YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2016 AND 2015

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

pwc 資誠

# REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16001325

To the Board of Directors and Stockholders of Yuanta Futures Co., Ltd.

We have audited the accompanying consolidated balance sheets of Yuanta Futures Co., Ltd. and its subsidiaries as of June 30, 2016, December 31, 2015 and June 30, 2015, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, as well as the statements of changes in equity and of cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yuanta Futures Co., Ltd. and its subsidiaries as of June 30, 2016, December 31, 2015 and June 30, 2015, and their financial performance for the three months and six months ended June 30, 2016 and 2015, as well as their cash flows for the six months ended June 30, 2016 and 2015 in conformity with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Regulations Governing the Preparation of Financial Reports by Securities Firms", and International Accounting Standard 34,'Interim Financial Reporting' as endorsed by the Financial Supervisory Commission.

We have audited the parent company only financial statements of Yuanta Futures Co., Ltd. as of June 30, 2016 and 2015 on which we have issued an unqualified opinion on such financial statements.

**PricewaterhouseCoopers, Taiwan**

August 25, 2016

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

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



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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

| | | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|---|
| ASSETS | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | 6(1) and 7 | $ 4,629,473 | 7 | $ 4,387,745 | 8 | $ 4,098,645 | 9 |
| Financial assets at fair value through profit or loss - current | 6(2), 7 and 11 | 316,954 | 1 | 566,309 | 1 | 220,413 | 1 |
| Available-for-sale financial assets-current | 6(4) | 46,841 | - | 37,876 | - | 27,145 | - |
| Margin deposits | 6(3) and 7 | 55,656,349 | 89 | 49,756,070 | 87 | 38,907,486 | 86 |
| Futures trading margin receivable | | 703 | - | 703 | - | 471 | - |
| Security lending deposits | 7 | 38,040 | - | 25,901 | - | - | - |
| Accounts receivable | | 42,291 | - | 31,148 | - | 42,390 | - |
| Accounts receivable - related parties | 7 | 4,573 | - | 5,200 | - | 4,956 | - |
| Prepayments | | 8,068 | - | 4,797 | - | 8,923 | - |
| Other receivables | | 44,816 | - | 9,222 | - | 53,874 | - |
| Other receivables - related parties | 7 | 6,443 | - | 26,183 | - | 67,629 | - |
| Current income tax assets | | 453 | - | 453 | - | 453 | - |
| Other current assets | | 461 | - | 31 | - | 36 | - |
| **Subtotal current assets** | | 60,795,465 | 97 | 54,851,638 | 96 | 43,432,430 | 96 |
| **Non-current assets** | | | | | | | |
| Available-for-sale financial assets - non-current | 6(4) | 1,304,504 | 2 | 1,178,756 | 2 | 1,132,098 | 3 |
| Equity investments accounted for under the equity method | 6(5) | - | - | 8,519 | - | 9,053 | - |
| Property and equipment, net | 6(8) | 60,944 | - | 70,570 | - | 67,982 | - |
| Intangible assets | 6(9) | 30,847 | - | 35,166 | - | 36,890 | - |
| Deferred income tax assets | 6(25) | 13,707 | - | 17,758 | - | 18,685 | - |
| Operating guarantee deposits | 6(6), 7 and 8 | 165,000 | - | 185,000 | 1 | 195,000 | - |
| Clearing and settlement funds | 6(7) | 433,088 | 1 | 491,338 | 1 | 483,086 | 1 |
| Refundable deposits | 7 | 10,076 | - | 9,715 | - | 10,145 | - |
| Prepayment for equipments | | 3,980 | - | 3,392 | - | 4,067 | - |
| **Subtotal non-current assets** | | 2,022,146 | 3 | 2,000,214 | 4 | 1,957,006 | 4 |
| **Total assets** | | $ 62,817,611 | 100 | $ 56,851,852 | 100 | $ 45,389,436 | 100 |

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

| | | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|---|
| LIABILITIES AND EQUITY | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| **Current liabilities** | | | | | | | |
| Financial liabilities at fair value through profit or loss - current | 6(2) and 11 | $ 50,546 | - | $ 10,069 | - | $ 2,206 | - |
| Futures traders' equity | 6(3) and 7 | 55,486,277 | 89 | 49,595,196 | 87 | 38,753,041 | 86 |
| Accounts payable | | 104,337 | - | 138,829 | - | 93,259 | - |
| Accounts payable - related parties | 7 | 21,386 | - | 25,938 | - | 23,142 | - |
| Collection for third parties | | 8,434 | - | 5,206 | - | 6,473 | - |
| Other payables | | 186,281 | - | 186,477 | 1 | 127,652 | - |
| Other payables - related parties | 7 | 1,279 | - | 434 | - | 592 | - |
| Current income tax liabilities | | 79,245 | - | 46,257 | - | 56,175 | - |
| Other current liabilities | | 8,663 | - | 6,858 | - | 8,175 | - |
| **Subtotal current liabilities** | | 55,946,448 | 89 | 50,015,264 | 88 | 39,070,715 | 86 |
| **Non-current liabilities** | | | | | | | |
| Provision - non-current | 6(10) | 59,848 | - | 59,481 | - | 39,703 | - |
| **Subtotal non-current liabilities** | | 59,848 | - | 59,481 | - | 39,703 | - |
| **Total liabilities** | | 56,006,296 | 89 | 50,074,745 | 88 | 39,110,418 | 86 |
| **Equity attributable to owners of the parent company** | | | | | | | |
| **Capital** | | | | | | | |
| Common stock | 6(11) | 2,322,763 | 4 | 2,322,763 | 4 | 2,322,763 | 5 |
| **Additional paid-in capital** | | | | | | | |
| Capital surplus | 6(12) | 940,976 | 1 | 940,976 | 2 | 940,976 | 2 |
| **Retained earnings** | | | | | | | |
| Legal reserve | 6(14) | 637,326 | 1 | 561,535 | 1 | 561,535 | 1 |
| Special reserve | 6(13) | 1,526,665 | 2 | 1,375,086 | 2 | 1,375,086 | 3 |
| Undistributed earnings | 6(14)(25) | 445,411 | 1 | 757,898 | 1 | 315,024 | 1 |
| **Other equity** | 6(15) | | | | | | |
| Other equity interest | | 938,174 | 2 | 818,849 | 2 | 763,634 | 2 |
| **Total equity** | | 6,811,315 | 11 | 6,777,107 | 12 | 6,279,018 | 14 |
| **Total liabilities and equity** | | $ 62,817,611 | 100 | $ 56,851,852 | 100 | $ 45,389,436 | 100 |

