912	112,487
Other operating costs	135,722	16,860	188,846	27,865
Employee benefits expenses (Notes VI.26, VI.29 and VII)	1,870,343	1,654,817	3,811,512	3,333,611
Depreciation and amortization (Notes VI.29)	139,975	141,700	278,198	279,542
Other operating expenses (Notes VI.29 and VII)	1,098,403	1,259,832	2,109,122	2,168,600
Total Costs and Expenses	3,944,459	3,717,816	7,768,433	7,035,139
INCOME (LOSS) FROM OPERATIONS	620,761	115,386	1,028,910	232,609
NON-OPERATING INCOME OR COSTS				
Share of the profit or loss of associates and joint ventures accounted for using the equity method (Note IV and VI.14)	239,865	33,887	612,153	101,305
Other income and costs (Notes VI.16, VI.29 and VII)	390,631	402,924	788,910	736,605
Total Non-operating Income or Costs	630,496	436,811	1,401,063	837,910
INCOME BEFORE INCOME TAX	1,251,257	552,197	2,429,973	1,070,519
INCOME TAX EXPENSES (Notes IV and VI.31)	(165,416)	(19,625)	(357,111)	(120,534)
NET INCOME	1,085,841	532,572	2,072,862	949,985
OTHER COMPREHENSIVE INCOME (Note VI.30)				
Not to be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (Note IV and VI.26)	104	-	104	-
Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income (Note IV)	240,082	-	290,620	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(80,088)	-	(185,963)	-
To be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	437,960	99,311	223,210	(708,646)
Unrealized loss from investments in debt instruments measured at fair value through other comprehensive income (Note IV)	(19,325)	-	(16,664)	-
Unrealized gain or loss on available-for-sale financial assets (Note IV)	-	240,238	-	(19,131)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(834,995)	624	1,990,694	(2,857)
Income tax relating to components that will be reclassified (Note IV and VI.31)	-	139	-	(457)
Current other comprehensive income-net of tax	(256,262)	340,312	(1,679,387)	(731,091)
CURRENT COMPREHENSIVE INCOME (LOSS)	$829,579	$872,884	$393,475	$218,894
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent company	$1,064,539	$695,181	$2,034,856	$1,080,727
Non-controlling interests (Note VI.28 and Note VI.33)	$21,302	$(162,609)	$38,006	$(130,742)
CURRENT COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the parent company	$808,260	$1,024,663	$355,539	$336,024
Non-controlling interests (Note VI.28 and Note VI.33)	$21,319	$(151,779)	$37,936	$(117,130)
EARNINGS PER SHARE (Note VI.32)				
Net income attributable to owners of the parent company	$0.33	$0.19	$0.63	$0.29

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, 2018 and 2017
(Expressed in New Taiwan Thousand Dollars)

Items	Equity Attributed to Owners of the Parent Company										
			Retained Earnings			Other Equity					
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
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 and distribution of 2016 retained earnings:											
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)
Total comprehensive income (loss)	-	-	-	-	1,080,727	(712,705)	-	(31,998)	336,024	(117,130)	218,894
Shared-based payment transaction	-	1,404	-	-	-	-	-	-	1,404	-	1,404
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(34,251)	(34,251)
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
Balance, January 1, 2018	$29,988,123	$8,646,690	$4,088,294	$8,566,395	$8,003,162	$(950,756)	$-	$(181,133)	$58,160,775	$3,300,090	$61,460,865
Effect of retrospective application	-	-	-	-	1,365,896	-	(83,461)	181,133	1,463,568	(1,677)	1,461,891
Adjusted Balance, January 1, 2018	29,988,123	8,646,690	4,088,294	8,566,395	9,369,058	(950,756)	(83,461)	-	59,624,343	3,298,413	62,922,756
Appropriations and distribution of 2017 retained earnings:											
Legal reserve	-	-	800,316	-	(800,316)	-	-	-	-	-	-
Special reserve	-	-	-	2,772,536	(2,772,536)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,000,000)	-	-	-	(2,000,000)	-	(2,000,000)
Stock dividends	2,430,309	-	-	-	(2,430,309)	-	-	-	-	-	-
Net income for the six-month period ended June 30, 2018	-	-	-	-	2,034,856	-	-	-	2,034,856	38,006	2,072,862
Other comprehensive income for the six-month period ended June 30, 2018	-	-	-	-	90	224,334	(1,903,741)	-	(1,679,317)	(70)	(1,679,387)
Total comprehensive income (loss)	-	-	-	-	2,034,946	224,334	(1,903,741)	-	355,539	37,936	393,475
Purchase of subsidiary stock	-	-	-	-	-	-	-	-	-	(20)	(20)
Shared-based payment transaction	-	702	-	-	-	-	-	-	702	-	702
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,376)	(7,376)
Disposal of investments in equity instruments at FVOCI	-	-	-	-	(22,464)	-	22,464	-	-	-	-
Other	-	-	-	-	10,849	-	-	-	10,849	-	10,849
Balance, June 30, 2018	$32,418,432	$8,647,392	$4,888,610	$11,338,931	$3,389,228	$(726,422)	$(1,964,738)	$-	$57,991,433	$3,328,953	$61,320,386

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, 2018 and 2017

(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	$2,429,973	$1,070,519
Adjustments to reconcile income before income tax expenses to net cash (used in)/provided by operating activities:		
Depreciation	148,982	152,840
Amortization	129,216	126,702
Expected credit losses/(gains)	100,212	205,621
Interest expense	682,783	515,714
Interest income	(2,153,759)	(1,751,457)
Dividend income	(69,303)	(171,495)
Share-based payment transactions	702	1,404
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(612,153)	(101,305)
(Gains)/losses on disposal of property and equipment	64	1,806
Other	(137)	-
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(3,320,759)	(13,211,670)
Financial assets measured at fair value through other comprehensive income-current	(8,133,266)	-
Financial assets measured at cost-current	-	232,087
Available-for-sale financial assets-current	-	429,617
Bond investments under resale agreements	(10,521,245)	(1,219,976)
Margin loans receivable	(2,122,168)	(2,707,651)
Refinancing margin	723	5,145
Refinancing deposits receivable	648	4,269
Trading securities receivable	210,125	(1,784,172)
Customer margin accounts	504,094	539,593
Futures commission merchant receivable	(112,949)	(519)
Stock borrowing collateral price	137,775	89,221
Stock borrowing margin	(4,705,194)	(857,572)
Notes receivable	(286)	1,256
Accounts receivable	(6,733,647)	(186,849)
Prepayments	16,636	(2,385)
Other financial assets-current	(1,161,230)	(439,885)
Other current assets	(3,902,918)	298,675
Financial assets measured at fair value through profit or loss-non-current	(124,638)	27
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	434,793	10,190,972
Liabilities for bonds with attached repurchase agreements	22,205,446	1,710,203
Securities financing refundable deposits	(1,240,541)	(931,379)
Deposits payable for securities financing	1,488,078	(544,384)
Securities lending refundable deposits	3,248,169	(1,429,915)
Futures customers' equity	(512,931)	(112,133)
Notes payable	-	-
Accounts payable	5,141,541	1,478,735
Amounts received in advance	2,521	3,200
Amounts collected for other parties	(240,478)	(307,199)
Other payable	(528,878)	(201,852)
Other financial liabilities-current	110,559	683,708
Other current liabilities	3,252	3,116
Liabilities reserve-non-current	(1,487)	(2,899)
Other non-current liabilities-others	(120,619)	617
Cash provided by/(used in) operating activities	(9,322,294)	(8,219,650)
Interest received	1,898,615	1,623,876
Dividend received	5,135	7,480
Interest paid	(702,299)	(548,754)
Income tax paid	(93,531)	(89,291)
Net cash used in operating activities	(8,214,374)	(7,226,339)

(Continue on next page)

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

(Continue from previous page)

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, 2018 and 2017

(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available-for-sale financial assets	-	(391,645)
Disposal of available-for-sale financial assets	-	13,083
Purchase of financial assets measured at cost-non-current	-	(54,800)
Disposal of financial assets measured at cost	-	50
Disposal of financial assets measured at fair value through other comprehensive income	203,030	-
Purchase of property and equipment	(69,605)	(83,380)
Disposal of property and equipment	13	306
Operation guarantee deposits	681	(9,655)
Clearing and settlement fund	(7,948)	(17,320)
Guarantee deposits paid	(53,598)	275,554
Purchase of intangible assets	(29,143)	(37,615)
Other non-current assets	(15,282)	(823)
Dividends received	206,177	241,976
Net cash provided by/(used in) investing activities	234,325	(64,269)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	4,938,136	1,652,919
Commercial papers payable	3,436,432	4,484,698
Redemption of bonds	(2,200,000)	-
Cash dividends	(2,007,376)	(1,736,430)
Purchase of subsidiary stock	(20)	-
Net cash provided by financing activities	4,167,172	4,401,187
EFFECTS OF EXCHANGE RATE CHANGES	192,994	(613,897)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,619,883)	(3,503,318)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	15,701,224	16,450,220
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$12,081,341	$12,946,902

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

I. Organization and Operations

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

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

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

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

China Development Financial 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, 2018, the Company had 79 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 27, 2018.

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 January 1, 2018. The first-time adoption has no material effect on the Company except the following:

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the transition provision in IFRS 9, the Company and its subsidiaries elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company and its subsidiaries:

A. The Company and its subsidiaries adopted IFRS 9 since January 1, 2018 and adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Financial assets		**Financial assets**	
Cash and cash equivalent	$15,701,224	At amortized cost	$15,701,187
Financial assets measured at FVTPL-current	66,383,709	Fair value through profit or loss	66,382,404
Financial assets measured at FVTPL-non-current	49,998	Fair value through profit or loss	49,998
Financial assets measured at cost-current	464,219	Fair value through profit or loss	448,907
Financial assets measured at cost-non-current	987,613	Fair value through profit or loss	2,238,217
		Fair value through other comprehensive income	2,237
Bond investments under resale agreements	21,129,128	At amortized cost	21,129,128
Recievables (Note 1)	63,097,070	At amortized cost	63,092,000
Available for sale financial assets-current	3,369,019	Fair value through profit or loss	294,439
		Fair value through other comprehensive income	3,074,580
Available for sale financial assets-non-current	793,554	Fair value through profit or loss	793,554
Held-to-maturity financial assets-net-non-current	500,000	At amortized cost	496,602
Others (Note 2)	75,068,461	At amortized cost	75,060,912
Total	$247,543,995	Total	$248,764,165

Notes :

1. Accounts receivable include margin loans receivable, refinancing margin, refinancing deposit receivable, trading securities receivable, futures commission merchant receivable, notes receivable and accounts receivable, etc.
2. Others include customer margin accounts, stock borrowing collateral price, stock borrowing margin, other financial assets-current, other current assets and other non-current assets, etc.

C. Further disclosure of the changes in the classifications of financial assets and financial liabilities on the transition from IAS 39 to IFRS 9 as at January 1, 2018 are as follows:

	Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018 (Note 8)	Other Equity Effect on January 1, 2018 (Note 8)	Note
FVTPL							
Fair value through profit or loss-current (IAS 39)	$66,383,709	$-	$(1,305)	$66,382,404	$(1,305)	$-	1
Fair value through profit or loss-non-current (IAS 39)	49,998	-	-	49,998	-	-	
At cost-current (IAS 39)	464,219	-	(15,312)	448,907	(15,312)	-	4
Add:							
Available for sale-current (IAS 39)	-	294,439	-	294,439	(12,479)	12,479	2
Available for sale-non-current (IAS 39)	-	793,554	-	793,554	162,327	(162,327)	3
At cost-non-current (IAS 39)	-	985,339	1,252,878	2,238,217	1,252,878	-	5
Subtotal	66,897,926	2,073,332	1,236,261	70,207,519	1,386,109	(149,848)	
FVOCI							
Debt instruments							
Available for sale-current (IAS 39)	11,454	-	-	11,454	(293)	293	2
Equity instruments							
Available for sale-current (IAS 39)	3,357,565	(294,439)	-	3,063,126	-	-	2
Available for sale-non-current (IAS 39)	456,900	(456,900)	-	-	-	-	3
At cost-non-current (IAS 39)	987,613	(985,339)	(37)	2,237	-	(37)	5
Other instruments							
Available for sale-non-current (IAS 39)	336,654	(336,654)	-	-	-	-	3
Subtotal	5,150,186	(2,073,332)	(37)	3,076,817	(293)	256	
At amortized cost							
At amortized cost (including cash and cash equivalents, held to maturity financial assets (IAS 39), bond investments under resale agreements, receivables and other assets.)	175,495,883	-	(16,054)	175,479,829	(16,054)	-	6
Subtotal	175,495,883	-	(16,054)	175,479,829	(16,054)	-	
Total amount of financial assets, reclassifications and remeasurements as of January 1, 2018	247,543,995	-	1,220,170	248,764,165	1,369,762	(149,592)	
Investments accounted for using the equity method	13,535,865	-	258,194	13,794,059	(6,149)	264,343	7
Total amount of assets, reclassifications and remeasurements as of January 1, 2018	$261,079,860	$-	$1,478,364	$262,558,224	$1,363,613	$114,751	

Note :

1. As equity investments that were previously measured at fair value through profit or loss under IAS 39 are held for trading, the Company and its subsidiaries elected to designate all of these investments as financial assets mandatorily measured at FVTPL under IFRS 9. Considering the existing facts and circumstances assessment on January 1, 2018, the adjustment would result in a decrease in financial assets measured at FVTPL and retained earnings of 1,305 thousand dollars.
2. In accordance with of IAS 39, available-for-sale financial assets-current include investments in stocks and bonds. Details of reclassification are described as below:

A. Stocks

Considering the existing facts and circumstances assessment on January 1, 2018, these stocks investments are not held-for-trading, the Company and its subsidiaries elected to reclassify parts of them to financial assets measured at FVOCI of 3,063,126 thousand dollars and the other to financial assets measured at FVTPL of 294,439 thousand dollars. The reclassification didn’t result any difference in the carrying amount. Only for those financial assets measured at FVTPL, the unrealized loss on financial assets of 12,479 thousand dollars previously recognized in other equity was reclassified in retained earnings.

B. Bonds

The cash flow characteristics for bonds investments are solely payments of principal and interest on the principal amount outstanding. In accordance with IFRS 9, the assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets are managed to achieve the business model’s objective by both collecting contractual cash flows and selling financial assets, they should be reclassified to financial assets measured at FVOCI. This reclassification did not result any difference in the carrying amount. Besides, in accordance with IFRS 9, there was adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018, resulting in a decrease in retained earnings of 293 thousand dollars and an increase in other equity of 293 thousand dollars.

3. In accordance with of IAS 39, available-for-sale financial assets-non-current include investments in funds and stocks. Details of reclassification are described as below:

A. Funds

As cash flow characteristics for funds investments are not solely payments of principal and interest on the principal amount outstanding, in accordance with IFRS 9, they should be reclassified to financial assets measured at FVTPL of 336,654 thousand dollars. This reclassification did not result any difference in the carrying amount. Only for those financial assets measured at FVTPL, the unrealized loss on financial assets of 9,649 thousand dollars previously recognized in other equity was reclassified in retained earnings.

B. Stocks

Considering existing facts and circumstances assessment on January 1, 2018, because these stocks investments are not held-for-trading, the Company and its subsidiaries chosed to reclassify those financial assets of 456,900 thousand dollars as financial assets measured at FVTPL instead of financial assets designated at FVOCI. The reclassification didn’t result any difference in the carrying amount. Only for those financial assets measured at FVTPL, the unrealized loss on financial assets of 171,976 thousand dollars previously recognized in other equity reclassified in retained earnings. After considering the impact of income tax, deferred tax liabilities were increased by 16,473 thousand dollars with retained earnings decreased by the same amount.

4. Considering existing facts and circumstances assessment on January 1, 2018, because these ESM company stocks of 464,219 thousand dollars that were previously measured at cost under IAS 39 are held-for-trading, the Company and its subsidiaries elected to reclassify those as financial assets measured at FVTPL of 448,907 thousand dollars. Therefore, retained earnings were decreased by 15,312 thousand dollars.

5. Considering the existing facts and circumstances assessment on January 1, 2018, because the unlisted company stocks of 987,613 thousand dollars that were previously measured at cost under IAS 39 were not held-for-trading, in accordance with IFRS 9, the Company and its subsidiaries elected to reclassify parts of them that were not held-for-trading as financial assets measured at FVOCI of 2,237 thousand dollars and the other as financial assets measured at FVTPL of 2,238,217 thousand dollars. The cost of them are 2,274 thousand dollars and 985,339 thousand dollars respectively. Therefore, retained earnings were increased by 1,252,878 thousand dollars and other equity was decreased by 37 thousand dollars.

   Previously, parts of unlisted stocks measured at cost under IAS 39 had recognized impairment loss of 27,152 thousand dollars; However, in accordance with IFRS 9, unlisted company stocks must be measured at fair value but are not required to be assessed for impairment. As a result, the Company and its subsidiaries decided to reverse the accumulated impairment loss that was recognized in prior years and remeasure these stocks at fair value.

6. In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. As a result of the impairment evaluation required under IFRS 9 on the aforementioned assets on January 1, 2018, retained earnings were decreased by 16,054 thousand dollars for the impact on the carrying amount.

7. With the retrospective adoption of IFRS 9 by associates accounted for using equity method, the corresponding adjustments made by the Company and its subsidiaries would result in an increase in investments accounted for using equity method of 258,194 thousand dollars, a decrease in retained earnings of 6,149 thousand dollars and an increase in other equity of 264,343 thousand dollars.

8. The adjustment amount of retained earnings and other equity out of non-controlling interests is (1,677) thousand dollars.

D. The impairment adjustments from the current incurred loss model under IAS 39 as of December 31, 2017 to the expected credit loss model under IFRS 9 as of January 1, 2018 are as follows:

Measurement categories	Impairment loss allowance under IAS39	Reclassification	Remeasurements	Impairment loss allowance under IFRS 9
Financial assets measured at FVOCI-current	$-	$-	$293	$293
Financial assets measured at amortized cost				
Margin loans receivable	148	-	2,718	2,866
Trading securities receivable	657	-	717	1,374
Futures commission merchant receivable	92,558	-	-	92,558
Accounts receivable	-	-	1,634	1,634
Cash and cash equivalents	-	-	37	37
Customer margin accounts	-	-	454	454
Other current assets	1,614	-	6,754	8,368
Financial assets measured at amortized cost-non-current	-	-	3,398	3,398
Other non-current assets	1,747,967	-	342	1,748,309
Subtotal	1,842,944	-	16,054	1,858,998
Total	$1,842,944	$-	$16,347	$1,859,291

E. Please refer to Note IV, Note V, Note VI and Note XII for the related disclosures required by IFRS 7 and IFRS 9.

2. Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company and its subsidiaries are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
Amendments to IAS 28 “Investment in Associates and Joint Ventures”	January 1, 2019
Amendments to IFRS 9 “Financial Instruments” (Prepayment Features with Negative Compensation)	January 1, 2019
Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
IFRS 3 “Business Combinations”	January 1, 2019
IFRS 11 “Joint Arrangements”	January 1, 2019
IAS 12 “Income Taxes”	January 1, 2019
IAS 23 “Borrowing Costs”	January 1, 2019
Amendments to IAS 19 “Employee Benefits” (Plan Amendment, Curtailment or Settlement)	January 1, 2019

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

(1) IFRS 16 “Leases”

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

(2) 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.

(3) IAS 28“Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(4) Prepayment Features with Negative Compensation — Amendments to IFRS 9

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(5) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(6) Plan Amendment, Curtailment or Settlement — Amendments to IAS 19

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Company is still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Company and its subsidiaries at this point in time.

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

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
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	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

(1) 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

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.

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. Summary of Significant Accounting Policies

Apart from the items mentioned below, the same accounting policies have been applied in the Company and its subsidiaries' consolidated financial statements for the six-month periods ended June 30, 2018 and 2017 as those applied in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2017.

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 as endorsed and became effective by the FSC.

2. General Description of Reporting Entities

The consolidated entities are as follows:

			Percentage of ownership		
Investor	Name of subsidiaries	Primary business	6/30/18	12/31/17	6/30/17
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	100.00	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
KGI International Holdings Limited	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 6/30/18	12/31/17	6/30/17
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment services	-	-	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
〃	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
〃	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	99.00
KGI Asia 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
〃	KGI Securities (Singapore) Pte. Ltd.	Securities and futures 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.

(1) The detail information of the scope of subsidiaries:

A. ANEW Holdings Limited was closed on May 2, 2017.
B. KG Investments Asset Management (International) Limited was closed on May 1, 2017.
C. Grand Cathay Securities (Hong Kong) Limited, KGI Securities (Hong Kong) Limited and KGI Wealth Management Limited were dissolved due to mergering with KGI Asia Limited on October 3, 2017.
D. KGI Futures (Singapore) Pte. Ltd. was dissolved due to mergering with KGI Securities (Singapore) Pte. Ltd. on October 2, 2017.

(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. Financial Instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: "IAS 39 Financial Instruments: Recognition and Measurement") are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets: Recognition and Measurement

The accounting policies from January 1, 2018 are as follows:

The Company and its subsidiaries accounts for regular way purchase or sales of financial assets on the trade date.

The Company and its subsidiaries classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

A. the Company and its subsidiaries' business model for managing the financial assets; and
B. the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met and presented as trade receivables, accounts receivable, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

A. The Company and its subsidiaries' business model for managing the financial assets: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. The contractual cash flow characteristics of financial assets: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at amortized cost, the carrying amount of which are determined by the effecive interest method and minus any impairment loss after initial recognition.

Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company and its subsidiaries apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company and its subsidiaries apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial assets measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. The Company and its subsidiaries' business model for managing the financial assets: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
B. The contractual cash flow characteristics of financial assets: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:

   (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company and its subsidiaries apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company and its subsidiaries apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company and its subsidiaries make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Except for the amortized cost measurement or measured at fair value through other comprehensive income which are accordance with the aforementioned specific conditions, financial assets are measured at fair value through profit or loss, and recognized as financial assets measured at FVTPL to present on the balance sheet.

This kind of financial assets are measured at fair value, and the benefit or loss which also includes any dividend or interest received on the financial assets should be recognized as profit or loss.

Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company and its subsidiaries measure expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money; and
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company and its subsidiaries measure the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company and its subsidiaries measure the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company and its subsidiaries need to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for the information about credit risk.

Derecognition of financial assets

A financial asset is derecognized when:

A. the rights to receive cash flows from the asset have expired;
B. transferred assets and substantially all the risks and rewards of the assets have been transferred; or

C. the Company and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

The accounting policies before January 1, 2018 are as follows:

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

This kind of financial assets are measured at fair value, and the benefit or loss which also includes any dividend or interest received on the financial asset should recognize in profit or loss.

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

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

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-forsale financial assets measured at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

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

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

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

After initial measurement, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

<u>Loans and receivables</u>

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

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. The calculation of amortized cost takes the discount or premium along with the transaction cost at acquisition into consideration. The amortization of effective interest rate method is recognized in profit or loss.

Impairment of financial assets

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

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

Other loss events might include:

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

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

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

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

Derecognition of financial assets

A financial asset is derecognized when:

A. the rights to receive cash flows from the asset have expired;
B. transferred assets and substantially all the risks and rewards of the assets have been transferred; or
C. the Company and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(2) Financial liabilities and equtiy instruments

Classification between liabilities or equity investments

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39) are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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

Gains or losses on the remeasurement of this kind of financial liabilities including interest paid are recognized in profit or loss.

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

Before January 1, 2018, if the financial liabilities measured at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

A. Warrants liabilities and warrents redeemed

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

B. Settlement coverage bonds payable of short sale

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

Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

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

(3) Derivative instrument

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Before January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. From January 1, 2018, the above mentioned regular still qualify when host contracts are financial liabilities or non-financial assets.

(4) Offsetting of financial instruments

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

(5) Fair value of financial instruments

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

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

4. Investments accounted for the Equity Method

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

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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company and its subsidiaries' percentage of ownership interests in the associate or joint venture, the Company and its subsidiaries recognize such changes in equity based on their percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company and its subsidiaries' interest in an associate or a joint venture is reduced or increased as the Company and its subsidiaries fail to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company and its subsidiaries dispose the associate or joint venture.

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

The Company and its subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement"). If this is the case the Company and its subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

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

5. 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.

6. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The average annual effective income tax rate is estimated by current income tax expenses only. Deferred income tax is recognized and measured according to IAS 12 "Income Tax" and follows the same accounting policies of the Company and its subsidiaries' annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

V. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company and its subsidiaries' 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

The Company and its subsidiaries adopted IFRS 9 since January 1, 2018. The Company and its subsidiaries elected not to restate prior period in accordance with the transition provision in IFRS 9.

1. Cash and Cash Equivalents

	6/30/18	12/31/17	6/30/17
Cash on hand	$3,217	$3,278	$3,442
Cash in banks	10,337,176	13,355,826	10,156,727
Cash equivalents			
Short-term commercial papers and bonds	892,596	1,253,183	1,743,790
Excess Margin	848,352	1,088,937	1,042,943
Total	$12,081,341	$15,701,224	$12,946,902

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

	6/30/18	12/31/17	6/30/17
Interest rates	0.37%-0.52%	0.35%-0.42%	0.30%-0.40%

(2) As of June 30, 2018, December 31, 2017 and June 30, 2017, the certificate of deposits over three months from the original due date are classified as other financial assets-current, and the amounts are 3,782,015 thousand dollars, 2,620,785 thousand dollars, and 2,967,755 thousand dollars, respectively.

(3) Please refer to Note VI.29 for information related to impairment of cash and cash equivalents and Note XII for information related to credit risk management.

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

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

	6/30/18
Current	
Mandatorily measured at FVTPL	
Lent securities	$1,299,609
Open-ended funds, monetary market instruments and other securities	1,884,442
Trading securities-dealing-net	57,367,740
Trading securities-underwriting-net	746,472
Trading securities-hedging-net	5,641,795
Long options	110,430
Futures trading margins-proprietary funds	1,035,591
Derivative financial product assets	2,697,084
Total	$70,783,163
Non-current	
Mandatorily measured at FVTPL	
Trading securities-dealing-net	$49,999
Other	2,819,932
Total	$2,869,931

	12/31/17	6/30/17
Current		
Financial assets held for trading		
Lent securities	$153,986	$91,843
Open-ended funds, monetary market instruments and other securities	1,501,494	2,129,907
Trading securities-dealing-net	53,510,822	51,837,834
Trading securities-underwriting-net	886,490	1,534,039
Trading securities-hedging-net	7,450,626	12,117,707
Long options	155,141	89,526
Futures trading margins-proprietary funds	466,513	591,137
Derivative financial product assets	2,258,637	5,918,947
Others	-	48,240
Total	$66,383,709	$74,359,180
Non-current		
Financial assets held for trading	$49,998	$50,006

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

(1) Lent securities

	6/30/18	12/31/17	6/30/17
Listed/OTC company stock	$1,253,912	$160,902	$73,006
Valuation adjustments	45,697	(6,916)	18,837
Market value	$1,299,609	$153,986	$91,843

(2) Open-ended funds, monetary market instruments and other securities

	6/30/18	12/31/17	6/30/17
Funds	$650,020	$-	$32,000
Others	1,246,995	1,501,494	2,097,629
Subtotal	1,897,015	1,501,494	2,129,629
Valuation adjustments	(12,573)	-	278
Market value	$1,884,442	$1,501,494	$2,129,907

(3) Trading securities-dealing-net

	6/30/18	12/31/17	6/30/17
Listed/OTC/ESM company stock	$3,183,966	$1,755,239	$2,588,548
Index Fund	2,525,644	1,959,627	1,525,687
Listed/OTC company warrants	72,028	61,946	35,261
Listed/OTC company corporate bonds and government bonds	21,679,972	20,826,469	18,372,880
Foreign securities	29,293,594	27,887,701	26,881,589
Others	44,827	12,499	53
Subtotal	56,800,031	52,503,481	49,404,018
Valuation adjustments	567,709	1,007,341	2,433,816
Market value	$57,367,740	$53,510,822	$51,837,834

(4) Trading securities-underwriting-net

	6/30/18	12/31/17	6/30/17
Listed/OTC company stock	$210,696	$359,197	$482,206
Listed/OTC company corporate bonds and convertible bonds	444,088	547,415	406,659
Others	84,070	-	18,000
Subtotal	738,854	906,612	906,865
Valuation adjustments	7,618	(20,122)	627,174
Market value	$746,472	$886,490	$1,534,039

(5) Trading securities-hedging-net

	6/30/18	12/31/17	6/30/17
Listed/OTC company stock	$4,484,043	$6,185,143	$11,083,778
Index Fund	75,904	435,725	123,419
Listed/OTC company warrants	76,909	36,867	23,979
Listed/OTC company convertible bond	-	-	1,787
Foreign securities	17,684	258,705	-
Beneficiary certificate	1,050,100	693,063	600,656
Subtotal	5,704,640	7,609,503	11,833,619
Valuation adjustments	(62,845)	(158,877)	284,088
Market value	$5,641,795	$7,450,626	$12,117,707

(6) Long options

	6/30/18	12/31/17	6/30/17
Index options	$104,773	$109,149	$106,243
Stock options	9,274	7,581	8,447
Subtotal	114,047	116,730	114,690
Open interest	(3,617)	38,411	(25,164)
Market value	$110,430	$155,141	$89,526

(7) Futures trading margins-proprietary funds

	6/30/18	12/31/17	6/30/17
Account balance	$1,058,360	$511,411	$609,772
Open interest	(22,769)	(44,898)	(18,635)
Account value	$1,035,591	$466,513	$591,137

(8) Please refer to Note VI.22 for detail of derivative instruments.

(9) Others

	6/30/18	12/31/17	6/30/17
Other financial assets	$-	$-	$48,070
Valuation adjustments	-	-	170
Market value	$-	$-	$48,240

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

	6/30/18	12/31/17	6/30/17
Government bonds	$49,940	$49,940	$50,175
Listed/OTC/ESM company stock	230,124	-	-
Foreign securities	31,143	-	-
Non-Listed/OTC/ESM company stock	1,154,666	-	-
Subtotal	1,465,873	49,940	50,175
Valuation adjustments	1,404,058	58	(169)
Market value	$2,869,931	$49,998	$50,006

Please refer to Note VIII for more details on financial assets measured at FVTPL pledged as collaterals.

3. Financial Assets Measured at Cost

	12/31/17	6/30/17
Current		
Stock		
ESM company stock	$464,219	$818,347
Non-current		
Stock		
Taiwan Depository & Clearing Corp.	$74,932	$74,932
Taiwan Futures Exchange Corp.	263,808	151,125
Taiwan Stock Exchange Corp.	369,199	369,199
Others	279,674	269,977
Total	$987,613	$865,233

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

4. Financial Assets Measured at Fair Value through Other Comprehensive Income

	6/30/18
Current	
Debt instrument investment	
Government bonds	$4,018,157
Foreign securities	4,109,784
Subtotal	8,127,941
Equity instrument investment-current	
Listed/OTC company stock	3,150,832
Total	$11,278,773
Non-current	
Equity instrument investment-Non-current	
Non-Listed/OTC company stock	$2,122

(1) Please refer to Note VI.29 for more details on accumulated impairment of debt instrument investments measured at FVOCI and Note XII for more details on credti risk.