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2016 | | 2015 | | 2016 | | 2015 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Revenues** | | | | | | | | | |
| 401000 | Brokerage | 6(16) and 7 | $ 699,576 | 91 | $ 670,657 | 96 | $ 1,436,036 | 93 | $ 1,175,939 | 95 |
| 410000 | (Loss) gain on trading of securities | 6(17) | ( 15,894) | ( 2) | ( 5,644) | ( 1) | 2,759 | - | ( 4,908) | - |
| 421300 | Dividend income | | - | - | 935 | - | - | - | 935 | - |
| 421500 | (Loss) gain on valuation of trading securities | | ( 3,047) | - | ( 27) | - | ( 11,818) | ( 1) | 6,371 | 1 |
| 421610 | Lending Securities and sell back to bond funds and bonds through profit or loss at fair value measurements of net benefits | | ( 4,878) | ( 1) | - | - | ( 4,502) | - | - | - |
| 424200 | Securities commission revenue | 7 | 985 | - | 811 | - | 1,788 | - | 1,361 | - |
| 424300 | Clearance fee from consignation | 6(18) and 7 | 22,397 | 3 | 23,861 | 4 | 44,924 | 3 | 41,947 | 3 |
| 424400 | Net gain on disposal of derivative financial instruments | 6(2)(19) | 48,106 | 6 | 4,227 | 1 | 56,856 | 4 | 7,969 | 1 |
| 424800 | Futures management fee revenues | | 32 | - | - | - | 38 | - | - | - |
| 424900 | Futures advisory revenues | | 4,054 | 1 | 2,182 | - | 6,684 | - | 4,072 | - |
| 428000 | Other operating revenues | 7 | 16,989 | 2 | 6 | - | 19,403 | 1 | 234 | - |
| 400000 | **Total revenues** | | 768,320 | 100 | 697,008 | 100 | 1,552,168 | 100 | 1,233,920 | 100 |
| | **Costs and expenses** | | | | | | | | | |
| 501000 | Brokerage fee | 6(20) | ( 129,596) | ( 17) | ( 121,864) | ( 17) | ( 264,937) | ( 17) | ( 201,877) | ( 16) |
| 502000 | Dealer handling fee | 6(20) | ( 3,242) | - | ( 2,191) | - | ( 7,461) | ( 1) | ( 4,901) | - |
| 521200 | Interest expense | 7 | ( 12,827) | ( 2) | ( 5,811) | ( 1) | ( 17,503) | ( 1) | ( 12,740) | ( 1) |
| 524100 | Futures commission | 6(21) and 7 | ( 144,853) | ( 19) | ( 138,039) | ( 20) | ( 298,304) | ( 19) | ( 245,986) | ( 20) |
| 524300 | Clearance fee | | ( 107,549) | ( 14) | ( 101,956) | ( 15) | ( 218,923) | ( 14) | ( 171,747) | ( 14) |
| 531000 | Employee benefit expense | 6(22)(23) | ( 144,528) | ( 19) | ( 138,258) | ( 20) | ( 274,676) | ( 18) | ( 244,095) | ( 20) |
| 532000 | Depreciation and amortization | 6(8)(9)(22) | ( 10,300) | ( 1) | ( 16,550) | ( 2) | ( 21,873) | ( 1) | ( 33,380) | ( 3) |
| 533000 | Other operating expenses | 6(22)(27) and 7 | ( 123,586) | ( 16) | ( 102,000) | ( 15) | ( 229,262) | ( 15) | ( 183,420) | ( 15) |
| 500000 | **Total costs and expenses** | | ( 676,481) | ( 88) | ( 626,669) | ( 90) | ( 1,332,939) | ( 86) | ( 1,098,146) | ( 89) |
| | **Operating income** | | 91,839 | 12 | 70,339 | 10 | 219,229 | 14 | 135,774 | 11 |
| 601000 | Share of the profit or loss of associates and joint ventures accounted for using the equity method | 6(5) | - | - | ( 269) | - | - | - | ( 273) | - |
| 602000 | Other gains and losses | 6(25) and 7 | 181,422 | 24 | 157,432 | 23 | 309,374 | 20 | 257,226 | 21 |
| 902001 | **Income before income tax** | | 273,261 | 36 | 227,502 | 33 | 528,603 | 34 | 392,727 | 32 |
| 701000 | Income tax expense | 6(25) | ( 38,330) | ( 5) | ( 38,876) | ( 6) | ( 84,130) | ( 6) | ( 74,827) | ( 6) |
| 902005 | **Net income** | | 234,931 | 31 | 188,626 | 27 | 444,473 | 28 | 317,900 | 26 |

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2016 | | 2015 | | 2016 | | 2015 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Other comprehensive income** | | | | | | | | | |
| | **Items may be reclassified subsequently to profit or loss** | | | | | | | | | |
| 805610 | Translation gain and loss on the financial statements of foreign operating entities | 6(15) | ($ 1,936) | - | ($ 1,986) | - | ($ 7,921) | - | ($ 3,953) | - |
| 805620 | Unrealized gain or loss on available-for-sale financial assets | 6(4)(15) | ( 2,573) | ( 1) | 20,854 | 3 | 127,246 | 8 | 130,252 | 10 |
| | **Total other comprehensive income (loss) (net of tax)** | | ( 4,509) | ( 1) | 18,868 | 3 | 119,325 | 8 | 126,299 | 10 |
| | **Total comprehensive income** | | $ 230,422 | 30 | $ 207,494 | 30 | $ 563,798 | 36 | $ 444,199 | 36 |
| | **Consolidated net income attributable to:** | | | | | | | | | |
| | Owners of the parent | | $ 234,931 | 31 | $ 188,626 | 27 | $ 444,473 | 29 | $ 317,900 | 26 |
| | **Consolidated comprehensive income attributable to:** | | | | | | | | | |
| | Owners of the parent | | $ 230,422 | 30 | $ 207,494 | 30 | $ 563,798 | 36 | $ 444,199 | 36 |
| | **Earnings per share (in New Taiwan Dollars)** | 6(26) | | | | | | | | |
| | **Basic earnings per share** | | $ 1.01 | | $ 0.81 | | $ 1.91 | | $ 1.37 | |

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

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Surplus | | Retained Earnings | | | Other equity interest | | |
| | Notes | Common stock | Paid-in capital in excess of par value | Paid-in capital from business merger | Legal reserve | Special reserve | Undistributed earnings | Translation gain and loss on the financial statements of foreign operating entities | Unrealized gain on available-for-sale financial assets | Total equity |
| For the six months ended June 30, 2015 | | | | | | | | | | |
| Balance, January 1, 2015 | 6(11) | $2,322,763 | $1,894,643 | $ 46,333 | $ 474,475 | $1,200,965 | $ 871,514 | ($ 1,285) | $ 638,620 | $7,448,028 |
| Appropriations of 2014 earnings: | 6(14) | | | | | | | | | |
| Legal reserve | | - | - | - | 87,060 | - | (87,060) | - | - | - |
| Special reserve | | - | - | - | - | 174,121 | (174,121) | - | - | - |
| Cash dividends | | - | - | - | - | - | (613,209) | - | - | (613,209) |
| Distribution of cash from paid-in capital | | - | (1,000,000) | - | - | - | - | - | - | (1,000,000) |
| Net income for the period | | - | - | - | - | - | 317,900 | - | - | 317,900 |
| Other comprehensive income (loss) for the period | 6(15) | - | - | - | - | - | - | (3,953) | 130,252 | 126,299 |
| Balance, June 30, 2015 | | $2,322,763 | $ 894,643 | $ 46,333 | $ 561,535 | $1,375,086 | $ 315,024 | ($ 5,238) | $ 768,872 | $6,279,018 |
| For the six months ended June 30, 2016 | | | | | | | | | | |
| Balance, January 1, 2016 | 6(11) | $2,322,763 | $ 894,643 | $ 46,333 | $ 561,535 | $1,375,086 | $ 757,898 | $ 6,527 | $ 812,322 | $6,777,107 |
| Legal reserve | 6(14) | - | - | - | 75,791 | - | (75,791) | - | - | - |
| Special reserve | | - | - | - | - | 151,579 | (151,579) | - | - | - |
| Cash dividends | | - | - | - | - | - | (529,590) | - | - | (529,590) |
| Net income for the period | | - | - | - | - | - | 444,473 | - | - | 444,473 |
| Other comprehensive income (loss) for the period | 6(15) | - | - | - | - | - | - | (7,921) | 127,246 | 119,325 |
| Balance, June 30, 2016 | | $2,322,763 | $ 894,643 | $ 46,333 | $ 637,326 | $1,526,665 | $ 445,411 | ($ 1,394) | $ 939,568 | $6,811,315 |