(2) According to requests from the board of directors and the authorities, all the stocks of CDFH should be sold before expiry date. For the six months ended June 30, 2018, the Company sold 19,200 thousand shares of stocks of CDFH (recognized in financial assets measured at FVOCI-equity

instruments). Upon derecognition, the fair value of that was 203,030 thousand dollars. The Company transferred the cumulative disposal loss of 43,306 thousand dollars from other equity to retained earnings.

(3) No pledged was made for financial assets measured at FVOCI mentioned above.

5. Financial Assets Measured at Amortized Cost

	6/30/18
Non-Current	
Bank Debentures	$500,000
Less: Allowance for bad debt	(3,293)
Total	$496,707

(1) The subsidiary held subordinated debentures of Sunny Bank, HuaTai Bank and BanXin Bank on June 30, 2018 with the face value 200,000 thousand dollars, 100,000 thousand dollars and 200,000 thousand dollars respectively; all of the coupon rate are 2.50%.

(2) Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

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

6. Available-for-Sale Financial Assets

	12/31/17	6/30/17
Current		
Listed/OTC company stock	$3,357,565	$8,677,598
Foreign securities	11,454	11,492
Total	$3,369,019	$8,689,090
Non-current		
Listed/OTC company stock	$295,346	$598,327
Beneficiary Certificate	336,654	232,107
Foreign securities	161,554	181,661
Total	$793,554	$1,012,095

(1) Please refer to Note VIII for more detais on financial assets measured available-for-sale financial assets pledged as collaterals.

7. Held to Maturity Financial Assets

	12/31/17	6/30/17
Non-current		
Bank Debentures	$500,000	$300,000

(1) The subsidiary held subordinated debentures of Sunny Bank, HuaTai Bank and BanXin Bank on December 31, 2017 with the face value 200,000 thousand dollars, 100,000 thousand dollars and 200,000 thousand dollars respectively; all of the coupon rate are 2.50%.

(2) The subsidiary held subordinated debentures of Sunny Bank and HuaTai Bank on June 30, 2017 with the face value 200,000 thousand dollars and 100,000 thousand dollars respectively; both of the coupon rate are 2.50%.

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

8. Bond investments under Resale Agreements

	6/30/18	12/31/17	6/30/17
Government bonds	$22,946,869	$12,971,999	$9,161,121
Corporate bonds	3,489,733	3,043,619	8,821,709
Bank Debentures	5,213,766	5,113,510	12,324,454
Total	$31,650,368	$21,129,128	$30,307,284
Resold amount as specified in respective agreements plus accrued interest	$31,670,375	$21,145,230	$30,323,035
Resold date as specified in respective agreements	7/2/18 -8/1/18	1/2/18 -2/20/18	7/3/17 -7/28/17

Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

9. Margin Loans Receivable, Securities Financing Refundable Deposits and Deposits Payable for Securities Financing

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, 2018, December 31, 2017, and June 30, 2017.

According to the Securities and Futures Bureau, the Company and its subsidiaries render the service of securities lending shall charge securities financing refundable deposits or equivalent collaterals by proportion. Annual interest rate on the payables and collaterals were 0.10%-0.20% on June 30, 2018, December 31, 2017, and June 30, 2017.

Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

10. 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%.

Please refer to Note VI.29 for more details on accumulated impairment and Note XII for more details on credti risk.

11. Customer Margin Accounts

	6/30/18	12/31/17	6/30/17
Cash in banks	$14,715,952	$15,582,201	$15,646,017
Marking to market from the clearing house	2,109,092	2,385,310	2,576,111
Marking to market from the other futures brokers	2,033,207	1,224,231	1,958,736
Securities	372	361	575
Foreign customer margin accounts	3,698,037	3,869,342	16,345,509
Total	$22,556,660	$23,061,445	$36,526,948

Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

12. Futures Commission Merchant Receivable

	6/30/18	12/31/17	6/30/17
Futures commission merchant receivable	$196,942	$92,569	$93,522
Less: Allowance for bad debt	(181,354)	(92,558)	(93,003)
Net	$15,588	$11	$519

Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

13. Accounts Receivable

	6/30/18	12/31/17	6/30/17
Exchange clearing receivable	$4,642,002	$3,997,006	$3,178,064
Accounts receivable for settlement-brokerage	16,017,303	12,536,515	11,731,565
Accounts receivable for settlement-non-brokerage	5,694,079	3,137,861	8,946,967
Interest receivable	939,549	690,633	765,595
Others	872,827	765,488	1,093,606
Total	$28,165,760	$21,127,503	$25,715,797

(1) Aging analysis of trade receivables are as follows:

	6/30/18	12/31/17	6/30/17
Non-past due	$27,979,626	$21,127,503	$25,715,797
Past due			
Less than 30 days	166,675	-	-
30 to 60 days	12,239	-	-
61 to 120 days	4,007	-	-
More than 121 days	3,213	-	-
Total	$28,165,760	$21,127,503	$25,715,797

(2) Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

14. Investments Accounted for Using The Equity Method

	6/30/18		12/31/17	
Investee	Amount	Percentage	Amount	Percentage
Investments in associates				
KGI Securities (Thailand) Public Company Limited	$2,163,065	34.97	$2,190,859	34.97
Trinitus Asset Management Limited	8,886	40.00	10,318	40.00
CDIB Bioscience Ventures I, Inc.	2,783	1.20	2,783	1.20
China Life Insurance Co., Ltd.	9,584,508	9.63	11,331,905	9.63
Total	$11,759,242		$13,535,865	

Investee	6/30/17 Amount	Percentage
Investments in associates		
KGI Securities (Thailand) Public Company Limited	$1,994,373	34.97
Trinitus Asset Management Limited	14,788	40.00
CDIB Bioscience Ventures I, Inc.	3,304	1.20
Total	$2,012,465	

(1)Information on associates significant to the Company

A. 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 is categorized as level 1 within the fair value hierarchy. The fair values of the Company's investment measured under the equity method are 2,448,182 thousand dollars, 2,830,066 thousand dollars and 2,495,830 thousand dollars as of June 30, 2018, December 31, 2017 and June 30, 2017 respectively.

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

	6/30/18	12/31/17	6/30/17
Current assets	$13,006,369	$12,934,277	$11,654,161
Non-current assets	934,779	925,828	853,661
Current liabilities	(8,757,279)	(8,580,943)	(7,825,198)
Non-current liabilities	(162,808)	(152,922)	(141,270)
Non-controlling interests	(2,510)	(3,262)	(2,745)
Attributed to controlling interests	$5,018,551	$5,122,978	$4,538,609
Ownership ratio	34.97%	34.97%	34.97%
Proportion of ownership	$1,754,987	$1,791,505	$1,587,152
Goodwill	408,078	399,354	407,221
Carrying amount	$2,163,065	$2,190,859	$1,994,373

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Operating revenue	$735,312	$511,188	$1,565,014	$1,171,268
Profit or loss from continuing operations	$210,377	$111,636	$451,564	$313,034
Other comprehensive income	9,654	1,676	8,706	(8,169)
Total comprehensive income	$220,031	$113,312	$460,270	$304,865
Dividends received from associate	$205,399	$234,522	$205,399	$234,522

B. Name of associate: China Life Insurance Co., Ltd.

Nature of activities: the associate engages in insurance related businesses

Principal place of business: Taiwan

Fair value from quoted market price: China Life Insurance Company Limited is listed on the Stock Exchange of Taiwan. Its fair value is categorized as level 1. The fair value of the Company's investment measured under the equity method are 11,699,291 thousand dollars and 10,915,693 thousand dollars as of June 30, 2018 and December 31, 2017, respectively.

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

	6/30/18	12/31/17
Total assets	$1,621,010,942	$1,465,734,184
Total liabilities	(1,539,961,419)	(1,370,396,437)
Attributed to controlling interests	$81,049,523	$95,337,747
Ownership ratio	9.63%	9.63%
Proportion of ownership	$7,801,503	$9,176,837
Net stock equity difference	1,783,005	2,155,066
Carrying amount	$9,584,508	$11,331,905

	For the three-month periods ended June 30	For the six-month periods ended June 30
	2018	2018
Revenue	$82,876,859	$156,187,489
Profit or loss from continuing operations	2,580,694	6,258,627
Other comprehensive income	(10,107,799)	(23,561,556)
Total comprehensive income	$(7,527,105)	$(17,302,929)
Dividends received from associate	$-	$-

(2)The Company's investments in Trinitus Asset Management Limited and CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 11,669 thousand dollars, 13,101 thousand dollars and 18,092 thousand dollars as of June 30, 2018, December 31, 2017, and June 30, 2017 respectively, and the proportionate aggregate financial information of investments is as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Profit or loss from continuing operations	$(971)	$(5,153)	$(1,606)	$(8,163)
Other comprehensive income	-	38	-	-
Total comprehensive income	$(971)	$(5,115)	$(1,606)	$(8,163)

(3)Since the shares of CDIB Bioscience Venture I, Inc held by the Company and its affiliate company, CDIB Capital Group, is over 20%, the investment is measured under the equity method

(4)Since the shares of China Life Insurance Company held by the Company and its parent company, China Development Financial Holding Corp., is over 20%, the investment is measured under the equity method.

(5)No pledged was made for investments accounted for using the equity method mentioned above. Please refer to Note VIII.

15. Property and Equipment

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

	Land	Buildings	Equipment	Leasehold improvement	Total
Cost:					
January 1, 2018	$3,954,044	$2,102,086	$2,658,733	$394,897	$9,109,760
Additions	-	-	59,210	10,395	69,605
Disposals	-	-	(107,204)	(10,749)	(117,953)
Transfers	-	-	4,758	551	5,309
Exchange differences	-	-	15,534	5,131	20,665
June 30, 2018	$3,954,044	$2,102,086	$2,631,031	$400,225	$9,087,386
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)
June 30, 2017	$3,964,044	$2,102,086	$2,631,642	$442,277	$9,130,049
Depreciation and Impairment:					
January 1, 2018	$-	$785,040	$2,110,293	$320,547	$3,215,880
Depreciation	-	19,475	103,851	23,743	147,069
Disposals	-	-	(107,181)	(10,695)	(117,876)
Exchange differences	-	-	13,671	4,214	17,885
June 30, 2018	$-	$804,515	$2,120,634	$337,809	$3,262,958
January 1, 2017	$-	$746,089	$2,111,136	$319,780	$3,177,005
Depreciation	-	19,475	106,755	24,697	105,927
Disposals	-	-	(114,334)	(4,694)	(119,028)
Exchange differences	-	-	(36,150)	(15,107)	(51,257)
June 30, 2017	$-	$765,564	$2,067,407	$324,676	$3,157,647
Net carrying amount as of:					
June 30, 2018	$3,954,044	$1,297,571	$510,397	$62,416	$5,824,428
December 31, 2017	$3,954,044	$1,317,046	$548,440	$74,350	$5,893,880
June 30, 2017	$3,954,044	$1,336,522	$564,235	$117,601	$5,972,402

(2) The above items of property and equipment are depreciated on a straight line basis over their estimated useful lives; the estimated useful lives of buildings are 50 to 55 years, while the others are 4 to 10 years.

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

16. Investment Property

(1) Changes in investment property are as follows

	Land	Buildings	Total
Cost:			
January 1, 2018	$378,497	$191,806	$570,303
Transfers	-	-	-
June 30, 2018	$378,497	$191,806	$570,303
January 1, 2017	$378,497	$191,806	$570,303
Transfers	-	-	-
June 30, 2017	$378,497	$191,806	$570,303
Depreciation and Impairment:			
January 1, 2018	$-	$67,796	$67,796
Depreciation	-	1,913	1,913
June 30, 2018	$-	$69,709	$69,709
January 1, 2017	$-	$63,970	$63,970
Depreciation	-	1,913	1,913
June 30, 2017	$-	$65,883	$65,883
Net carrying amount as of:			
June 30, 2018	$378,497	$122,097	$500,594
December 31, 2017	$378,497	$124,010	$502,507
June 30, 2017	$378,497	$125,923	$504,420

	For the three-month periods ended June 30		For the six-month periods ended June 30	
Investee	2018	2017	2018	2017
Rental income from the lease of the investment property	$5,274	$5,307	$10,550	$10,229

(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 1,015,068 thousand dollars, 1,015,068 thousand dollars and 1,025,708 thousand dollars on June 30, 2018, December 31, 2017 and June 30, 2017, respectively. The investment property's fair value has not been evaluated by external independent expert. Instead, the management refers outside appraisal report and adopts the market evaluated model to evaluate the fair value.

(3) The investment properties are depreciated on a straight-line basis over estimated 50 to 55 years useful life.

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

17. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Other intangible assets	Software	Total
January 1, 2018	$6,753,531	$1,258,319	$160,101	$8,171,951
Additions	-	-	29,143	29,143
Transfers	-	-	2,585	2,585
Amortizations	-	(94,508)	(34,337)	(128,845)
Exchange differences	11,230	-	-	11,230
June 30, 2018	$6,764,761	$1,163,811	$157,492	$8,086,064
January 1, 2017	$7,000,554	$1,447,334	$153,923	$8,601,811
Additions	-	-	37,615	37,615
Transfers	-	-	2,011	2,011
Amortizations	-	(94,508)	(32,138)	(126,646)
Exchange differences	(46,746)	-	-	(46,746)
June 30, 2017	$6,953,808	$1,352,826	$161,411	$8,468,045

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

18. Other Non-Current Assets

	6/30/2018	12/31/17	6/30/2017
Operation guarantee deposits	$1,425,682	$1,426,363	$1,426,710
Clearing and settlement fund	550,791	542,843	544,613
Guarantee deposits paid	1,127,791	1,074,524	1,060,641
Others	239,233	231,197	279,451
Total	$3,343,497	$3,274,927	$3,311,415

(1) Please refer to Note VI.29 for more details on impairment losses and Note XII for more details on credti risk.

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

19. Short-Term Borrowings

	6/30/2018	12/31/17	6/30/2017
Interbank loans	$701,500	$537,264	$1,126,132
Credit loans	15,023,284	14,818,176	6,164,261
Secured loans	9,224,063	4,681,052	6,774,997
Bank overdraft	25,781	-	365,387
Total	$24,974,628	$20,036,492	$14,430,777
Interest rate	0.65%-8.25%	0.65%-3.41%	0.88%-3.75%

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

20. Commercial Papers Payable-Net

	6/30/2018	12/31/17	6/30/2017
Commercial papers payable	$12,067,990	$8,628,799	$14,787,057
Less: Discount	(5,754)	(2,995)	(9,326)
Net	$12,062,236	$8,625,804	$14,777,731
Interest rate	0.41%-2.48%	0.41%-1.52%	0.39%-1.33%

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

	6/30/18	12/31/17	6/30/17
Financial liabilities held for trading			
Bond investments under resale agreements -short sale	$-	$151,093	$1,032,202
Warrants liabilities	13,317,612	11,820,861	11,782,759
Warrants redeemed	(12,504,769)	(10,608,101)	(11,050,591)
Settlement coverage bonds payable of short sale	397,305	-	-
Short options	111,542	109,852	92,423
Liabilities for securities and bonds borrowed	4,681,662	4,343,645	12,099,495
Derivative instruments liabilities	5,600,532	5,259,084	7,392,726
Financial liabilities designated initially at fair value through profit or loss	893,486	986,143	1,017,173
Total	$12,497,370	$12,062,577	$22,366,187

(1) Bond investments under resale agreements-short sale

	6/30/18	12/31/17	6/30/17
Government bonds	$-	$151,093	$1,023,742
Overseas securities and bonds	-	-	8,460
Total	$-	$151,093	$1,032,202

(2) Warrants liabilities and warrants redeemed

A. Details on Liabilities for warrants issued and warrants redeemed are as follows:

	6/30/18	12/31/17	6/30/17
Warrants liabilities	$16,473,112	$16,025,027	$13,311,946
Gains/(losses) on value change	(3,155,500)	(4,204,166)	(1,529,187)
Market value	13,317,612	11,820,861	11,782,759
Warrants redeemed	14,154,041	12,997,426	12,023,531
Gains/(losses) on value change	(1,649,272)	(2,389,325)	(972,940)
Market value	12,504,769	10,608,101	11,050,591
Net value	$812,843	$1,212,760	$732,168

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) Settlement coverage bonds payable of short sale

	6/30/18	12/31/17	6/30/17
Settlement coverage bonds payable of short sale	$396,500	$-	$-
Valuation adjustments	805	-	-
Market value	$397,305	$-	$-

(4) Short options

	6/30/18	12/31/17	6/30/17
Index options	$141,031	$129,110	$74,626
Stock options	5,812	22,006	7,666
Subtotal	146,843	151,116	82,292
Open interest	(35,301)	(41,264)	10,131
Market value	$111,542	$109,852	$92,423

(5) Liabilities for securities and bonds borrowed

	6/30/18	12/31/17	6/30/17
Listed/OTC company stock	$448,778	$518,494	$4,632,750
Index funds	889,085	549,865	767,232
Foreign securities	3,434,803	3,268,405	6,395,759
Subtotal	4,772,666	4,336,764	11,795,741
Valuation adjustments	(91,004)	6,881	303,754
Market value	$4,681,662	$4,343,645	$12,099,495

(6) Please refer to Note VI.22 for more details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

22. Derivative Instruments

(1) Nominal amounts

Financial Instruments	6/30/18	12/31/17	6/30/17
Options and futures contract	$33,341,790	$24,269,206	$20,656,950
Foreign futures and options	9,033,630	18,632,866	18,987,443
Interest rate swap (IRS)	133,088,801	143,869,965	152,961,828
Convertible bond asset swap (CBAS)-interest	11,834,500	10,524,800	9,761,200
CBAS-long option	20,709,925	10,430,900	9,508,700
CBAS-short option	13,711,500	12,693,200	12,366,700
Structured notes	14,031,164	15,265,526	27,871,229
Equity derivative instruments	174,123	217,776	518,690
Credit derivative instruments	6,477,346	5,203,007	6,015,021
Exchange rate derivative instruments	27,579,033	28,220,369	78,672,893
Others	10,607	9,430	9,431
Total	$269,992,419	$269,337,045	$337,330,085

(2) Derivative instruments assets/liabilities

Financial Instruments	6/30/18	12/31/17	6/30/17
Derivative instrument assets			
Contract value			
IRS	$425,303	$391,888	$463,666
CBAS-interest	49,878	22,969	17,928
Long options			

Financial Instruments	6/30/18	12/31/17	6/30/17
CBAS	1,439,692	1,128,581	706,159
Structured notes	31,429	20,408	115,037
Equity derivative instruments	-	40	371
Credit derivative instruments	8,427	7,969	4,557
Exchange rate derivative instruments	544,892	102,782	3,079,080
Foreign futures and options	196,820	583,914	1,531,919
Others	643	86	230
Total	$2,697,084	$2,258,637	$5,918,947
Derivative instrument liabilities			
Contract value			
IRS	$313,628	$452,424	$483,641
CBAS-interest	189,914	191,544	157,592
Short options			
CBAS	1,524,629	1,466,355	967,380
Structured notes	2,810,108	2,187,923	565,988
Equity derivative instruments	69,186	72,594	377,082
Credit derivative instruments	24,324	14,402	25,672
Exchange rate derivative instruments	51,188	278,871	3,139,684
Foreign futures and options	616,912	594,886	1,675,457
Others	643	85	230
Total	$5,600,532	$5,259,084	$7,392,726
Financial liabilities designated initially at fair value through profit or loss			
Structured notes	$893,486	$986,143	$1,017,173

Please refer to Note VI.2 and Note VI.21 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	
	2018	2017	2018	2017
Warrants liabilities:				
Gains on value change	$8,145,598	$5,841,410	$15,311,742	$11,130,619
Gains on exercising warrants before maturity	11,650	1,764	15,845	1,345
Warrants redeemed:				
Losses on resale of warrants	(1,293,369)	(648,365)	(2,882,975)	(1,161,307)
Losses on value change	(6,797,013)	(5,129,422)	(12,058,823)	(9,879,242)
Expense for warrant	(26,912)	(29,053)	(54,762)	(54,411)
Gains/(losses) on warrants issued	$39,954	$36,334	$331,027	$37,004

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Futures contracts	$202,691	$(84,921)	$90,494	$(164,362)
Options	101,705	(29,373)	197,391	(65,516)
Total	$304,396	$(114,294)	$287,885	$(229,878)

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
IRS	$16,866	$(16,163)	$29,193	$(120,643)
CBAS	(168,859)	(12,216)	(121,469)	(70,340)
Options	22,628	16,200	(6,497)	49,895
Structured notes	18,529	(15,796)	12,686	(13,179)
Equity derivative instruments	(9,613)	(13,882)	(16,091)	(22,244)
Credit derivative instruments	1,327	(14,191)	11,609	(28,165)
Exchange rate derivative instruments	617,205	35,181	346,493	(366,977)
Total	$498,083	$(20,867)	$255,924	$(571,653)

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

6/30/18

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	18	$31,352	$31,345	
Futures Contracts	Elec-Sector Index Futures	Short	167	287,500	290,685	
Futures Contracts	Finance Sector Index Futures	Long	13	16,152	16,162	
Futures Contracts	Finance Sector Index Futures	Short	19	23,421	23,539	
Futures Contracts	Gold Futures	Short	119	46,507	45,591	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	135	168,586	170,015	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	2	2,393	2,474	
Futures Contracts	TWD/Gold Futures	Long	24	11,128	11,111	
Futures Contracts	TaiEx Futures	Long	2,591	5,398,117	5,422,644	
Futures Contracts	TaiEx Futures	Short	4,423	9,306,578	9,359,849	
Futures Contracts	Taiwan 50 Index futures	Short	104	81,160	81,886	
Futures Contracts	USA DJIA Futures	Short	201	97,813	97,750	
Futures Contracts	GreTai Futures	Short	10	6,062	6,039	
Futures Contracts	Indian Nifty Index Futures	Long	5	2,659	2,675	
Futures Contracts	Indian Nifty Index Futures	Short	106	56,551	56,673	
Futures Contracts	Mini-TaiEx Futures	Long	2,483	1,296,249	1,301,755	
Futures Contracts	Mini-TaiEx Futures	Short	5,221	2,746,015	2,766,521	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	52	27,726	28,075	
Futures Contracts	Stock Futures	Long	3,667	759,424	758,237	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Stock Futures	Short	18,151	4,144,538	4,138,272	
Futures Contracts	Foreign Futures	Long	569	1,004,845	1,003,585	
Futures Contracts	Foreign Futures	Short	1,957	3,367,096	3,389,144	
Futures Contracts	USD/CNH FX Futures	Long	94	281,540	288,142	
Futures Contracts	USD/CNH FX Futures	Short	23	68,724	70,201	
Futures Contracts	USD/CNT FX Futures	Long	82	49,805	50,150	
Futures Contracts	USD/CNT FX Futures	Short	91	55,288	56,118	
Futures Contracts	USA S&P 500 Futures	Long	16	8,718	8,734	
Futures Contracts	USA S&P 500 Futures	Short	103	56,067	56,161	
Futures Contracts	EUR/USD FX Futures	Short	223	159,859	159,521	
Futures Contracts	USD/JPY FX Futures	Long	131	78,965	79,153	
Futures Contracts	AUD/USD FX Futures	Long	135	77,370	76,073	
Futures Contracts	GBP/USD FX Futures	Short	12	9,612	9,629	
Futures Contracts	TOPIX Futures	Short	304	104,739	105,020	
Futures Contracts	MSCI Taiwan Index Futures	Long	2,677	3,125,532	3,162,614	
Futures Contracts	HK-HSI Futures	Long	11	61,366	61,412	
Futures Contracts	Mini-HK-HSI Futures Index	Short	55	61,443	61,410	
Options Contracts	Index Options-Call	Long	9,359	37,636	54,046	
Options Contracts	Index Options-Put	Long	10,260	67,137	44,576	
Options Contracts	Index Options-Call	Short	17,951	(44,058)	52,162	
Options Contracts	Index Options-Put	Short	28,492	(96,973)	53,741	
Options Contracts	Stock Options-Call	Long	1,284	3,915	2,269	
Options Contracts	Stock Options-Put	Long	1,528	5,359	9,539	
Options Contracts	Stock Options-Call	Short	1,214	(3,825)	2,865	
Options Contracts	Stock Options-Put	Short	400	(1,987)	2,774	

12/31/17

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	GreTai Futures	Long	24	$13,850	$14,170	
Futures Contracts	Elec-Sector Index Futures	Long	28	49,312	49,407	
Futures Contracts	Elec-Sector Index Futures	Short	16	28,007	28,237	
Futures Contracts	Finance Sector Index Futures	Long	9	10,692	10,689	
Futures Contracts	Finance Sector Index Futures	Short	6	7,127	7,132	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	7	8,580	8,685	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	13	15,860	16,142	
Futures Contracts	Gold Futures	Short	104	39,443	40,367	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	75	34,959	34,975	
Futures Contracts	TaiEx Futures	Long	3,005	6,304,537	6,342,841	
Futures Contracts	TaiEx Futures	Short	2,887	6,062,118	6,112,160	
Futures Contracts	Mini TaiEx Futures	Long	261	136,312	138,576	
Futures Contracts	Mini TaiEx Futures	Short	6,248	3,275,254	3,315,397	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	4	2,128	2,128	
Futures Contracts	Stock Futures	Long	4,316	581,138	574,888	
Futures Contracts	Stock Futures	Short	16,253	2,636,139	2,623,172	
Futures Contracts	Foreign Futures	Long	799	415,073	406,850	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Foreign Futures	Short	1,886	3,336,569	3,332,171	
Futures Contracts	USD/CNH FX Futures	Long	66	200,262	198,201	
Futures Contracts	USD/CNH FX Futures	Short	6	18,645	18,287	
Futures Contracts	USD/CNT FX Futures	Long	56	33,885	33,479	
Futures Contracts	USD/CNT FX Futures	Short	519	319,997	314,463	
Futures Contracts	S&P 500 Index Futures	Long	28	15,056	15,063	
Futures Contracts	TOPIX Futures	Long	623	227,225	226,826	
Futures Contracts	Taiwan 50 Index	Short	13	10,178	10,362	
Futures Contracts	Dow Jones Futures	Long	112	55,568	55,648	
Futures Contracts	Dow Jones Futures	Short	169	83,855	83,932	
Futures Contracts	USD/JPY FX Futures	Long	34	20,271	20,176	
Futures Contracts	Hong Kong Hang Seng Index Futures	Long	2	11,445	11,437	
Futures Contracts	Mini Hong Kong Hang Seng Index Futures	Short	10	11,441	11,437	
Futures Contracts	Indian Nifty Index Futures	Long	69	36,434	36,416	
Options Contracts	Index Options-Call	Long	19,755	61,225	102,732	
Options Contracts	Index Options-Put	Long	13,475	47,924	42,697	
Options Contracts	Index Options-Call	Short	23,999	(33,915)	35,911	
Options Contracts	Index Options-Put	Short	45,365	(95,195)	54,203	
Options Contracts	Stock Options-Call	Long	1,381	3,497	3,702	
Options Contracts	Stock Options-Put	Long	1,539	4,084	6,010	
Options Contracts	Stock Options-Call	Short	1,582	(12,409)	9,315	
Options Contracts	Stock Options-Put	Short	1,180	(9,597)	10,423	

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	
Futures Contracts	TWD/Gold Futures	Long	63	29,057	28,936	

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
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	

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.

23. Liabilities for bonds with attached Repurchase Agreements

	6/30/18	12/31/17	6/30/17
Government bonds	$37,690,228	$21,012,660	$10,573,667
Bank debentures	21,610,896	21,510,883	26,296,538
Convertible bonds	618,069	655,154	719,713
Corporate bonds	17,019,066	11,554,116	21,542,414
Total	$76,938,259	$54,732,813	$59,132,332
Repurchased amount as specified in respective agreements plus accrued interest	$76,980,900	$54,764,877	$59,201,589
Repurchased date as specified in respective agreements	107.7.2-107.9.19	107.1.2-107.2.9	106.7.3-106.9.18

24. Accounts Payable

	6/30/18	12/31/17	6/30/17
Exchange clearing payable	$6,212,965	$4,577,576	$4,333,286
Accounts payable for settlement-brokerage	43,001,582	42,457,824	29,012,187
Accounts payable for settlement-non-brokerage	5,829,507	2,456,317	6,623,170
Others	348,216	737,904	710,178
Total	$55,392,270	$50,229,621	$40,678,821

25. Bonds Payable

	6/30/18	12/31/17	6/30/17
104-1 Unsecured Corporation Bonds Payable	$4,800,000	$7,000,000	$7,000,000
Less: Due within one year	-	(2,200,000)	(2,200,000)
Net amount	$4,800,000	$4,800,000	$4,800,000

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.

26. 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.

The defined benefit plan for the Company's subsidiary, PT KGI Sekuritas Indonesia, is performed in accordance with local regulation of Indonesia.

(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	
	2018	2017	2018	2017
Pension incurred on defined contribution	$55,498	$55,949	$112,106	$111,821
Pension incurred on defined benefit	5,892	5,540	11,261	11,126
Total	$61,390	$61,489	$123,367	$122,947

27. Provision

	6/30/18	12/31/17	6/30/17
Litigation provision	$138,711	$136,334	$136,198
Decommissioning liabilities	80,385	84,249	85,811
Total	$219,096	$220,583	$222,009

28. Equity

(1) Common stock

	6/30/18	12/31/17	6/30/17
Authorized shares (thousand shares)	4,600,000	4,600,000	4,600,000
Authorized capital	$46,000,000	$46,000,000	$46,000,000

The Company's authorized and issued capital was 32,418,432 thousand dollars, 29,988,123 thousand dollars and 34,988,123 thousand dollars as of June 30, 2018, December 31, 2017 and June 30, 2017 respectively, each at a par value of NT$10. The Company has issued 3,241,843 thousand, 2,998,812 thousand and 3,498,812 thousand common shares as of June 30, 2018, December 31, 2017 and June 30, 2017 respectively.

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 of 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.

The Company's Board of Directors acting on behalf of shareholders decided the case of capital increase of 2,430,309 thousand dollars from distributable earnings of 2017 by issuing 243,031 thousand common shares, at par value of NT$10 on May 25, 2018. The case of capital increase was approved by the authorities and the record date was June 29, 2018.