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

| | Notes | For the six months ended June 30 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Consolidated profit before tax for the period | | $ 528,603 | $ 392,727 |
| Adjustments to reconcile profit before tax to net cash provided by operating activities | | | |
| Depreciation | 6(8)(22) | 18,002 | 28,587 |
| Amortization | 6(9)(22) | 3,871 | 4,793 |
| Interest income | 6(24) | ( 269,640 ) | ( 224,277 ) |
| Interest expense | | 17,503 | 12,740 |
| Gain on disposal of available-for-sale financial assets | 6(4) | ( 55 ) | ( 2,160 ) |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | 6(5) | - | 273 |
| Dividend income | | ( 35,535 ) | ( 30,833 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss - current | | 249,355 | ( 97,361 ) |
| Margin deposits | | ( 5,900,279 ) | ( 8,820,101 ) |
| Futures trading margin receivable | | - | ( 455 ) |
| Security lending deposits | | ( 12,139 ) | - |
| Accounts receivable | | ( 11,143 ) | ( 31,746 ) |
| Accounts receivable - related parties | | 627 | 26 |
| Prepayments | | ( 3,271 ) | ( 4,281 ) |
| Other receivables | | 17,810 | ( 1,095 ) |
| Other receivables - related parties | | 36,792 | ( 57,468 ) |
| Other current assets | | ( 430 ) | ( 31 ) |
| Changes in operating liabilities | | | |
| Financial liabilities at fair value through profit or loss - current | | 40,477 | ( 3,783 ) |
| Futures traders' equity | | 5,891,081 | 8,818,052 |
| Accounts payable | | ( 34,492 ) | 291 |
| Accounts payable - related parties | | ( 4,552 ) | ( 2,143 ) |
| Collection for third parties | | 3,228 | 1,499 |
| Other payables | | ( 5,506 ) | ( 16,733 ) |
| Other payables - related parties | | 227 | 79 |
| Other current liabilities | | 1,805 | 227 |
| Provision - non-current | | 367 | 263 |
| Cash inflow (outflow) generated from operations | | 532,706 | ( 32,910 ) |
| Interest received | | 232,036 | 236,203 |
| Income tax paid | | ( 47,091 ) | ( 51,175 ) |
| Dividend received | | 2,855 | 1,664 |
| Interest paid | | ( 11,575 ) | ( 12,911 ) |
| Net cash provided by operating activities | | 708,931 | 140,871 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of available-for-sale financial assets | | ( 15,165 ) | ( 164,390 ) |
| Proceeds from disposal of available-for-sale financial assets | | 5,188 | 88,926 |
| Decrease in held-to-maturity financial assets | | - | 30,331 |
| Increase in equity investments accounted | | 8,519 | - |
| Acquisition of property and equipment | 6(8) | ( 8,422 ) | ( 6,501 ) |
| Increase in intangible assets | 6(9) | - | ( 729 ) |
| Decrease (increase) in operating guarantee deposits | | 20,000 | ( 10,000 ) |
| Decrease (increase) in clearing and settlement funds | | 58,250 | ( 3,417 ) |
| (Increase) decrease in refundable deposits | | ( 361 ) | 816 |
| Increase in prepayment for equipment | | ( 588 ) | ( 5,282 ) |
| Net cash flows provided by (used in) investing activities | | 67,421 | ( 70,246 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of cash dividends | 6(14) | ( 529,590 ) | ( 1,613,209 ) |
| Net cash flows used in financing activities | | ( 529,590 ) | ( 1,613,209 ) |
| Effect of change in foreign exchange rates | | ( 5,034 ) | ( 2,995 ) |
| Increase (decrease) in cash and cash equivalents | | 241,728 | ( 1,545,579 ) |
| Cash and cash equivalents at beginning of period | | 4,387,745 | 5,644,233 |
| Cash and cash equivalents at end of period | | $ 4,629,473 | $ 4,098,654 |

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

## 1. HISTORY AND ORGANIZATION

(1) Yuanta Futures Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) and started its operations on April 9, 1997. The Company merged with "Refco Taiwan Co., Ltd." on September 1, 2003 and was renamed as "Polaris Refco Futures Co., Ltd.". As of 2005, on account of changes in foreign shareholders, an extraordinary shareholders' meeting was held on February 15, 2006, and resolved to change its name to "Polaris MF Futures Co., Ltd." as approved by the Ministry of Economics.

On October 6, 2011, the Board of Directors of Polaris MF Futures Co., Ltd. decided to merge with Yuanta Futures Co., Ltd. In relation to the share conversion with Yuanta Futures Co., Ltd. in accordance with Gin-Gwen-Zheng-Qi Letter No. 1000052507, the Company can exchange its common shares using a ratio of 1.01 share to 1 share of Yuanta Futures common share. Both parties agreed to set April 1, 2012 as the merger date. The Company has also obtained the approval to change its name to "Yuanta Futures Co., Ltd."

(2) The Company and its subsidiaries (collectively referred herein as the "Group") is primarily engaged in onshore and offshore futures brokerage business, futures dealing, futures consulting, futures business management, securities dealing, and a variety of futures related businesses approved by the competent authority. As of June 30, 2016, the Company had 4 branches.

(3) As of June 30, 2016 and 2015, the Group had approximately 366 and 348 employees, respectively.

## 2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on August 25, 2016.

## 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28) | January 1, 2016 |
| Accounting for acquisition of interests in joint operations (amendments to IFRS 11) | January 1, 2016 |
| IFRS 14, 'Regulatory deferral accounts' | January 1, 2016 |

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Disclosure initiative (amendments to IAS 1) | January 1, 2016 |
| Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38) | January 1, 2016 |
| Agriculture: bearer plants (amendments to IAS 16 and IAS 41) | January 1, 2016 |
| Defined benefit plans: employee contributions (amendments to IAS 19R) | July 1, 2014 |
| Equity method in separate financial statements (amendments to IAS 27) | January 1, 2016 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, 'Levies' | January 1, 2014 |
| Improvements to IFRSs 2010-2012 | July 1, 2014 |
| Improvements to IFRSs 2011-2013 | July 1, 2014 |
| Improvements to IFRSs 2012-2014 | January 1, 2016 |

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Classification and measurement of share-based payment transactions (amendments to IFRS 2) | January 1, 2018 |
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | To be determined by International Accounting Standards Board |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2018 |
| Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15) | January 1, 2018 |
| IFRS 16, 'Leases' | January 1, 2019 |
| Disclosure initiative (amendments to IAS 7) | January 1, 2017 |
| Recognition of deferred tax assets for unrealised losses (amendments to IAS 12) | January 1, 2017 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

A. IFRS 9, ‘Financial instruments’

(A) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(B) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

(C) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ’rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Securities Firms” and the International Accounting Standard 34, ‘Interim Financial Reporting’ as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

| | | | Ownership (%) | | |
|---|---|---|---|---|---|
| Name of investor | Name of subsidiary | Main business activities | June 30, 2016 | December 31, 2015 | Note |
| The Company | Yuanta Futures (Hong Kong) Limited | Financial services | 100 | 100 | |
| The Company | SYF Information Limited | Information technology services | 100 | 100 | |
| SYF Information Limited | SYF Information (Samoa )Limited | Investment holding | 100 | 100 | Note |
| SYF Information (Samoa )Limited | SYF Information (Shanghai) Limited | Information technology services | 100 | 100 | |

(Blank)

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) June 30, 2015 | Note |
|---|---|---|---|---|
| The Company | Yuanta Futures (Hong Kong) Limited | Financial services | 100 | |
| The Company | SYF Information Limited | Information technology services | 100 | |
| SYF Information Limited | SYF Information (Samoa )Limited | Investment holding | 100 | |
| SYF Information (Samoa )Limited | SYF Information (Shanghai) Limited | Information technology services | 100 | |

Note: The Company increased the capital of the subsidiary by $66,228 in the first quarter of 2016. The subsidiary's increased capital is expected to be used for a capital investment in SYF Information (Shanghai) Limited, by $60,958.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that consolidated balance sheet;

(B) Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates of that period; and

(C) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realised within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the consolidated balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash and cash equivalents include petty cash, checking accounts, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(9) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using trade date accounting.

C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Margin deposits

In accordance with the Rules Governing Futures Commission Merchants, margin deposits accounts refer to the guarantee deposits and premiums collected from the futures customers, and the spread is calculated based on daily market price.

(11) Futures traders' equity / Futures trading margin receivable

Futures traders' equity is the trading margin/premiums deposited by customers and the difference of daily close-market balance. Futures traders' equity is shown under current liabilities. It cannot be offset except for the same customer with the same category of accounts. If payable to customer does not occur, it should be classified as futures trading margin receivable.

(12) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(13) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event' ) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(14) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

F. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property and equipment

A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Equipment applies cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ''Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of various fixed assets are all 3~6 years.