(2) Capital reserve

	6/30/18	12/31/17	6/30/17
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	13,613	13,035	11,957
Employee share options expired	227	103	17
Total	$8,647,392	$8,646,690	$8,645,526

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:

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

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

B. The Company held the annual meeting of shareholders (represented by the board of directors) on May 25, 2018 and June 9, 2017 respectively and resolved the distribution of annual net income for 2017 and 2016 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2017	2016	2017	2016
Legal reserve	$800,316	$244,918	-	-
Special reserve	2,772,536	502,082	-	-
Cash dividends	2,000,000	1,702,179	0.667	0.487
Stock dividends	2,430,309	-	0.810	-
Total	$8,003,161	$2,449,179		

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	
	2018	2017
Beginning balance	$3,300,090	$3,316,524
Effect of retrospective application	(1,677)	-
Subtotal	3,298,413	3,316,524
Profit attributable to non-controlling interests	38,006	(130,742)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurement of defined benefit plans	1	-
Exchange differences resulting from translating	(71)	(71)

	For the six-month periods ended June 30	
	2018	2017
the financial statements of a foreign operation		
Unrealized gains (losses) from available-for-sale	-	13,683
Purchase of subsidiary stock	(20)	-
Cash dividend issued from subsidiaries	(7,376)	(34,251)
Ending balance	$3,328,953	$3,165,143

29.The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenue

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Brokerage handling fee revenue	$1,586,511	$1,166,143	$3,077,207	$2,268,384
Foreign brokerage fee	717,760	629,180	1,611,970	1,260,752
Handling revenue of short sale	15,558	12,413	28,136	24,395
Handling fee revenue of securities borrowed	17,215	14,158	27,194	20,206
Foreign sub-brokerage revenue	47,313	47,412	112,230	88,160
Total	$2,384,357	$1,869,306	$4,856,737	$3,661,897

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Revenue from underwriting of securities	$42,633	$48,831	$122,673	$126,189
Revenue from underwriting proceeding fee	20,375	83,194	61,221	93,210
Revenue from underwriting and counseling	8,734	6,800	13,932	13,960
Others	35,510	30,688	83,577	91,663
Total	$107,252	$169,513	$281,403	$325,022

(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	
	2018	2017	2018	2017
Dealing	$893,068	$182,085	$(948,852)	$505,611
Underwriting	16,843	12,704	31,133	11,075
Hedging	220,335	281,190	92,373	510,114
Total	$1,130,246	$475,979	$(825,346)	$1,026,800

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Margin loans	$536,799	$456,114	$1,052,249	$885,025
Bonds	291,622	219,060	520,737	426,236
Loans secured by securities	34,440	42,334	71,110	78,617
Others	22,793	6,618	40,991	10,281
Total	$885,654	$724,126	$1,685,087	$1,400,159

(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	
	2018	2017	2018	2017
Dealing	$(815,316)	$342,417	$1,063,407	$331,304
Underwriting	26,451	7,354	27,740	(5,822)
Hedging	(92,880)	248,937	63,000	325,031
Settlement coverage bonds payable of short sale	(638)	-	(794)	325
Total	$(882,383)	$598,708	$1,153,353	$650,838

(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	
	2018	2017	2018	2017
Gains	$(28,036)	$45,359	$40,402	$78,924
Losses	(45,306)	(70,936)	(76,246)	(173,974)
Total	$(73,342)	$(25,577)	$(35,844)	$(95,050)

(7) Please refer to Note VI.22 for detail of derivative instruments' profit and loss.

(8) Expected credit losses/(gains)

A. Details of expected credit losses/(gains) are as follows:

	For the six-month periods ended June 30
	2018
Financial assets measured at fair value through other comprehensive income	$1,448
Financial assets measured at amortized cost	
Receivables (Note1)	96,765
Others (Note2)	1,999
Total	$100,212

Note1: Receivables include margin loans receivable, trading securities receivable, futures commission merchant receivable and accounts receivable.

Note2: Others include cash and cash equivalents, customer trading margin, financial assets measured at amortized cost-other, bond investments under resale agreements, other current assets and other non-current assets.

B. The Company and its subsidiaries' total carrying amount and impairment loss on June 30, 2018 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

The carrying amount of financial assets measured at FVOCI-bonds instrument investment is 8,145,690 thousand dollars, impairement loss recognized is 1,750 thousand dollars.

(b) Financial assets measured at amortized cost

Item	Carrying amount	Impairment loss	Total
Financial assets measured at amortized cost			
Cash and cash equivalents	$12,081,481	$(140)	$12,081,341
Bond investments under resale agreements	31,650,373	(5)	31,650,368
Margin loans receivable	36,630,361	(2,540)	36,627,821
Trading securities receivable	7,249,810	(1,245)	7,248,565
Customer margin accounts	22,557,369	(709)	22,556,660
Futures commission merchant receivable	196,942	(181,354)	15,588
Accounts receivable	28,167,092	(1,332)	28,165,760
Other current assets	47,996,511	(9,773)	47,986,738
Financial assets measured at amortized cost-non-current	500,000	(3,293)	496,707
Other non-current assets	5,127,054	(1,783,557)	3,343,497
Total	$192,156,993	$(1,983,948)	$190,173,045

C. The Company and its subsidiaries' movements of impairment loss during the six-month periods end June 30, 2018 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

Item	12-month expected credit losses
Balance as of January 1, 2018 (under IAS39)	$-
Adjustments	293
Balance as of January 1, 2018 (under IFRS39)	293
Increase/ (decrease)	1,448
Exchange differences	9
Balance as of June 30, 2018	$1,750

(b) Financial assets measured at amortized cost

Item	12-month expected credit losses	Lifetime expected credit losses (collective assessment)	Lifetime expected credit losses (credit impaired financial assets)	Lifetime expected credit losses (simplified approach)	Total
Balance as of January 1, 2018 (under IAS39)	$-	$-	$1,842,138	$806	$1,842,944
Adjustments	13,036	2	13	3,003	16,054
Balance as of January 1, 2018 (under IFRS39)	13,036	2	1,842,151	3,809	1,858,998
Increase/(decrease)	1,234	215	97,239	76	98,764
Financial assets derecognized in the current period	-	-	(2,326)	-	(2,326)
Bad loans write-offs	-	-	(7,602)	-	(7,602)
Exchange differences	236	7	35,871	-	36,114
Balance as of June 30, 2018	$14,506	$224	$1,965,333	$3,885	$1,983,948

The movements of impairment loss above are not due to significant change of carrying amount. In February, 2018, a futures trader of subsidiary defaulted due to the shortage of margin, The Company and its subsidiaries recognize impairment loss of 97,372 thousand dollars for the unrecovered futures commision merchant receivable.

C. Please refer to Note XII.2 for more details on measurement of expected credit losses.

(9) Other operating income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Commission income	$91,993	$68,400	$219,843	$210,369
Investment trust and fund management income	47,920	37,106	83,614	73,137
Exchange gain/(loss)	(440,755)	(24,636)	(150,411)	507,569
Other	80,625	96,440	154,718	155,744
Total	$(220,217)	$177,310	$307,764	$946,819

(10) Financial cost

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Bills and bonds payable under repurchase agreements	$191,448	$148,388	$361,145	$290,421
Bank borrowing	103,410	58,371	193,842	118,073
Short-term notes and bills	20,668	13,295	34,959	23,358
Corporate bonds	21,912	23,576	45,228	46,892
Others	24,623	19,848	47,609	36,970
Total	$362,061	$263,478	$682,783	$515,714

(11) Employee benefits expenses, depreciation and amortization

	For the three-month periods ended June 30		For the six-month periods ended June 30	
Item	2018	2017	2018	2017
Employee benefit expenses				
Salary expenses	$1,698,247	$1,489,794	$3,445,147	$2,980,447
Insurance expenses	74,808	76,450	170,145	168,566
Pension expenses	61,390	61,489	123,367	122,947
Others	35,898	27,084	72,853	61,651
Total	$1,870,343	$1,654,817	$3,811,512	$3,333,611
Depreciations and amortizations				
Depreciations	$74,408	$77,117	$148,982	$152,840
Amortizations	65,567	64,583	129,216	126,702
Total	$139,975	$141,700	$278,198	$279,542

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 7,900 thousand dollars, 7,520 thousand dollars, 15,416 thousand dollars, and 7,949 thousand dollars were recognized respectively under salary expenses based on profit earning performance for the three-month periods ended June 30, 2018 and 2017 and the six-month periods ended June 30, 2018 and 2017.

C. The Company held the annual meeting of shareholders on March 23, 2018 and March 24, 2017 respectively and resolved the distribution of employees' bonus of 57,000 thousand dollars and 18,000 thousand dollars for the years ended December 31, 2017 and 2016 respectively, which are no significant difference from the expenses recognized in the financial reports of 2017 and 2016.

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.

(12) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Postage and telephone expenses	$59,718	$60,654	$117,669	$114,779
Tax	238,907	195,352	481,043	371,432
Rental expenses	162,462	178,137	323,870	358,674
Computer information expenses	128,739	122,163	245,943	239,500
Bad debt expense	-	261,869	-	262,224
Securities borrowed expenses	97,799	74,953	176,730	152,649
Handling fee	99,139	56,465	186,569	118,172
Other expenses	311,639	310,239	577,298	551,170
Total	$1,098,403	$1,259,832	$2,109,122	$2,168,600

(13) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Interest income	$247,415	$179,153	$468,672	$351,298
Disposal of investment	13,605	32,286	68,067	35,218
Non-operating financial assets measured at FVTPL	11,744	9,239	25,473	18,833
Dividend income	5,272	62,283	7,112	64,399
Management service income	83,360	82,570	169,213	162,293
Others	29,235	37,393	50,373	104,564
Total	$390,631	$402,924	$788,910	$736,605

30. **Components of Other Comprehensive Income**

For the three-month periods ended June 30, 2018

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$104	$-	$104	$-	$104
Unrealized gain from investments in equity instruments measured at FVOCI	240,082	-	240,082	-	240,082

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(80,088)	-	(80,088)	-	(80,088)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	437,960	-	437,960	-	437,960
Unrealized loss from investments in debt instruments measured at FVOCI	(19,325)	-	(19,325)	-	(19,325)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(834,995)	-	(834,995)	-	(834,995)
Total	$(256,262)	$-	$(256,262)	$-	$(256,262)

For the three-month periods ended June 30, 2017

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	$99,311	$-	$99,311	$-	$99,311
Unrealized gain on 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	$383,384	$(43,211)	$340,173	$139	$340,312

For the six-month periods ended June 30, 2018

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	$104	$-	$104	$-	$104
Unrealized gain from investments in equity instruments measured at FVOCI	290,620	-	290,620	-	290,620
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(185,963)	-	(185,963)	-	(185,963)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	223,210	-	223,210	-	223,210
Unrealized loss from investments in debt instruments measured at FVOCI	(16,664)	-	(16,664)	-	(16,664)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,990,694)	-	(1,990,694)	-	(1,990,694)
Total	$(1,679,387)	$-	$(1,679,387)	$-	$(1,679,387)

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
To 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 gain on available-for-sale financial assets	24,080	(43,211)	(19,131)	(457)	(19,588)

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,857)	-	(2,857)	-	(2,857)
Total	$(687,423)	$(43,211)	$(730,634)	$(457)	$(731,091)

31. Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company and its domestic subsidiaries' applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed earnings has changed from 10% to 5%.

(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	
	2018	2017	2018	2017
Current income tax expense (income)				
Current period	$221,588	$54,429	$335,259	$137,352
Adjustments of prior periods	(27,783)	(8,149)	(113,790)	(38,532)
Deferred income tax expense (income)				
Current period	(28,466)	(26,655)	(44,786)	21,714
Deferred income tax related to changes in tax rates	77	-	180,428	-
Income tax expense (income)	$165,416	$19,625	$357,111	$120,534

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	
	2018	2017	2018	2017
Deferred income tax expense (income)				
Unrealized gain (loss) on available-for-sale financial assets	$-	$(139)	$-	$457

(2) Income tax return assessed

	Assessment information
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 2013.
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2016.
KGI Insurance Brokers Co. Ltd.	Assessed through 2016.
KGI Venture Capital Co. Ltd.	Assessed through 2016.
KGI Securities Investment Trust Co. Ltd.	Assessed through 2016.
KGI Futures	Assessed through 2016.
GSFC	Assessed through 2016.
KGI Information Technology Co. Ltd.	Assessed through 2016.

(3) Administrative remedy

For the years from 2009 through 2013, the Company was assessed for additional income tax of 841,054 thousand dollars by the Tax Bureau. GCSC was assessed for additional income tax of 22,663 thousand dollars for 2011 and 2013. 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.

32. 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	
	2018	2017	2018	2017
Basic EPS				
Profit attributable to ordinary equity holders of the Company	$1,064,539	$695,181	$2,034,856	$1,080,727
Weighted average number of ordinary shares outstanding for basic earnings per share	3,241,843,251 share	3,741,843,251 share	3,241,843,251 share	3,741,843,251 share
Basic EPS (NT$)	$0.33	$0.19	$0.63	$0.29

After the reporting date, there was no significant transaction which would change the number of shares outstanding or dilutive respectively until the financial statement was issued.

33. Subsidiaries with significant non-controlling interests

The non-controlling interests of the Company are 3,328,953 thousand dollars, 3,300,090 thousand dollars, and 3,165,143 thousand dollars as of June 30, 2018, December 31, 2017, June 30 2017, respectively. Proportions held by non-controlling interests are as follows:

Subsidiary Company	Country	6/30/18	12/31/17	6/30/17
KGI Futures	Taiwan	0.39%	0.39%	0.39%
KGI Securities Investment Trust Co. Ltd.	Taiwan	-	0.01%	0.01%
GSFC	Taiwan	78.01%	78.01%	78.01%
KGI Indonesia	Indonesia	1.00%	1.00%	1.00%

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

Subsidiary Company	6/30/18	12/31/17	6/30/17
GSFC	$3,314,706	$3,287,669	$3,154,554

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	
	2018	2017	2018	2017
Revenue	$58,419	$67,218	$118,784	$144,680
Net profit from continuing operations	$21,438	$(209,010)	$47,966	$(168,465)
Other comprehensive income	-	13,846	-	17,529
Comprehensive income	$21,438	$(195,164)	$47,966	$(150,936)
Net profit allocated to non-controlling interests	$20,637	$(163,049)	$36,915	$(131,420)
Dividends paid to non-controlling interests	$6,332	$32,292	$6,332	$32,292

(2) Summarized information of financial position for GSFC

	6/30/18	12/31/17	6/30/17
Current assets	$8,236,087	$8,825,799	$9,449,753
Non-current assets	1,475,431	1,839,143	1,909,266
Current liabilities	5,461,036	6,449,613	7,314,329
Non-current liabilities	780	930	930

(3) Summarized cash flow information for GSFC

	For the six-month periods ended June 30	
	2018	2017
Operating activities	$987,769	$(860,214)
Investing activities	9,104	(326,213)
Financing activities	(1,008,798)	1,067,459
Net increase/(decrease) in cash and cash equivalents	(11,925)	(118,968)

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

VII. Significant Related-Party Transaction

The Company and its subsidiaries adopted IFRS 9 since January 1, 2018. The Company and its subsidiaries elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The following is summary of transactions between the Company and its subsidiaries and related parties during the financial reporting periods:

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

Related party	Relationships with the Company and its subsidiaries
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)
KGI Bank Co., Ltd. (KGI Bank)	Sister company (other related party)
China Life Insurance Co., Ltd. (China Life)	Sister company (other related party) (Note 1)
CDIB Capital Group (CDIB Capital)	Sister company(other related party)
CDIB Venture Capital Corp.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Capital Management Inc.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Management Corp.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB CME Fund Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDIB Partners Investment Holding Corp.	Invested by the sister company and accounted for using the equity method (other related party)
Tuntex Gas Corp.	Invested by the sister company and accounted for using the equity method (other related party) (Note 2)
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 & Partners Investment Holding Pte. Ltd.	Invested by the sister company and accounted for using the equity method (other related party)
CDC Finance & Leasing Corp.	Invested by the sister company and accounted for using the equity method (other related party)
KGI Charity Foundation	The Company is the main donor (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)
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	The parent company's board of director (other related party)
GuoHen Chemistry Co., Ltd	The parent company's board of director (other related party)
Others	Other related-parties

Note 1: After the parent company acquires the stock in the form of public acquisition, it becomes the related party.

Note 2: Tuntex Gas Corp. was not related from March 1, 2017.

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
A. Brokerage handling fee revenue				
Other related parties				
KGI Bank	$2,202	$11,142	$10,907	$11,547
China Lfe	17,282	-	37,478	-
KGI Investment Trust Fund	1,439	3,296	3,030	5,544
Others	4,028	1,700	7,003	3,183
Total	$24,951	$16,138	$58,418	$20,274
B. Revenue from underwriting business				
Other related parties				
KGI Bank	$-	$-	$1,170	$4,715
Others	-	-	750	-
Total	$-	$-	$1,920	$4,715
C. Revenue from providing agency service for stock affairs				
Parent company				
CDFH	$4,159	$4,349	$7,589	$7,776
Other related parties	64	65	126	136
Total	$4,223	$4,414	$7,715	$7,912
D. Other operating revenue				
Parent company				
CDFH	$2,372	$2,372	$4,743	$4,743
Associates	57	-	113	-
Other related parties				
China Life	63,808	-	154,256	-
Others	11	28	20	53
Total	$66,248	$2,400	$159,132	$4,796
E. Financial costs				
Other related parties				
KGI Bank	$3,652	$3,845	$8,489	$5,947
Taiwan Bank	1,818	455	4,076	455
Others	113	283	205	580
Total	$5,583	$4,583	$12,770	$6,982

The above transactions were under general trading condition.

(2) Due from banks (recognized as cash and cash equivalents, other current financial assets and other current assets):

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Bank	$1,741,586	$4,552,617	$2,538,669
Bank of Taiwan	5,846	7,105	37,246
Total	$1,747,432	$4,559,722	$2,575,915

(3) Financial assets/liabilities measured at FVTPL-current:

	6/30/18	12/31/17	6/30/17
A. Open-ended funds and monetary market instruments			
Other related parties			
KGI Investment Trust Fund	$370,002	$-	$32,278

	6/30/18 Notional Amount	12/31/17 Notional Amount	6/30/17 Notional Amount
B. Outstanding derivative financial instruments			
a. IRS			
Other related parties			
KGI Bank	$1,088,850	$955,136	$973,952
b. CBAS-interest			
Other related parties			
KGI Bank	$675,200	$508,220	$576,540
c. CBAS-long option			
Other related parties			
KGI Bank	$83,500	$508,220	$576,540
d. CBAS-short option			
Other related parties			
KGI Bank	$591,700	$-	$-

(4) Financial assets measured at FVOCI-current-equity instruments

	6/30/18
Stocks	
Parent company	
CDFH	$3,150,832

(5) Available-for-sale financial assets-current:

	12/31/17	6/30/17
Stocks		
Parent company		
CDFH	$3,063,126	$2,671,833

(6) Margin loans receivable:

	6/30/18	12/31/17	6/30/17
Other related parties			
Others	$16,091	$23,919	$11,527

(7) Customer margin accounts:

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Bank	$445,671	$2,042,540	$1,797,648

(8) Account receivables

	6/30/18	12/31/17	6/30/17
Parent company			
CDFH	$1,199	$-	$1,154
Associates			
KGI TH	6,712	45,894	56
Other related parties			
KGI Bank	59,323	5	5
China Life	18,264	18,582	-
Bank of Taiwan	-	74,866	-
Others	3,141	5,071	10,322
Total	$88,639	$144,418	$11,537

(9) Other receivables (recognized as other current assets):

	6/30/18	12/31/17	6/30/17
Associates			
KGI TH	$-	$1,912	$-
Others	-	19	-
Other related parties			
KGI Bank	7,448	9,466	19,743
Bank of Taiwan	291,571	-	-
Others	3	3	3
Total	$299,022	$11,400	$19,746

(10) Other restricted assets (recognized as other current assets):

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Bank	$993,763	$1,036,153	$923,428

(11) Short-term borrowings:

	6/30/18	12/31/17	6/30/17
Other related parties			
Bank of Taiwan	$451,400	$298,480	$243,488

(12) Securities financing refundable deposits:

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Investment Trust Fund	$2,911	$5,451	$17,845
Others	14	835	710
Total	$2,925	$6,286	$18,555

(13) Deposits payable for securities financing:

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Investment Trust Fund	$3,219	$6,027	$19,733
Others	15	875	785
Total	$3,234	$6,902	$20,518

(14) Futures customers' equity:

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Bank	$717,257	$362,052	$853,242
KGI Investment Trust Fund	8,912	42,647	62,657
Total	$726,169	$404,699	$915,899

(15) Accounts Payable:

	6/30/18	12/31/17	6/30/17
Associates			
KGI TH	$690	$43,581	$-
Other related parties			
KGI Bank	4,058	158,640	2,815
China Life	59,384	54,110	-
Development capital	49,404	10,352	10,556
CDIB Capital Investment I Ltd.	2,475	-	20,820
KGI Investment Trust Fund	10,838	6,896	38,658
Bank of Taiwan	49,813	-	50,765
Others	6,975	9,548	5,153
Total	$183,637	$283,127	$128,767

(16) Other accounts payable

	6/30/18	12/31/17	6/30/17
Other related parties			
KGI Bank	$159	$337	$338
China Life	9,588	2,545	-
KGI Charity Foundation	-	-	6,000
Others	433	173	249
Total	$10,180	$3,055	$6,587

(17) Current income tax assets and liabilities:

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

	6/30/18	12/31/17	6/30/17
Due to CDFH (the parent company)	$481,314	$340,456	$334,215

(18) Bonds transactions with related parties as follows:

A. Repurchase or resale agreement-liabilities for bonds with attached repurchase agreements

	6/30/18	
	Face amount	Maturity amount
Other related parties		
KGI Investment Trust Fund	$-	$-

	12/31/17	
	Face amount	Maturity amount
Other related parties		
KGI Investment Trust Fund	$61,219	$61,239

	6/30/17	
	Face amount	Maturity amount
Other related parties		
KGI Investment Trust Fund	$523,086	$523,128

B. Purchase and sale of bonds

	For the six-month periods ended June 30, 2018	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	$431,412	$3,431,410
China Life	1,703,084	4,542,282
Bank of Taiwan	199,943	731,839
Total	$2,334,439	$8,705,531

	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

(19) Significant leases with related parties are as follows:

Rental income (recognized as other income and costs)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Other related parties				
KGI Bank	$3,235	$3,235	$6,469	$6,469
Others	84	85	170	171
Total	$3,319	$3,320	$6,639	$6,640

The above lease prices were determined by market status and received monthly.

Rental expenses (recognized as other operating expenses)

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Other related parties				
China Life	$935	$-	$1,855	$-
Bank of Taiwan	459	459	918	918
Others	53	100	119	100
Total	$1,447	$559	$2,892	$1,018

The above lease prices were determined by market status and paid monthly

(20) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Associates	$-	$332	$-	$723
Other related parties				
KGI Bank	1,206	2,757	4,137	4,482
China Life	22,306	-	35,339	-
KGI Charity Foundation	-	6,000	-	6,000
Others	135	239	253	515
Total	$23,647	$9,328	$39,729	$11,720

(21) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Associates	$8,045	$8,683	$8,183	$8,829
Other related parties				
KGI Bank	26,574	20,206	59,356	44,783
Others	36	38	55	55
Total	$34,655	$28,927	$67,594	$53,667

(22) Information about key management personnel compensation

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Short-term employee benefit	$45,553	$36,115	$81,245	$72,129
Post-employment benefits	779	783	1,565	1,585
Share-based payment transaction	285	471	577	948
Total	$46,617	$37,369	$83,387	$74,662

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

	6/30/18	12/31/17	6/30/17
Other related parties			
Bank of Taiwan	$-	$860,000	$60,000

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

	6/30/18	12/31/17	6/30/17
Property and equipment and investment property	$272,084	$273,119	$274,153

VIII. Assets Pledged

The Company and its subsidiaries adopted IFRS 9 since January 1, 2018. The Company and its subsidiaries elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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

Description of the Assets	6/30/18	12/31/17	6/30/17
Financial assets measured at FVTPL-current-trading securities-dealing	$250,651	$301,288	$201,945
Available-for-sale financial assets- current	-	-	2,681,550
Other current assets- restricted	2,353,290	2,171,117	2,171,272
Financial assets measured at FVTPL-non-current-trading securities-dealing	49,999	49,998	50,006
Investments accounted for using the equity method	2,327,550	2,751,465	-
Property and equipment	4,626,420	4,643,495	4,660,572
Investment property	476,100	478,014	479,927
Other non-current assets-guarantee deposits paid	1,127,791	1,074,524	1,060,641
Total	$11,211,801	$11,469,901	$11,305,913

IX. Significant Contingent Liabilities and Unrecognized Commitments

1. The Company has appealed for its income tax returns. Please refer to Note VI.31 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 1,450,000 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

None.

XI. Significant Subsequent Events

None.

XII. Others

The Company and its subsidiaries adopted IFRS 9 since January 1, 2018. The Company and its subsidiaries elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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, 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. Analyses of Credit Risk

(1) The analyses of credit risk from January 1, 2018 are as follows :

A. 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.

B.Credit risk management

The credit risk management of the Company and its subsidiaries' investments, fixed-income securities and other financial assets and counterparties are managed by each business unit subject to the internal control procedures and relevant specifications. As most of the investments and counterparties reach an good external credit rating, credit risk is very low.

C. Definition of default and credit impairment of financial assets

(a) The Conpany and its subsidiaries define default of financial assets, the same as impairment of financial assets. If there are any evidences indicating issuers or counterparties are not able to fulfill contratual obiligations or they have financial difficulty, such as:

I. Issuers and counterparties have bankrupted or it is becoming probable that they will enter bankruptcy or other financial reorganisation;
II. A breach of contract of the issuers and counterparties' other financial instruments has occurred;
III. The disappearance of an active market for that fiancial asset because of financial difficulties; or
IV. The Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(b) The above mentioned definition of default and credit impairment apply to all the financial assets held by the Company, which is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument.

(c) When financial assets don't meet definition of default and impairment after assesment, they will not be recognized in credit-impaired financial assets any longer.

(d) The Company and its subsidiaries shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

D. Description of credit risk on each financial asset

(a) Cash and cash equivalents and other financial assets:

The Company mainly puts bank deposit and cash in the banks with good credit and deposits specific amount of cash as collateral in the customers' margin account designated by the future corporations. The Company regularly assesses finance, operating activities and credit risk situation of each financial institution and future corporation, which serves as the management of credit risk. Considering the result of assessment, the credit risk is under controll.

(b) Financial assets measured at FVTPL-current

The above metioned financial assets include debentures, convertible bonds and CB Asset Swap. The debentures held by the Company were issued by large-scale listed corporations or financial institutions; the convertible bonds held by the Company were issued by domestic listed corporations and parts of them are backed by bank guarantees. As the Company transfers the credit risk through issuing CB Asset Swap and Credit Linked Note in order to reduce issuers' exposure to credit risk, the issuers' credit risk is under control.

(c) Financial assets measured at FVOCI (excluding equity instrument investment)

The above mentioned fiancial assets is mainly long-term bonds. The Company keeps a close eye on credit grade of each investment and issuer' (or credit rating agency) financial situation in order to minimize the credit risk.

(d) Bond investments under resale agreements

The counterparties with whom the Company do bond investments under resale agreements is mainly the financial institutions and corporations with good credit; The factor that counterparties' securities are held by the Company as collateral effectively reduces counterparties' exposure to credit risk.

(e) Receivables

Receivables include margin loans receivable, trading securities receivable, futures commission merchant receivable and accounts receivable. The main credit risk is margin loans receivable and trading securities receivable. The Company and its subsidiaries closely monitor market fluctuations and customers' credibility, and take measures to minimize the credit risk according to the regulations.

(f) Customer margin accounts

As the specific accounts of customer margin are opened in the banks with good credit and financial institutions and corporations with investment grade, there is no siginificant credit risk.

(g) Stock borrowing collateral price and stock borrowing margin

When the Company and its subsidiaries borrow securities, the Company and its subsidiaries should deposit margin in the specific financial institutions. The factor that securities are held by us reduces counterparties' amount of exposure to credit risk.

(h) Held to maturity financial assets-non-current

The subsidiaries hold subordinated debentures without collaterals of Sunny Bank, HuaTai Bank and BanXin Bank and assess the credibility of each financial institutions regularly, which serve as the management of credit risk.

(i) Other non-current assets

Other non-current assets include operation guarantee deposits, clearing and settlement fund and guarantee deposits paid. The Company assesses counterparty based on the materiality of the amounts deposited. As there are many counterparties and the amount of that is not significant, the credit risk is effectively decentralized. Therefore, the credit risk is vey low.

E. Measurement of expected credit losses

(a) Consideration of the forward-looking information

The Company and its subsidiaries consider the forward-looking information to decide if there is a significant increase in credit risk and to measure expected credit losses.

The probability of default used for measuring impairment on debt instrument investments, excluding ones measured at FVTPL, is based on probability of default information including forward-looking macroeconomic information published regularly by international credit rating institutions.

Apart from debt instrument investments, analyses on financial instruments are performed using historical data. Economic factors relevant to expected credit loss of each portfolio have been identified with reference to optimal estimations published by authorities or academic institutions. Optimal estimations are reevaluated and corrected on every financial statement date.

(b) Receivables and others

<u>The Company and its domestic subsidiaries</u>
The Company and its domestic subsidiaries measure the loss allowance by lifetime expected credit loss under IFRS 9. The lifetime expected credit loss is based on the historical experience, current information and forward-looking information and caculated by regression model. Considering the Company and its subsidiaries' historical experience, since no significant difference exists among different client groups, grouping analysis is not conducted.

<u>The foreign subsidiaries</u>
As the credit loss of financial assets recognized initially is not significantly increased, they are measured by 12-month expected credit loss. Otherwise, they are measured by lifetime expected credit loss. The measurement is based on customers' past record of default, credibility, current information and prospective information. since no significant difference exists among different client groups, grouping analysis is not conducted.

(c) Debt instrument investments (excluding ones measured at FVTPL)

The above mentioned instruments are at low credit risk upon acquisition, and an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio.

In order to measure expected credit loss, The Company and its subsidiaries calculated both 12-month and lifetime expected credit losses by considering the 12-month and lifetime probability of default, loss given default multiplied by exposure at default which is measured using amortized cost of financial assets, and taking into account the effect of time value of money.

The probability of default is the probability of breaching a contract by issuer or counterparty; the loss given default is the loss ratio when they breach a contract. Both of them are based on the information on probability of default and loss given default published regularly by international credit rating institutions.

The impairment assessment method for the aforementioned debt instrument investments and related indicators are described as follows:

Credit risk rating	Indicator	Measurement method for expected credit loss
Low credit risk	Debt instrument with credit grade BBB- or higher/ Counterparties with good credit	12-month expected credit losses
Credit risk significantly increased	Credit grade: BB+~C (Note)	Lifetime expected credit losses
Credit-impaired/default	Credit grade: D or lower/evidence of impairment	Lifetime expected credit losses

Note: the Company and its subsidiaries consider all reasonable and supportable information including forward-looking information that indicates credit risk significantly increases since initial recognition. The main indicators include:

(1) External credit rating, past due information, the credit spread, other market information related to the borrower and significant increases in credit risk on other financial instruments of the same borrower, etc.

(2) Low credit risk: if financial aseets have low credit risk on the reporting date, we assume there is no significant increase in credit risk since initial recognition.

F. The assessment technique or significant assumption used to evaluate the expected credit loss by the Company and its subsidiaries don't change for the six-month period ended on June 30, 2018.