(17) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

A. Membership in a foreign Futures Exchange

Membership in a foreign Futures Exchange is stated at acquisition cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Membership in a foreign Futures Exchange is not amortised, but is tested annually for impairment.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(20) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the consolidated balance sheet date).

b. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognised immediately in profit or loss.

d. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(C) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(D) Employees' and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each consolidated balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. Brokerage fee income: Service fee income that is generated from futures merchants exercising futures transaction is recognized on the date of settlement.

B. Security commission revenue: Commission revenues that are generated from the operation of securities introducing broker business by futures commission merchants. These income are recognised on an accrual basis under the agreed terms.

C. Entrusted clearing settlement service fee: Service fee income that is generated by future merchants who has the qualification of clearing membership while exercising clearing settlement transaction is recognised on the date of futures transaction.

D. Derivative instrument net income

(A) Futures contract gains or losses: The margin of futures trading is recognized at cost and measured through mark-to-market accounting. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period.

(B) Options trading: The deposit of options trading is recognized at cost and assessed monthly through mark-to-market valuation before the obligation is fulfilled. Any gain and loss occurring due to the option exercise is recognized as gain and loss in the period.

E. Futures management fees revenues, supervisory income and brokerage income: These incomes are recognized on an accrual basis under the agreed terms.

F. Interest income: All of the interest income of financial instruments are calculated using the effective interest rate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 5. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the consolidated quarterly financial statements in conformity with IFRSs (in accordance with IAS 34 “Interim Financial Reporting” as approved by the FSC) requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. In the preparation of the consolidated quarterly financial statements, the major sources of significant accounting judgements and estimation uncertainty are consistent with Note 5 of the consolidated financial statements for the year ended December 31, 2015.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Petty cash | $ 113 | $ 115 | $ 110 |
| Cash in bank | | | |
| Checking deposits | 18 | 18 | 21 |
| Demand deposits | 336,683 | 209,221 | 241,529 |
| Time deposits | 3,670,712 | 3,529,066 | 3,196,396 |
| Subtotal | 4,007,526 | 3,801,420 | 3,438,056 |
| Futures margin deposits | 476,042 | 356,420 | 480,814 |
| Commercial paper (expiring within three months) | 145,905 | 229,905 | 179,784 |
| | $ 4,629,473 | $ 4,387,745 | $ 4,098,654 |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Financial assets held for trading | | | |
| Listed stocks | $ - | $ 230,321 | $ 179,454 |
| Beneficiary certificates | 86,386 | 38,566 | 10,000 |
| Open-End fund and money market instruments | 60,000 | 10,000 | - |
| Non-hedging derivatives | 170,595 | 275,309 | 21,077 |
| | 316,981 | 554,196 | 210,531 |
| Valuation adjustment | ( 27 ) | 12,113 | 9,882 |
| | $ 316,954 | $ 566,309 | $ 220,413 |

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Financial liabilities held for trading | | | |
| Options | $ 7,214 | $ 10,069 | $ 2,206 |
| Security borrowing payable – non-hedging | 43,332 | - | - |
| | $ 50,546 | $ 10,069 | $ 2,206 |

A. The Group recognised net gain of $33,251, $42,557, $52,409, and $58,824 on financial assets held for trading for the three months and six months ended June 30, 2016 and 2015, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Futures contracts | $ 163,510 | $ 268,110 | $ 16,530 |
| Options contracts | 7,085 | 7,199 | 4,547 |
| | $ 170,595 | $ 275,309 | $ 21,077 |

C. Futures

The Group entered into futures contracts to earn the spread. As of June 30, 2016, December 31, 2015 and June 30, 2015, margin deposits for these contracts were $639,552, $624,530 and $497,344 respectively, with excess margin of $476,042, $356,420 and $480,814 are recognized in "cash and cash equivalents", respectively.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Margin deposits /Futures traders' equity

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Margin deposits by customers: | | | |
| Cash in banks | $ 44,827,775 | $ 40,787,514 | $ 29,936,622 |
| Clearing house | 5,636,559 | 4,453,598 | 5,473,751 |
| Other futures commission merchants | 5,192,015 | 4,514,958 | 3,497,113 |
| Total | 55,656,349 | 49,756,070 | 38,907,486 |
| Less: Fees of revenue pending for transfer | ( 157,753 ) | ( 151,764 ) | ( 143,521 ) |
| Futures exchange tax pending for transfer | ( 3,667 ) | ( 2,561 ) | ( 2,781 ) |
| Temporary receipts | ( 4,413 ) | ( 3,552 ) | ( 3,358 ) |
| Others | ( 4,239 ) | ( 2,997 ) | ( 4,785 ) |
| Futures traders' equity | $ 55,486,277 | $ 49,595,196 | $ 38,753,041 |

(4) Available-for-sale financial assets

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Current items: | | | |
| Listed stocks | $ 51,575 | $ 41,543 | $ 33,438 |
| Valuation adjustment of available-for-sale financial assets | ( 4,734 ) | ( 3,667 ) | ( 6,293 ) |
| Total | $ 46,841 | $ 37,876 | $ 27,145 |
| Non-current items: | | | |
| Listed stocks | $ 41,255 | $ 41,255 | $ 41,255 |
| Non-Listed stocks | 221,132 | 221,132 | 221,132 |
| Financial bonds | 97,895 | 100,429 | 94,544 |
| Subtotal | 360,282 | 362,816 | 356,931 |
| Valuation adjustment of available-for-sale financial asset | 944,222 | 815,940 | 775,167 |
| Total | $ 1,304,504 | $ 1,178,756 | $ 1,132,098 |

The Group recognised ($2,549), $25,796, $127,270, and $132,414 in other comprehensive income for fair value change and reclassified $0, ($620), $55 and $2,160 from equity to profit or loss for the three months and six months ended June 30, 2016 and 2015, respectively.

(5) Investments accounted for using equity method

A. Details of long-term equity investments are as follows:

| Investee company | June 30, 2016 Amount | June 30, 2016 Ownership (%) | December 31, 2015 Amount | December 31, 2015 Ownership (%) |
|---|---|---|---|---|
| MF Global Investment Consulting Company (Note) | $ - | - | $ 8,519 | 33.33% |

| Investee company | June 30, 2015 Amount | June 30, 2015 Ownership (%) |
|---|---|---|
| MF Global Investment Consulting Company (Note) | $ 9,053 | 33.33% |

Note: The company has completed liquidation procedures in second quarter of 2016.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

| | For the three months ended June 30 2016 | For the three months ended June 30 2015 |
|---|---|---|
| Loss for the period from continuing operations | $ - | ($ 269) |
| Other comprehensive income- net of tax | - | - |
| Total comprehensive loss | $ - | ($ 269) |

| | For the six months ended June 30 2016 | For the six months ended June 30 2015 |
|---|---|---|
| Loss for the period from continuing operations | $ - | ($ 273) |
| Other comprehensive income- net of tax | - | - |
| Total comprehensive loss | $ - | ($ 273) |

(6) Operating guarantee deposits

The annual interest rates of operating guarantee deposits that were provided as time deposits maturing within one-year in Yuanta Bank as of June 30, 2016, December 31, 2015 and June 30, 2015 were 1.125%~1.36%, 1.205%~1.36% and 1.36%, respectively. Details of the pledged assets are provided in Note 8.

(7) Clearing and settlement funds

The Company exercises clearing and settlement transactions in accordance with the criteria of clearing membership's regulation of the Taiwan Futures Exchange. Before exercising clearing and settlement transaction, the Company should deposit $40,000. After one year, the amount that should be deposited could be decreased to $30,000 and the Company could deposit settlement and clearing fund through an appropriation method and an amount that is regulated by the Taiwan Futures Exchange. Every additional entrusting futures merchant performing settlement and clearing transaction, should deposit settlement and clearing fund of $3,000 before entrusting. Every branch established that performs futures transactions or every additional entrusting futures introducing broker by clearing member or every branch established by such futures introducing broker, should deposit another $1,000 settlement and clearing fund to the Taiwan Futures Exchange.