(2) The analyses of credit risk before January 1, 2018 are as follows:

A. 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.

B. 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.

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

12/31/17

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	$15,701,224	$-	$-	$-	$-	$-	$-	$15,701,224
Financial assets measured at FVTPL-current	47,977,185	914,741	4,518,462	-	-	-	-	53,410,388
Available-for-sale financial assets-current	11,454	-	-	-	-	-	-	11,454
Bond investments under resale agreements	13,644,197	7,384,243	100,688	-	-	-	-	21,129,128
Receivables	50,122,706	11,984,186	986,950	3,228	-	-	-	63,097,070
Customer margin accounts	23,061,445	-	-	-	-	-	-	23,061,445
Stock borrowing collateral price and stock borrowing margin	2,044,464	484,544	-	-	-	-	-	2,529,008
Other financial assets-current	2,620,785	-	-	-	-	-	-	2,620,785
Other current assets	43,790,374	-	-	-	-	-	-	43,790,374
Financial assets measured at FVTPL-non-current	49,998	-	-	-	-	-	-	49,998
Held to maturity financial assets-non-current	-	-	500,000	-	-	-	-	500,000
Other non-current assets	3,122,448	40,299	50,000	-	-	-	-	3,212,747
Total	$202,146,280	$20,808,013	$6,156,100	$3,228	$-	$-	$-	$229,113,621
Percentage	88.23%	9.08%	2.69%	0.00%	-	-	-	100.00%

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 FVTPL-current	49,204,356	300,564	3,900,990	-	-	-	-	53,405,910
Available-for-sale financial assets-current	11,492	-	-	-	-	-	-	11,492
Bond investments 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

Financial assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Customer 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 FVTPL-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%

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 equivalents

Cash and cash equivalents are primarily customers' margin deposited in accounts, designated by futures trading companies, for conducting futures transactions. Related departments of the Company evaluate periodically the futures 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 bond investments 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, Hwatai Bank and BanXin Bank that the Company's subsidiary holds. This issuer is ranked as medium risk.

E. Other non-current assets

The medium risk financial assets under this category include the Company's guarantee deposits paid . 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. Analyses of Capital liquidty risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/18

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$6,116,267	$5,965,074	$-	$-	$-	$12,081,341
Financial assets measured at FVTPL-current	55,325,792	1,654,627	13,490,025	372,717	91,253	70,934,414
Financial assets measured at FVOCI-current	11,278,773	-	-	-	-	11,278,773
Bond investments under resale agreements	-	31,670,375	-	-	-	31,670,375
Receivables	40,700,427	5,625,551	21,153,087	4,579,724	-	72,058,789
Customer margin accounts	22,556,660	-	-	-	-	22,556,660
Stock borrowing collateral price and stock borrowing margin	870,123	1,738,853	4,487,451	-	-	7,096,427
Other financial assets-current	-	-	3,782,015	-	-	3,782,015
Income tax assets	-	-	5,572	557	569,624	575,753
Other current assets	46,619,521	615,833	751,384	-	-	47,986,738
Financial assets measured at FVTPL-non-current	-	-	50,188	-	2,819,932	2,870,120
Financial assets measured at FVOCI-non-current	-	-	-	-	2,122	2,122
Financial assets measured at amortized cost-non-current	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,759,242	11,759,242
Others non-current assets	-	100,000	149,837	318,978	2,747,388	3,316,203
Total	$183,467,563	$47,370,313	$43,869,559	$5,570,629	$18,187,615	$298,465,679
Percentage	61.47%	15.87%	14.70%	1.87%	6.09%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/18

Financial Liabilities	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$20,000	$24,954,628	$-	$-	$-	$24,974,628
Commercial papers payable-net	-	12,062,236	-	-	-	12,062,236
Financial liabilities measured at FVTPL-current	3,450,049	460,881	7,554,270	1,122,733	91,029	12,678,962
Liabilities for bonds with attached repurchase agreements	-	76,980,900	-	-	-	76,980,900
Payables	67,146,978	138,393	3,940,735	53,503	-	71,279,609
Securities lending refundable deposits	-	3,773,288	11,903,982	-	-	15,677,270
Futures customers' equity	22,529,017	-	-	-	-	22,529,017
Other current liabilities	687,602	1,054,575	2,121,564	4	-	3,863,745
Other financial liabilities-current	-	4,211,216		350,030	-	4,561,246
Income tax liabilities	-	-	115,148	-	597,153	712,301
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve-non-current	-	-	-	22,369	196,727	219,096
Other non-current liabilities	-	-	-	641,436	100,725	742,161
Total	$93,833,646	$123,636,117	$25,635,699	$6,990,075	$985,634	$251,081,171
Percentage	37.37%	49.24%	10.21%	2.79%	0.39%	100.00%

Statement of capital liquidity gap

6/30/18

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$183,467,563	$47,370,313	$43,869,559	$5,570,629	$18,187,615	$298,465,679
Cash outflow	93,833,646	123,636,117	25,635,699	6,990,075	985,634	251,081,171
Amount of cash flow gap	$89,633,917	$(76,265,804)	$18,233,860	$(1,419,446)	$17,201,981	$47,384,508

Statement of cash flow analysis for financial assets

12/31/17

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$6,197,630	$9,503,594	$-	$-	$-	$15,701,224
Financial assets measured at fair value through profit or loss-current	52,603,579	1,680,289	11,839,587	298,687	105,692	66,527,834
Financial assets measured at cost-current	464,219	-	-	-	-	464,219
Available-for-sale financial assets-current	3,074,580	-	294,439	-	-	3,369,019
Bond investments under resale agreements	-	21,145,230	-	-	-	21,145,230
Receivables	32,683,905	5,802,279	21,436,030	3,174,856	-	63,097,070
Customer margin accounts	23,061,445	-	-	-	-	23,061,445
Stock borrowing collateral price and stock borrowing margin	642,043	781,381	1,105,584	-	-	2,529,008
Other financial assets-current	-	-	2,620,785	-	-	2,620,785
Income tax assets	-	-	5,428	2,188	569,624	577,240
Other current assets	42,812,176	516,276	461,922	-	-	43,790,374
Financial assets measured at FVTPL-non-current	-	-	50,188	-	-	50,188
Financial assets measured at cost-non-current	-	-	-	-	987,613	987,613
Available-for-sale financial assets-non-current	-	-	-	336,654	456,900	793,554

Statement of cash flow analysis for financial assets

12/31/17

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Held to maturity financial assets-non-current	-	-	-	-	500,000	500,000
Investments accounted for using the equity method	-	-	-	-	13,535,865	13,535,865
Others non-current assets	-	100,000	-	469,402	2,683,642	3,253,044
Total	$161,539,577	$39,529,049	$37,813,963	$4,281,787	$18,839,336	$262,003,712
Percentage	61.66%	15.09%	14.43%	1.63%	7.19%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/17

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$-	$20,036,492	$-	$-	$-	$20,036,492
Commercial papers payable-net	-	8,625,804	-	-	-	8,625,804
Financial liabilities measured at FVTPL-current	2,763,476	1,687,810	6,535,931	1,149,735	105,692	12,242,644
Liabilities for bonds with attached repurchase agreements	-	54,764,877	-	-	-	54,764,877
Payables	59,132,885	1,190,292	5,390,025	156,221	-	65,869,423
Securities lending refundable deposit	-	4,781,100	7,648,001	-	-	12,429,101
Futures customers’ equity	23,041,948	-	-	-	-	23,041,948
Other current liabilities	831,705	1,182,278	2,656,192	298	-	4,670,473
Other financial liabilities-current	-	4,101,044	-	231,030	-	4,332,074
Income tax liabilities	-	-	123,071	-	574,191	697,262
Long-term liabilities-current portion	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Liabilities reserve-non-current	-	-	-	22,878	197,705	220,583
Other non-current liabilities	-	-	-	729,102	133,782	862,884
Total	$85,770,014	$96,369,697	$24,553,220	$7,089,264	$1,011,370	$214,793,565
Percentage	39.93%	44.87%	11.43%	3.30%	0.47%	100.00%

Statement of capital liquidity gap

12/31/17

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$161,539,577	$39,529,049	$37,813,963	$4,281,787	$18,839,336	$262,003,712
Cash outflow	85,770,014	96,369,697	24,553,220	7,089,264	1,011,370	214,793,565
Amount of cash flow gap	$75,769,563	$(56,840,648)	$13,260,743	$(2,807,477)	$17,827,966	$47,210,147

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 FVTPL-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
Bond investments 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

Statement of cash flow analysis for financial assets

6/30/17

Financial Assets	Collection period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Customer 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
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	Payment period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term borrowings	$-	$14,430,777	$-	$-	$-	$14,430,777
Commercial papers payable-net	-	14,777,731	-	-	-	14,777,731
Financial liabilities measured at FVTPL-current	6,988,238	6,255,077	8,257,726	914,347	137,250	22,552,638
Liabilities for bonds with attached 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 deposit	-	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
Long-term liabilities-current portion	-	-	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 liquidity gap

6/30/17

	Collection period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
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

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, 2018, December 31, 2017, and June 30, 2017, show that the sums from deducting cash outflow from cash inflow are 47,384,508 thousand dollars, 47,210,147 thousand dollars, and 47,567,925 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 61.47% 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, 2018, December 31, 2017, and June 30, 2017, net cash inflow calculated from net spot financial assets are respectively 89,633,917 thousand dollars, 75,769,563 thousand dollars and 80,211,630 thousand dollars, which are sufficient to cover the net cash outflows of 77,685,250 thousand dollars, 59,648,125 thousand dollars and 51,953,165 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	6/30/18	12/31/17	6/30/17
Interest rate risk	$7,921	$4,820	$4,945
Equity securities risk	4,126,560	9,081,111	17,208,169
Exchange rate risk	2,056,384	199,480	1,068,270
Commodity risk sensitivity	(25,234)	95,944	15,365

(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, 2018			6/30/18
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$168,488	$91,772	$301,501	$112,343
Interest Rate	138,343	79,818	211,119	107,355
Exchange Rate	7,791	3,371	17,362	13,767
Commodity	7,969	146	11,516	6,620

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

(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	6/30/18	12/31/17	6/30/17
Financial assets			
Financial assets measured at fair value through profit or loss:			
Held for trading (Note 2)	$-	$66,897,926	$75,227,553
Mandatorily Measured at fair value through profit or loss	73,653,094	-	-
Financial assets measured at fair value through other comprehensive income	11,280,895	-	-
Available-for-sale financial assets (Note 2)	-	5,150,186	10,566,418
Financial assets measured at amortized cost (Note 3)	201,022,031	-	
Held to maturity financial assets (Note 3)	-	500,000	300,000
Loans and receivables (Note 3)	-	175,202,132	185,360,180
Total	$285,956,020	$247,750,244	$271,454,131
Financial liabilities			
Financial liabilities measured at amortized cost (Note 4)	$236,385,791	$200,592,009	$199,103,025
Financial liabilities measured at fair value through profit or loss:			
Held for trading	11,603,884	11,076,434	21,349,014
designated initially at fair value through profit or loss	893,486	986,143	1,017,173
Total	$248,883,161	$212,654,586	$221,469,212

Note 1: The Company and its subsidiaries adopted IFRS 9 since January 1, 2018. The Company and its subsidiaries elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Note 2: Including financial assets measured at cost as of December 31, 2017 and June 30, 2107.

Note 3: Considering the existing facts and circumstances assessment on January 1, 2018, As cash flows of held to maturity financial assets under IAS 39 are solely payments of principle and interest on the principle amount outstanding , the Company and its subsidiaries reclassified them as financial assets measured at amortized cost according to the fact that the business model of them is to collect contractual cash flows. Besides, Cash and cash equivalents excluding cash on hand, bond investments under resale agreements, notes receivable, accounts receivable, margin loans receivable, refinancing margin, refinancing deposits receivable, trading securities receivable, customer margin accounts, futures commission merchant receivable, stock borrowing collateral price, stock borrowing margin, other financial assets-current, other current assets, financial assets measured at amortized cost-non-current and other non-current assets are reclassified in financial assets measured at amortized cost, the same as loans and receivables under IAS 39.

Note 4: Financail liabilities measured at amortized cost include short-term borrowings, commercial papers payable, liabilities for bonds with attached repurchase agreements, securites financing refundable deposits, deposits payable for securties financing, securities lending refundable deposits, futures customers' equity, accounts payable, receipts under custody, other payable, other current liabilities, bonds payable including one due within one year and guarantee deposits received.

(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. Financial assets, financial liabilities, lending and receivables measured at amortized cost 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.

B. Financial assets measured at amortized cost/ held to maturity financial assets: If an active market has public quote, then the market price will be the fair value; if there is no open quote available in 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 financial assets.

C. For financial assets and liabilities measured at FVTPL and financial assets measured at FVOCI/ 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 in 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 financial assets. 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.

D. 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.

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

F. 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).

G. 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.

(3) Financial assets measured at amortized cost

Excluding the following items, the book value of the Company and its subsidiaries' financial instruments measured at amortized cost is the reasonable approximation of theirs fair value. The fair value of the other financial assets and liabilities measured at amortized cost is as follows:

	6/30/18		12/31/17		6/30/17	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Financial assets measured at amortized cost	$496,707	$499,963	$-	$-	$-	$-
Held to maturity financial assets	-	-	500,000	499,986	300,000	299,978
Operation guarantee deposits	199,783	200,754	200,463	200,652	200,811	200,968
Guarantee deposits paid	199,351	200,267	199,258	200,518	199,165	199,466
Financial liabilities						
Long-term liabilities-current portion	-	-	2,200,000	2,205,386	2,200,000	2,209,348
Bonds payable	4,800,000	4,857,893	4,800,000	4,864,546	4,800,000	4,864,608

(4) Hierarchy of financial instruments at fair value

A. Definitions of fair value hierarchy

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

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

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

(a) quoted price for similar financial instruments in active markets, that is, the fair value of the instrument is deduced from the recent trading price of similar financial instruments. Similar financial instruments are identified by their nature and specific terms. The fair value should be adjusted by considering factors include: time lag between latest transaction of similar financial instrument and the present transaction, difference in dealing terms, prices involving related-party transactions, relevancy between observable price for similar financial instrument and price of the financial instrument in question.

(b) quoted prices for identical or similar financial instruments in inactive markets.

(c) fair value measured with pricing model, using factors based on information 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:

6/30/18

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Stocks	$11,032,363	$-	$2,425,573	$13,457,936
Bonds	19,287,378	20,367,347	-	39,654,725
Others	4,319,909	12,377,419	-	16,697,328
Financial assetss measured at FVOCI				
Stocks	3,150,832	-	2,122	3,152,954
Bonds	4,109,784	4,018,157	-	8,127,941
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	1,503,524	129	-	1,503,653
Bonds	397,305	3,178,009	-	3,575,314
Derivative instruments				
Assets				
Financial assets measured at FVTPL	1,197,719	2,636,224	9,162	3,843,105
Liabilities				
Financial liabilities measured at FVTPL	954,352	6,120,414	343,637	7,418,403

12/31/17

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Stocks	$10,229,226	$-	$-	$10,229,226
Bonds	19,703,346	19,930,069	-	39,633,415
Others	3,221,874	10,468,901	-	13,690,775

12/31/17

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Stocks	3,739,847	-	74,618	3,814,465
Bonds	11,454	-	-	11,454
Others	336,654	-	-	336,654
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	1,179,900	42	-	1,179,942
Bonds	151,093	3,163,703	-	3,314,796
Derivative instruments				
Assets				
Financial assets measured at FVTPL	623,613	2,250,673	6,005	2,880,291
Liabilities				
Financial liabilities measured at FVTPL	1,349,139	5,910,153	308,547	7,567,839

6/30/17

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

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

There are not transfers between Level 1 and Level 2 for the six-month periods ended on June 30, 2018 and 2017.