(8) Property and equipment

| | Equipment | Leasehold improvements | Total |
|---|---|---|---|
| At January 1, 2016 | | | |
| Cost | $ 125,757 | $ 76,068 | $ 201,825 |
| Accumulated depreciation | ( 73,417 ) | ( 57,838 ) | ( 131,255 ) |
| | $ 52,340 | $ 18,230 | $ 70,570 |
| Six months ended June 30, 2016 | | | |
| Opening net book amount | $ 52,340 | $ 18,230 | $ 70,570 |
| Additions | 7,616 | 806 | 8,422 |
| Depreciation expense | ( 13,016 ) | ( 4,986 ) | ( 18,002 ) |
| Net exchange | ( 32 ) | ( 14 ) | ( 46 ) |
| Closing net book amount | $ 46,908 | $ 14,036 | $ 60,944 |
| At June 30, 2016 | | | |
| Cost | $ 133,302 | $ 76,834 | $ 210,136 |
| Accumulated depreciation | ( 86,394 ) | ( 62,798 ) | ( 149,192 ) |
| | $ 46,908 | $ 14,036 | $ 60,944 |

| | Equipment | Leasehold improvements | Total |
|---|---|---|---|
| At January 1, 2015 | | | |
| Cost | $ 132,075 | $ 80,670 | $ 212,745 |
| Accumulated depreciation | ( 75,788 ) | ( 56,003 ) | ( 131,791 ) |
| | $ 56,287 | $ 24,667 | $ 80,954 |
| Six months ended June 30, 2015 | | | |
| Opening net book amount | $ 56,287 | $ 24,667 | $ 80,954 |
| Additions | 2,735 | 3,766 | 6,501 |
| Reclassifications | 4,334 | 4,800 | 9,134 |
| Depreciation expense | ( 14,821 ) | ( 13,766 ) | ( 28,587 ) |
| Net exchange | ( 21 ) | 1 | ( 20 ) |
| Closing net book amount | $ 48,514 | $ 19,468 | $ 67,982 |
| At June 30, 2015 | | | |
| Cost | $ 139,108 | $ 89,236 | $ 228,344 |
| Accumulated depreciation | ( 90,594 ) | ( 69,768 ) | ( 160,362 ) |
| | $ 48,514 | $ 19,468 | $ 67,982 |

(Blank)

(9) Intangible assets

| | Membership in a foreign Futures Exchange | Others | Total |
|---|---|---|---|
| At January 1, 2016 | | | |
| Cost | $ 24,125 | $ 27,745 | $ 51,870 |
| Accumulated amortisation | - | ( 19,351 ) | ( 19,351 ) |
| Net exchange | 2,647 | - | 2,647 |
| | $ 26,772 | $ 8,394 | $ 35,166 |
| Six months ended June 30, 2016 | | | |
| Opening net book amount | $ 26,772 | $ 8,394 | $ 35,166 |
| Amortisation expense | - | ( 3,871 ) | ( 3,871 ) |
| Net exchange | ( 448 ) | - | ( 448 ) |
| Closing net book amount | $ 26,324 | $ 4,523 | $ 30,847 |
| At June 30, 2016 | | | |
| Cost | $ 24,125 | $ 27,745 | $ 51,870 |
| Accumulated amortisation | - | ( 23,222 ) | ( 23,222 ) |
| Net exchange | 2,199 | - | 2,199 |
| | $ 26,324 | $ 4,523 | $ 30,847 |

| | Membership in a foreign Futures Exchange | Others | Total |
|---|---|---|---|
| At January 1, 2015 | | | |
| Cost | $ 24,125 | $ 29,765 | $ 53,890 |
| Accumulated amortisation | - | ( 13,980 ) | ( 13,980 ) |
| Net exchange | 1,689 | - | 1,689 |
| | $ 25,814 | $ 15,785 | $ 41,599 |
| Six months ended June 30, 2015 | | | |
| Opening net book amount | $ 25,814 | $ 15,785 | $ 41,599 |
| Additions | - | 729 | 729 |
| Amortisation expense | - | ( 4,793 ) | ( 4,793 ) |
| Net exchange | ( 645 ) | - | ( 645 ) |
| Closing net book amount | $ 25,169 | $ 11,721 | $ 36,890 |
| At June 30, 2015 | | | |
| Cost | $ 24,125 | $ 30,494 | $ 54,619 |
| Accumulated amortisation | - | ( 18,773 ) | ( 18,773 ) |
| Net exchange | 1,044 | - | 1,044 |
| | $ 25,169 | $ 11,721 | $ 36,890 |

(10) Pension

A.(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by March next year.

(B) For the aforementioned pension plan, the Group recognised pension costs of \$236, \$198, \$472 and \$396 for the three months and six months ended June 30, 2016 and 2015, respectively.

(C) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to \$888.

B.(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under defined contribution pension plans of the Company for the three months and six months ended June 30, 2016 and 2015 were \$4,089, \$3,804, \$8,105 and \$7,424, respectively.

(11) <u>Share capital</u>

As of June 30, 2016, the Company's authorized capital was \$2,500,000, and the paid-in capital was \$2,322,763 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(12) <u>Capital surplus</u>

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(13) <u>Special reserve</u>

A. According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be capitalized.

B. The Company transferred provision on bad debt loss that had been set aside but not reversed to special reserve on initial application of IFRSs in accordance with Gin-Gwen-Zheng-Qi Letter No. 1010032090, dated July 10, 2012. Except for offsetting operating losses or special reserve exceeding 50% of the Company's paid-in capital after transferring, the Company could transfer half of special reserve as share capital.

C. According to Gin-Gwen-Zheng-Qi Letter No. 1010048029, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of equity. For the cumulative decrease in equity of the prior period, the equal amount of special reserve set aside based on the undistributed earnings should not be distributed. If there is any reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.

(14) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% and 20% of the remaining amount shall be set aside as legal reserve and special reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, 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 distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2015 and 2014 earnings had been resolved by the Board of Directors (acting on behalf of stockholders). Details are summarized below:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Amount | Dividends per Share (in dollars) | Amount | Dividends per Share (in dollars) |
| Legal reserve | $ 75,791 | | $ 87,060 | |
| Special reserve | 151,579 | | 174,121 | |
| Cash dividends | 529,590 | $ 2.28 | 613,209 | $ 2.64 |

On May 21, 2015, the stockholders proposed to distribute capital surplus as cash dividends amounting to $1,000,000.

E. For information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6 (23).

(15) Other equity items

| | Available-for-sale investments | Currency translation differences | Total |
|---|---|---|---|
| At January 1, 2016 | $ 812,322 | $ 6,527 | $ 818,849 |
| Available-for-sale investment revaluation - gross | 127,246 | - | 127,246 |
| Currency translation differences - Exchange differences | - | ( 7,921 ) | ( 7,921 ) |
| At June 30, 2016 | $ 939,568 | ( $ 1,394 ) | $ 938,174 |

| | Available-for-sale investments | Currency translation differences | Total |
|---|---|---|---|
| At January 1, 2015 | $ 638,620 | ( $ 1,285 ) | $ 637,335 |
| Available-for-sale investment revaluation - gross | 130,252 | - | 130,252 |
| Currency translation differences - Exchange differences | - | ( 3,953 ) | ( 3,953 ) |
| At June 30, 2015 | $ 768,872 | ( $ 5,238 ) | $ 763,634 |

(16) Brokerage

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Dealers' commissions | $ 699,576 | $ 670,657 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Dealers' commissions | $ 1,436,036 | $ 1,175,939 |

(17) Net Gain on trading of securities

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Revenue from sale of securities - dealing | $ 53,234 | $ 251,040 |
| Cost from sale of securities - dealing | ( 69,128 ) | ( 256,684 ) |
| Total | ( $ 15,894 ) | ( $ 5,644 ) |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Revenue from sale of securities - dealing | $ 361,510 | $ 316,162 |
| Cost from sale of securities - dealing | ( 358,751 ) | ( 321,070 ) |
| Total | $ 2,759 | ( $ 4,908 ) |

(18) Clearance fee from consignation

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Clearance fee from consignation - non-related parties | $ 9,682 | $ 10,195 |
| Clearance fee from consignation - related parties | 12,715 | 13,666 |
| Total | $ 22,397 | $ 23,861 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Clearance fee from consignation - non-related parties | $ 18,630 | $ 17,938 |
| Clearance fee from consignation - related parties | 26,294 | 24,009 |
| Total | $ 44,924 | $ 41,947 |

(19) Gain (loss) on derivatives

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Non-hedging | | |
| Futures contract interests | | |
| Futures contract gains | $ 345,363 | $ 145,400 |
| Futures contract losses | ( 305,771 ) | ( 152,721 ) |
| | $ 39,592 | ( $ 7,321 ) |
| Gain (loss) from trading options | | |
| Gain from trading options | $ 49,581 | $ 14,364 |
| Loss from trading options | ( 41,067 ) | ( 2,816 ) |
| | $ 8,514 | $ 11,548 |
| Non-hedging | | |
| Gains from derivative financial instruments | $ 394,944 | $ 159,764 |
| Losses from derivative financial instruments | ( 346,838 ) | ( 155,537 ) |
| | $ 48,106 | $ 4,227 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Non-hedging | | |
| Futures contract interests | | |
| Futures contract gains | $ 630,489 | $ 233,104 |
| Futures contract losses | ( 576,788 ) | ( 239,490 ) |
| | $ 53,701 | ( $ 6,386 ) |
| Gain (loss) from trading options | | |
| Gain from trading options | $ 86,713 | $ 28,389 |
| Loss from trading options | ( 83,558 ) | ( 14,034 ) |
| | $ 3,155 | $ 14,355 |
| Non-hedging | | |
| Gains from derivative financial instruments | $ 717,202 | $ 261,493 |
| Losses from derivative financial instruments | ( 660,346 ) | ( 253,524 ) |
| | $ 56,856 | $ 7,969 |

(20) Service charge

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Service charge - brokerage | $ 129,596 | $ 121,864 |
| Service charge - dealing | 3,242 | 2,191 |
| Total | $ 132,838 | $ 124,055 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Service charge - brokerage | $ 264,937 | $ 201,877 |
| Service charge - dealing | 7,461 | 4,901 |
| Total | $ 272,398 | $ 206,778 |

(21) Futures commissions

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Complex entrusted futures transaction | $ 73,168 | $ 61,793 |
| Futures auxiliary business | 71,685 | 76,246 |
| Total | $ 144,853 | $ 138,039 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Complex entrusted futures transaction | $ 152,106 | $ 108,433 |
| Futures auxiliary business | 146,198 | 137,553 |
| Total | $ 298,304 | $ 245,986 |

(22) Operating expenses

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Employee benefit expense | $ 144,528 | $ 138,258 |
| Depreciation expense | 8,628 | 14,221 |
| Amortisation expense | 1,672 | 2,329 |
| Postage and telephone costs | 14,091 | 17,643 |
| Tax expenses | 21,475 | 20,776 |
| Computer information expenses | 19,189 | 19,468 |
| Donation | 8,210 | 6,850 |
| Institutional membership fees | 7,497 | 6,806 |
| Operating lease payments | 7,539 | 7,455 |
| Repair charge | 6,390 | 6,095 |
| Advertising costs | 7,320 | 3,813 |
| Service expenses | 2,908 | 2,853 |
| Other expenses | 28,967 | 10,241 |
| Total | $ 278,414 | $ 256,808 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Employee benefit expense | $ 274,676 | $ 244,095 |
| Depreciation expense | 18,002 | 28,587 |
| Amortisation expense | 3,871 | 4,793 |
| Postage and telephone costs | 29,356 | 34,429 |
| Tax expenses | 46,084 | 38,454 |
| Computer information expenses | 38,359 | 34,628 |
| Donation | 10,710 | 7,450 |
| Institutional membership fees | 15,443 | 11,757 |
| Operating lease payments | 14,708 | 15,119 |
| Repair charge | 12,054 | 10,659 |
| Advertising costs | 15,155 | 7,043 |
| Service expenses | 5,527 | 5,594 |
| Other expenses | 41,866 | 18,287 |
| Total | $ 525,811 | $ 460,895 |

(23) Employee benefit expense

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Wages and salaries | $ 126,566 | $ 120,912 |
| Labor and health insurance fees | 7,817 | 7,394 |
| Pension costs | 4,325 | 4,002 |
| Post-employment benefits | 1,529 | 2,009 |
| Other personnel expenses | 4,291 | 3,941 |
| Total | $ 144,528 | $ 138,258 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Wages and salaries | $ 240,933 | $ 212,568 |
| Labor and health insurance fees | 14,650 | 14,067 |
| Pension costs | 8,577 | 7,820 |
| Post-employment benefits | 1,835 | 2,478 |
| Other personnel expenses | 8,681 | 7,162 |
| Total | $ 274,676 | $ 244,095 |

A. According to the Company’s Articles of Incorporation, when distributing earnings, the Company shall distribute bonus to the employees that account for 0.01%~5%, of the total distributed amount.

B. For the three months and six months ended June 30, 2016 and 2015, employees’ compensation was accrued both at $750 and $1,500, respectively, the aforementioned amounts were recognised in salary expenses. For the six months ended June 30, 2016, the employees’ compensation was estimated and accrued based on 0.01% to 5% of distributable profit of current year as of the end of reporting period.

Employees’ compensation and directors’ and supervisors’ remuneration of 2015 as resolved by the meeting of board of directors were in agreement with those amounts recognised in the 2015 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of board of directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Other gains and losses

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Interest income | $ 130,228 | $ 109,916 |
| Gains on disposal of investments | 896 | 42,915 |
| Dividend income | 33,088 | 28,260 |
| Net currency exchange loss | 6,258 | ( 26,249) |
| Others | 10,952 | 2,590 |
| Total | $ 181,422 | $ 157,432 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Interest income | $ 269,640 | $ 224,227 |
| Gains on disposal of investments | 4,934 | 48,547 |
| Dividend income | 35,535 | 29,898 |
| Net currency exchange loss | ( 7,316) | ( 43,913) |
| Others | 6,581 | ( 1,583) |
| Total | $ 309,374 | $ 257,226 |

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Current tax: | | |
| Current tax on profits for the period | $ 41,806 | $ 42,702 |
| Tax on undistributed surplus earnings | 94 | 81 |
| Adjustments in respect of prior years | ( 4,670 ) | 1,520 |
| Total current tax | 37,230 | 44,303 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 1,100 | ( 5,427 ) |
| Total deferred tax | 1,100 | ( 5,427 ) |
| Income tax expense | $ 38,330 | $ 38,876 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Current tax: | | |
| Current tax on profits for the period | $ 84,655 | $ 88,005 |
| Tax on undistributed surplus earnings | 94 | 81 |
| Adjustments in respect of prior years | ( 4,670 ) | 1,771 |
| Total current tax | 80,079 | 89,857 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 4,051 | ( 15,030 ) |
| Total deferred tax | 4,051 | ( 15,030 ) |
| Income tax expense | $ 84,130 | $ 74,827 |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

None.

B. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

C. All undistributed earnings of the Company originated from years after 1998.

D. As of June 30, 2016, December 31, 2015 and June 30, 2015, the balances of the imputation tax credit account was $164, $127,234 and $12, respectively. The creditable tax rate were 18.17% for 2014 and the estimated creditable tax rate is 19.48% for 2015.

(26) Earnings per share

| | For the three months ended June 30, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per Share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 234,931 | $ 232,276 | $ 1.01 |

| | For the three months ended June 30, 2015 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per Share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 188,626 | $ 232,276 | $ 0.81 |

| | For the six months ended June 30, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per Share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 444,473 | $ 232,276 | $ 1.91 |

| | For the six months ended June 30, 2015 | | |
|---|---|---|---|
| | Amount after tax | Weighte average number of ordinary shares outstanding (share in thousands) | Earnings per Share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 317,900 | $ 232,276 | $ 1.37 |

(27) Operating leases

The Group leases its office and certain equipment under non-cancellable operating lease agreements. The lease terms are between years 2012 to 2018, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of $7,539 , $7,266, $14,708 and $14,044 for the three months and six months ended June 30, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Less than one year | $ 49,954 | $ 27,118 | $ 48,351 |
| Later than one year but no later than five years | 26,708 | 23,271 | 69,384 |
| | $ 76,662 | $ 50,389 | $ 117,735 |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Yuanta Financial Holding Co., Ltd., which owns 68.65% of the Company’s shares.