(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, 2018

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								
Derivative instruments								
Financial assets measured at FVTPL-current	$6,005	$6,925	$-	$21,670	$-	$(25,438)	$-	$9,162
Non-derivative instruments								
Financial assets measured at FVTPL-non-current	-	23,349	-	2,455,806	-	(5,582)	(48,000)	2,425,573
Financial assets measured at FVOCI (Note)	-	-	(115)	2,237	-	-	-	2,122

Note: The acquisiton includes the adjusted amount of adopting IFRS 9.

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								
Derivative instruments								
Financial assets measured at FVTPL-current	$53,855	$(19,851)	$-	$28,757	$-	$(56,712)	$-	$6,049
Non-derivative instruments								
Available-for-sale financial assets-non-current	58,150	-	9,213	-	-	-	-	67,363

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

For the six-month period ended June 30, 2018

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								
Derivative instruments								
Financial liabilities measured at FVTPL-current	$308,547	$(67,720)	$-	$367,144	$-	$264,334	$-	$343,637

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								
Derivative instruments								
Financial liabilities measured at FVTPL-current	$8,514	$26,729	$-	$400,216	$-	$(48,657)	$-	$386,802

c. Total gains or losses from financial assets and liabilities still held by the Company for the six-month periods ended June 30, 2018 and 2017 are as follows:

	For six-month periods ended June 30	
	2018	2017
Total gains or losses		
Recognized in profit or loss	$107,983	$(24,332)
Recognized in other comprehensive income	(115)	9,213

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, 2018 and 2017.

(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.

6/30/18

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL-Equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-Equity instrument	Market approach	Lack of liquidity discount	23%~26%	The higher the lack of liquidity discount is, probably the

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
				lower the fair value of assets is.
Financial assets measured at FVOCI-Equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	14.60%-64.16%	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	1.97%-47.83%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	8.83%-60.57%	Depending on contract terms.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.

12/31/17

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Non-derivatives				
Available-for-sale financial assets	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	13.42%-69.92%	Depending on contract terms.
Equity derivative instruments-long option	Martingale Pricing Technique	History Volatility	19.70%-19.70%	Depending on contract terms.
Financial liabilities:				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	2.13%-56.98%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	13.93%-59.80%	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.

Note: Fair value is from third-party quotations

6/30/17

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
Financial assets:				
Non-derivatives				
Available-for-sale financial assets	Note	Not applicable	Not applicable	Not applicable
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

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:

6/30/18

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Equity instruments (market method)	Depreciation ratio	-1% / +1%	$281	$289
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	$1,055	$1,010
Total			$1,336	$1,299
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	$0	$1
Equity derivative instruments －short option	Historical volatility	-25% / +25%	174	230
Total			$174	$231

12/31/17

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
Non-derivatives				
Available-for-sale financial assets	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	$1,217	$1,135
Equity derivative instruments －long option	Historical volatility	+25% / -25%	4	4
Total			$1,221	$1,139
Financial liabilities:				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	$(210)	$(175)
Equity derivative instruments －short option	Historical volatility	-25% / +25%	971	1,103
Total			$761	$928

6/30/17

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
Financial assets:				
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 －short option	Historical volatility	+ 25% / -25%	42	38
Total			$2,465	$2,434

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

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.

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

6/30/18

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial measured assets at amortized cost-non-current	$-	$499,963	$-	$499,963
Operation guarantee deposits	-	200,754	-	200,754
Guaranteee deposits paid	-	200,267	-	200,267
Non-Financial assets:				
Investments accounted for using the equity method	14,147,473	-	-	14,147,473
Investment properties	-	-	1,015,068	1,015,068
Financial liabilities:				
Bonds payable	4,857,893	-	-	4,857,893

12/31/17

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets - non-current	$-	$499,986	$-	$499,986
Operation guarantee deposits	-	200,652	-	200,652
Guaranteee deposits paid	-	200,518	-	200,518
Non-Financial assets:				
Investments accounted for using the equity method	13,745,759	-	-	13,745,759
Investment properties	-	-	1,015,068	1,015,068
Financial liabilities:				
Long-term liabilities-current portion	2,205,386	-	-	2,205,386
Bonds payable	4,864,546	-	-	4,864,546

6/30/17

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets - non-current	$-	$299,978	$-	$299,978
Operation guarantee deposits	-	200,968	-	200,968
Guaranteee deposits paid	-	199,466	-	199,466
Non-Financial assets:				
Investments accounted for using the equity method	2,495,830	-	-	2,495,830
Investment properties	-	-	1,025,708	1,025,708
Financial liabilities:				
Long-term liabilities-current portion	2,209,248	-	-	2,209,248
Bonds payable	4,864,608	-	-	4,864,608

Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.14 and VI.16 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 liabilities for bonds with attached 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:

6/30/18					
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	$78,128,231	$76,938,259	$78,128,231	$76,938,259	$1,189,972
Securities borrowing transactions	1,299,609	1,819,453	1,299,609	1,819,453	(519,844)

12/31/17					
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	$55,612,999	$54,732,813	$55,612,999	$54,732,813	$880,186
Securities borrowing transactions	153,986	215,580	153,986	215,580	(61,594)

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)

(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	
6/30/18	Long call option	$11,765,800	$1,139,715	$1,139,715	$-	$1,139,715
12/31/17	Long call option	$10,430,900	$1,128,581	$1,128,581	$-	$1,128,581
6/30/17	Long call option	$9,508,700	$706,159	$706,159	$-	$706,159

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
6/30/18	Long call option	$-	$649,100	$2,172,800	$8,943,900	$-	$11,765,800
12/31/17	Long call option	$-	$437,400	$2,807,800	$7,185,700	$-	$10,430,900
6/30/17	Long call option	$-	$2,045,200	$1,899,500	$5,564,000	$-	$9,508,700

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
6/30/18	Long call option	$40	$(64,020)	$(63,980)
12/31/17	Long call option	$(2,167)	$210,551	$208,384
6/30/17	Long call option	$(26,836)	$(86,668)	$(113,504)

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 liabilities for bonds with attached repurchase agreements, in which the Company and its subsidiaries provide securities as collaterals. The Company and its subsidiaries also enter with opponent into collateralized bond investments 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 liabilities for bonds with attached repurchase agreements and bond investments under resale 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:

6/30/18						
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	$2,697,084	$-	$2,697,084	$-	$269,231	$2,427,853
Resell agreement	31,650,368	-	31,650,368	31,650,368	-	-
Total	$34,347,452	$-	$34,347,452	$31,650,368	$269,231	$2,427,853

6/30/18						
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	$5,600,532	$-	$5,600,532	$-	$733,130	$4,867,402
Repurchase agreement	76,938,259	-	76,938,259	76,938,259	-	-
Total	$82,538,791	$-	$82,538,791	$76,938,259	$733,130	$4,867,402

12/31/17						
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	$2,258,637	$-	$2,258,637	$-	$70,133	$2,188,504
Resell agreement	21,129,128	-	21,129,128	21,129,128	-	-
Total	$23,387,765	$-	$23,387,765	$21,129,128	$70,133	$2,188,504

12/31/17						
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	$5,259,084	$-	$5,259,084	$-	$453,886	$4,805,198
Repurchase agreement	54,732,813	-	54,732,813	54,732,813	-	-
Total	$59,991,897	$-	$59,991,897	$54,732,813	$453,886	$4,805,198

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

(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	6/30/18	12/31/17	6/30/17
Qualified net equity Capital	$18,647,668	$18,167,949	$18,442,043
Equivalent amount of operating risk	7,251,944	6,158,251	5,705,210
Capital adequacy ratio	257%	295%	323%

	For the six-month periods Ended	
Item	2018	2017
Average	260%	317%
Maximum	275%	340%
Minimum	218%	286%

(2) Equivalent amounts and percentages of operating risks

Item	6/30/18 Amount	6/30/18 Percentage	12/31/17 Amount	12/31/17 Percentage
Market risk	$3,065,346	42.27	$2,550,252	41.41
Credit risk	2,411,934	33.26	2,097,460	34.06
Operational risk	1,774,664	24.47	1,510,539	24.53
Total	$7,251,944	100.00	$6,158,251	100.00

Item	6/30/17 Amount	6/30/17 Percentage
Market risk	$2,171,693	38.07
Credit risk	2,022,978	35.45
Operational risk	1,510,539	26.48
Total	$5,705,210	100.00

9. Others

(1) 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.

(2) 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	6/30/18 Calculation	6/30/18 Ratio	12/31/17 Calculation	12/31/17 Ratio	Standard	Execution
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,716,176 / 449,917	3.81	1,855,943 / 633,222	2.93	≧1	Satisfied
17	Current assets / Current liabilities	2,445,196 / 449,917	5.43	2,443,795 / 322,389	7.58	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,716,176 / 400,000	429.04%	1,855,943 / 400,000	463.99%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,065,792 / 418,752	254.52%	1,327,438 / 340,935	389.35%	≧20% ≧15%	〃

Article #	Calculation Formula	6/30/17	
		Calculation	Ratio
17	Stock holders' equity / (Total liabilities − Futures customers' equity)	1,774,840 / 587,782	3.02
17	Current assets / Current liabilities	2,138,082 / 300,975	7.70
22	Stock holders' equity / Minimum paid-in capital	1,774,840 / 400,000	443.71%
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,233,725 / 377,708	326.64%

KGI Futures

Article #	Calculation Formula	6/30/18		12/31/17		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity / (Total liabilities − Futures customers' equity)	3,073,512 / 284,771	10.79	2,609,333 / 315,529	8.27	≧1	Satisfied
17	Current assets / Current liabilities	24,808,517 / 22,968,371	1.08	23,777,258 / 21,872,001	1.09	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	3,073,512 / 760,000	404.41%	2,609,333 / 760,000	343.33%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	2,511,996 / 6,085,511	41.28%	2,387,050 / 4,433,304	53.84%	≧20% ≧15%	〃

Article #	Calculation Formula	6/30/17	
		Calculation	Ratio
17	Stock holders' equity / (Total liabilities − Futures customers' equity)	2,404,517 / 493,256	4.87
17	Current assets / Current liabilities	23,612,290 / 21,832,763	1.08
22	Stock holders' equity / Minimum paid-in capital	2,404,517 / 760,000	316.38%
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	2,079,346 / 4,014,680	51.79%

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

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

A. Balance sheet of trust business

	6/30/18	12/31/17	6/30/17
Cash in bank	$1,908,252	$1,136,142	$962,116
Financial assets	23,514,841	26,411,297	25,497,137
Receivables	223,514	127,032	114,403
Total trusted assets	$25,646,607	$27,674,471	$26,573,656

	6/30/18	12/31/17	6/30/17
Payables	$19,847	$59,962	$24,214
Trust capital	23,730,428	25,510,294	25,239,420
Reserves and retained earnings	1,896,332	2,104,215	1,310,022
Total trusted liabilities	$25,646,607	$27,674,471	$26,573,656

B. Income statement of trust business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2018	2017	2018	2017
Revenues	$(158,623)	$404,179	$2,569,391	$2,173,136
Expenses	(412,046)	74,079	(2,286,091)	(2,058,775)
Income before tax	(570,669)	478,258	283,300	114,361
Income tax	-	-	-	-
Net income	$(570,669)	$478,258	$283,300	$114,361

C. Trust Property catalog

	6/30/18	12/31/17	6/30/17
Cash in bank	$1,908,252	$1,136,142	$962,116
Stocks	12,956,211	14,493,874	12,489,101
Funds	9,814,029	11,532,078	12,912,289
Structured notes	744,601	385,345	95,747
Total	$25,423,093	$27,547,439	$26,459,253

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.

(4) 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, 2018, December 31, 2017, and June 30, 2017 are USD 2,131 thousand dollars, USD 2,091 thousand dollars, and USD 1,356 thousand dollars respectively.

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

Financial instruments	6/30/18 Foreign currency (thousand dollars)	6/30/18 Exchange rate	6/30/18 NTD	12/31/17 Foreign currency (thousand dollars)	12/31/17 Exchange rate	12/31/17 NTD
Financial assets						
Monetary Items						
USD	$1,809,592	30.50	$55,179,815	$1,533,281	29.83	$45,733,639
HKD	126,302	3.88	490,516	130,431	3.81	497,062
GBP	249	39.98	9,938	331	40.17	13,314
JPY	19,851,987	0.28	5,472,310	10,660,054	0.26	2,822,099
EUR	74,469	35.47	2,641,630	1,843	35.63	65,645
CNY	38,991	4.60	179,367	181,517	4.58	831,136
AUD	1,240	22.54	27,940	1,567	23.26	36,446
Non-monetary Items						
USD	929,485	30.50	28,349,299	948,179	29.85	28,301,257
HKD	13,086	3.89	50,865	24,475	3.82	93,471
JPY	88,115	0.28	24,293	106,325	0.26	28,165
EUR	195	35.48	6,935	978	35.67	34,888
CNY	523,470	4.60	2,408,170	332,660	4.58	1,523,219
AUD	35,093	22.54	791,001	30,770	23.26	715,714
Investments accounted for using the equity method						
USD	71,212	30.50	2,171,951	73,746	29.85	2,201,177
Financial liabilities						
Monetary Items						
USD	4,156,660	30.50	126,765,390	3,737,065	29.84	111,512,461
HKD	72,051	3.88	279,641	99,931	3.81	380,589
GBP	131	39.96	5,231	82	40.11	3,301
JPY	19,573,435	0.28	5,396,096	10,364,108	0.26	2,744,556
EUR	73,588	35.47	2,610,352	785	35.57	27,935
CNY	19,150	4.60	88,091	13,746	4.58	62,928
AUD	30,434	22.54	685,977	24,696	23.26	574,426
Non-monetary Items						
USD	239,524	30.50	7,305,483	212,777	29.85	6,350,974
JPY	88,115	0.28	24,293	106,325	0.26	28,165
EUR	-	-	-	223	35.67	7,962
CNY	33,316	4.60	153,267	31,864	4.58	145,903
AUD	3,702	22.54	83,441	4,220	23.26	98,167

Financial instruments	6/30/17 Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$2,642,555	30.44	$80,423,646
HKD	153,247	3.90	597,244
GBP	646	39.60	25,582
JPY	12,922,328	0.27	3,509,128
EUR	5,021	33.70	169,175
CNY	35,331	4.49	158,614
AUD	475	23.36	11,089
Non-monetary Items			
USD	1,064,573	30.44	32,401,329
HKD	21,578	3.90	84,132
JPY	122,499	0.27	33,271
CNY	368,625	4.49	1,654,944
AUD	13,731	23.36	320,748
Investments accounted for using the equity method			
USD	66,013	30.44	2,009,161
Financial liabilities			
Monetary Items			
USD	4,019,994	30.44	122,347,420
HKD	131,802	3.90	513,631
GBP	430	39.60	17,028
JPY	12,667,960	0.27	3,440,618
EUR	2,769	34.72	96,124
CNY	5,896	4.49	26,465
AUD	8,503	23.36	198,636
Non-monetary Items			
USD	427,244	30.44	13,003,601
JPY	122,499	0.27	33,271
EUR	264	34.73	9,180
CNY	40,288	4.49	180,874
AUD	4,660	23.36	108,850

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 (inclueding realized and unrealized) are 440,755 thousand dollars and 24,636 thousand dollars for the three-month periods ended on June 30, 2018 and 2017, respectively; and 150,411 thousand dollars and 507,569 thousand dollars for the six-month periods ended on June 30, 2018 and 2017, respectively.

(6) The reconciliation of liabilities from financing activities

The changes in financing activities arise from changes in the amount of cash and currency rate for the six-month period ended on June 30, 2018, and there is no need to disclose reconciliation of liabilities from financing activities for the six-month period ended on June 30, 2017.