(2) Significant related party transactions and balances

A. Cash and cash equivalents/ operating guarantee deposits/ customer margin deposits/ futures trading guarantees

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | | | | Futures trading guarantees | |
| | Bank deposits | Operating guarantee deposits | Customer margin deposits | Self-capital | Balance of excess futures guarantee deposits |
| Fellow subsidiary | | | | | |
| Yuanta Bank | $ 1,421,595 | $ 165,000 | $ 12,689,397 | $ - | $ - |
| Ta Chong Commercial Bank, Ltd. | - | - | 231,188 | - | - |
| Yuanta Securities (Hong Kong) Co., Ltd. | - | - | 73,712 | 1,239 | 29,785 |
| | $ 1,421,595 | $ 165,000 | $ 12,994,297 | $ 1,239 | $ 29,785 |

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | | | | Futures trading guarantees | |
| | Bank deposits | Operating guarantee deposits | Customer margin deposits | Self-capital | Balance of excess futures guarantee deposits |
| Fellow subsidiary | | | | | |
| Yuanta Bank | $ 1,770,142 | $ 185,000 | $ 19,907,221 | $ - | $ - |
| Yuanta Securities (Hong Kong) Co., Ltd. | - | - | 28,900 | 2,605 | 30,706 |
| | $ 1,770,142 | $ 185,000 | $ 19,936,121 | $ 2,605 | $ 30,706 |

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | | | | Futures trading guarantees | |
| | Bank deposits | Operating guarantee deposits | Customer margin deposits | Self-capital | Balance of excess futures guarantee deposits |
| Fellow subsidiary | | | | | |
| Yuanta Bank | $ 961,594 | $ 195,000 | $ 13,895,509 | $ - | $ - |
| Yuanta Securities (Hong Kong) Co., Ltd. | - | - | 53,831 | 422 | 25,161 |
| | $ 961,594 | $ 195,000 | $ 13,949,340 | $ 422 | $ 25,161 |

B. Security lending deposits

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Securities Co. ,Ltd. | $ - | $ 25,901 | $ - |

C. Accounts receivables - related parties

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Securities Co. ,Ltd. | $ 4,573 | $ 5,200 | $ 4,956 |

D. Other receivables - related parties

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Bank | $ 6,389 | $ 10,792 | $ 10,081 |
| Yuanta Securities Co. ,Ltd. | - | 15,351 | - |
| Yuanta Securities Investment Trust | 54 | 40 | 57,548 |
| | $ 6,443 | $ 26,183 | $ 67,629 |

E. Refundable deposits

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Bank | $ 420 | $ 421 | $ 421 |
| Yuanta Securities Co. ,Ltd. | 5,272 | 5,139 | 4,993 |
| | $ 5,692 | $ 5,560 | $ 5,414 |

F. Futures traders' equity

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Bank | $ 38,968 | $ 113,921 | $ 64,685 |
| Ta Chong Commercial Bank, Ltd. | 43,879 | - | - |
| Yuanta Securities Co. , Ltd. | 3,035,703 | 4,333,870 | 2,565,574 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 358,388 | 304,325 | 185,866 |
| Ta Chong Securities Co., Ltd. | 32,729 | - | - |
| Funds managed by fellow subsidiary | | | |
| Funds managed by Yuanta Securities Investment Trust | 15,831,011 | 3,769,835 | 1,992,794 |
| President and significant shareholder of financial holding company and subsidiary | 36,040 | 20,828 | 14,824 |
| Other related parties | 45,741 | 9,346 | 10,455 |
| | $ 19,422,459 | $ 8,552,125 | $ 4,834,198 |

G. Accounts payable - related parties

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Fellow subsidiary | | | |
| Yuanta Securities Co., Ltd. | $ 21,386 | $ 25,938 | $ 23,142 |

H. Other payables - related parties

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Parent Company | | | |
| Yuanta Financial Holdings | $ 696 | $ 4 | $ 25 |
| Fellow subsidiary | | | |
| Yuanta Securities Co., Ltd. | 583 | 334 | 567 |
| President and significant shareholder of financial holding company and subsidiary | - | 96 | - |
| | $ 1,279 | $ 434 | $ 592 |

I. Brokerage

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 95 | $ 103 |
| Ta Chong Commercial Bank, Ltd. | 1,348 | - |
| Yuanta Securities Co., Ltd. | 20,215 | 22,641 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 1,477 | 914 |
| Ta Chong Securities Co., Ltd. | 993 | - |
| Funds managed by fellow subsidiary | | |
| Funds managed by Yuanta Securities Investment Trust | 36,365 | 2,275 |
| President and significant shareholder of financial holding company and subsidiary | 1,360 | 755 |
| Other related parties | 958 | 1,257 |
| | $ 62,811 | $ 27,945 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 206 | $ 185 |
| Ta Chong Commercial Bank, Ltd. | 1,412 | - |
| Yuanta Securities Co., Ltd. | 52,398 | 34,850 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 2,802 | 1,181 |
| Ta Chong Securities Co., Ltd. | 2,513 | - |
| Funds managed by fellow subsidiary | | |
| Funds managed by Yuanta Securities Investment Trust | 73,104 | 4,317 |
| President and significant shareholder of financial holding company and subsidiary | 2,507 | 1,437 |
| Other related parties | 1,939 | 1,859 |
| | $ 136,881 | $ 43,829 |

J. Clearance fee from consignation

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 12,714 | $ 13,666 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 26,294 | $ 24,009 |

K. Securities trading commissions income

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 985 | $ 811 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 1,788 | $ 1,361 |

L. Co-marketing revenue

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Investment Trust | $ 108 | $ 178 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Investment Trust | $ 230 | $ 352 |

M. Futures commissions expense and consigned/entrusted foreign futures trading commissions

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 64,969 | $ 69,276 |
| Polaris Securities (Hong Kong) Co., Ltd. | 2,096 | 1,732 |
| Yuanta Securities Korea Co., Ltd. | - | - |
| | $ 67,065 | $ 71,008 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 132,450 | $ 125,022 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 4,085 | 3,128 |
| Yuanta Securities Korea Co., Ltd. | 124 | - |
| | $ 136,659 | $ 128,150 |

The Group engaged with Yuanta Securities Co., Ltd. and Yuanta Securities (Hong Kong) Co., Ltd. for the purpose of futures trading and consigned/entrusted foreign futures trading, that is, the Company acts as an agent for trading of futures contracts and futures option contracts for its customers. The futures commission expense and payment terms do not have any significant difference between related parties and non-related parties.

N. Service fees

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 394 | $ 327 |
| Yuanta Securities Investment Consulting | 918 | 918 |
| | $ 1,312 | $ 1,245 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Securities Co. ,Ltd. | $ 724 | $ 522 |
| Yuanta Securities Investment Consulting | 1,836 | 1,836 |
| | $ 2,560 | $ 2,358 |

O. Interest income

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 44,216 | $ 52,041 |
| Yuanta Securities Co. ,Ltd. | 64 | 17 |
| | $ 44,280 | $ 52,058 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 101,256 | $ 94,706 |
| Yuanta Securities Co. ,Ltd. | 80 | 34 |
| | $ 101,336 | $ 94,740 |

Interest income includes the interest of demand deposits, time deposits, margin deposits, and operations guarantee deposits. See Note 6(7) for details of operations guarantee deposits.

P. Interest expense

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ - | $ 30 |
| Yuanta Securities Co. ,Ltd. | 1,347 | 1,745 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 20 | 5 |
| | $ 1,367 | $ 1,780 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ - | $ 30 |
| Yuanta Securities Co. ,Ltd. | 3,095 | 3,251 |
| Yuanta Securities (Hong Kong) Co., Ltd. | 40 | 12 |
| | $ 3,135 | $ 3,293 |

Q. Rental expense

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 434 | $ 342 |
| Yuanta Securities Co. ,Ltd. | 5,288 | 5,010 |
| | $ 5,722 | $ 5,352 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Fellow subsidiary | | |
| Yuanta Bank | $ 867 | $ 501 |
| Yuanta Securities Co. ,Ltd. | 10,576 | 10,020 |
| | $ 11,443 | $ 10,521 |

The rentals were determined by reference to the rental rates of nearby office buildings and by contracts between the related parties.

R. Donation expenditure

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Yuanta Cultural & Education Foundation | $ 6,000 | $ 4,650 |
| Polaris Research | 2,210 | 2,200 |
| | $ 8,210 | $ 6,850 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Yuanta Cultural & Education Foundation | $ 6,000 | $ 4,650 |
| Polaris Research | 2,210 | 2,200 |
| | $ 8,210 | $ 6,850 |

S. Property transactions

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Funds managed by fellow subsidiary | | | |
| Funds managed by Yuanta Securities Investment Trust | $ 63,171 | $ 44,395 | $ 9,435 |

The gains on disposal of funds managed by fellow subsidiary and other related parties' stocks were ($49), $16,657, $140 and $18,552 for the three months and six months ended June 30, 2016 and 2015, respectively.

(3) Key management compensation

| | For the three months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Salaries and other short-term employee benefits | $ 30,794 | $ 37,962 |
| Post-employment benefits | - | 52 |
| Termination benefits | 970 | 1,017 |
| Other long-term benefits | 405 | 420 |
| | $ 32,169 | $ 39,451 |

| | For the six months ended June 30 | |
|---|---|---|
| | 2016 | 2015 |
| Salaries and other short-term employee benefits | $ 70,281 | $ 71,736 |
| Post-employment benefits | - | 91 |
| Termination benefits | 1,945 | 2,054 |
| Other long-term benefits | 811 | 854 |
| | $ 73,037 | $ 74,735 |

8. PLEDGED ASSETS

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Operating guarantee deposits | $ 165,000 | $ 185,000 | $ 195,000 |

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

For information on operating leases agreements, please refer to Note 6(27) for details.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

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## 11. DERIVATIVE INSTRUMENT TRANSACTIONS

The Group had financial instrument trading - derivatives as follows:

| June 30, 2016 | | | | | | |
|---|---|---|---|---|---|---|
| | | Open Interest | | | | |
| Item | Object of transaction | Buyer /Seller | Number of contract(s) (lot) | Margin paid (received) | Fair value | Remarks |
| Futures contracts | TX | Buyer | 2,638 | $ 4,308,674 | $ 4,400,664 | |
| (Domestic) | TX | Seller | 2,106 | ( 3,512,667 ) | ( 3,572,508 ) | |
| | MTX | Buyer | 481 | 196,892 | 199,892 | |
| | MTX | Seller | 441 | ( 184,368 ) | ( 187,580 ) | |
| | TJF | Buyer | 1 | 251 | 250 | |
| | TJF | Seller | 24 | ( 5,983 ) | ( 6,000 ) | |
| | Stock futures | Buyer | 462 | 43,602 | 47,371 | |
| | Stock futures | Seller | 151 | ( 7,243 ) | ( 7,268 ) | |
| | TF | Buyer | 96 | 89,122 | 89,146 | |
| | TF | Seller | 7 | ( 6,414 ) | ( 6,500 ) | |
| | TE | Buyer | 9 | 12,283 | 12,460 | |
| | TE | Seller | 92 | ( 124,227 ) | ( 127,365 ) | |
| | Metal Futures | Seller | 5 | ( 2,578 ) | ( 2,578 ) | |
| | Foreign Exchange | Buyer | 3 | 1,960 | 2,007 | |
| Futures contracts (Overseas) | Foreign Exchange | Seller | 2 | ( 7,961 ) | ( 7,832 ) | |
| | Metal Futures | Buyer | 18 | 37,936 | 39,196 | |
| | Metal Futures | Seller | 6 | ( 25,517 ) | ( 25,573 ) | |
| | Index Futures | Buyer | 265 | 172,476 | 176,643 | |
| | Index Futures | Seller | 903 | ( 1,020,033 ) | ( 1,025,568 ) | |
| | Energy Futures | Buyer | 2 | 2,577 | 2,577 | |
| | Energy Futures | Seller | 13 | ( 20,067 ) | ( 21,239 ) | |
| | Bond futures | Seller | 14 | ( 36,724 ) | ( 39,077 ) | |
| | Grain Futures | Buyer | 31 | 13,024 | 13,194 | |
| | Grain Futures | Seller | 9 | ( 8,366 ) | ( 8,215 ) | |
| Option contracts | TXO | Buy call | 2,568 | 3,540 | 3,518 | |
| (Domestic) | TXO | Buy put | 1,621 | 8,929 | 3,567 | |
| | TXO | Sell call | 2,562 | ( 3,384 ) | ( 3,605 ) | |
| | TXO | Sell put | 1,627 | ( 8,743 ) | ( 3,609 ) | |

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| December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|
| | | Open Interest | | | | |
| Item | Object of transaction | Buyer /Seller | Number of contract(s) (lot) | Margin paid (received) | Fair value | Remarks |
| Futures contracts | TX | Buyer | 444 | $ 735,972 | $ 734,820 | |
| (Domestic) | TX | Seller | 233 | ( 383,693 ) | ( 385,327 ) | |
| | MTX | Buyer | 2 | 832 | 828 | |
| | MTX | Seller | 42 | ( 17,270 ) | ( 17,377 ) | |
| | TJF | Buyer | 9 | 2,748 | 2,762 | |
| | TJF | Seller | 9 | ( 2,762 ) | ( 2,762 ) | |
| | Stock futures | Buyer | 108 | 8,565 | 8,564 | |
| | Stock futures | Seller | 234 | ( 11,309 ) | ( 11,177 ) | |
| | TF | Seller | 35 | ( 34,394 ) | ( 34,237 ) | |
| | TE | Seller | 5 | ( 6,504 ) | ( 6,522 ) | |
| Futures contracts (Overseas) | Foreign Exchange | Buyer | 9 | 47,805 | 47,722 | |
| | Foreign Exchange | Seller | 5 | ( 14,925 ) | ( 15,008 ) | |
| | Metal Futures | Buyer | 10 | 4,700 | 4,741 | |
| | Metal Futures | Seller | 24 | ( 24,214 ) | ( 24,049 ) | |
| | Index Futures | Buyer | 235 | 401,463 | 396,703 | |
| | Index Futures | Seller | 655 | ( 932,252 ) | ( 930,351 ) | |
| | Energy Futures | Buyer | 4 | 5,673 | 5,755 | |
| | Energy Futures | Seller | 8 | ( 9,668 ) | ( 9,727 ) | |
| | Bond futures | Buyer | 9 | 41,413 | 41,299 | |
| | Grain Futures | Buyer | 4 | 5,511 | 5,802 | |
| | Grain Futures | Seller | 29 | ( 20,717 ) | ( 20,538 ) | |
| Option contracts | Stock options | Buy call | 30 | 51 | 16 | |
| (Domestic) | Stock options | Buy put | 60 | 75 | 387 | |
| | TXO | Buy call | 10,207 | 4,938 | 5,112 | |
| | TXO | Buy put | 830 | 3,258 | 1,684 | |
| | TXO | Sell call | 10,425 | ( 5,907 ) | ( 5,797 ) | |
| | TXO | Sell put | 922 | ( 8,575 ) | ( 4,272 ) | |

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| | | June 30, 2015 | | | | |
|---|---|---|---|---|---|---|
| | | Open Interest | | | | |
| Item | Object of transaction | Buyer /Seller | Number of contract(s) (lot) | Margin paid (received) | Fair value | Remarks |
| Futures contracts | TX | Buyer | 258 | $ 469,509 | $ 468,597 | |
| (Domestic) | TX | Seller | 286 | ( 522,395 ) | ( 526,831 ) | |
| | MTX | Buyer | 5 | 2,242 | 2,275 | |
| | MTX | Seller | 5 | ( 2,281 ) | ( 2,303 ) | |
| | TE | Buyer | 13 | 18,685 | 18,720 | |
| | TE | Seller | 14 | ( 20,148 ) | ( 20,160 ) | |
| | TF | Seller | 32 | ( 37,386 ) | ( 37,696 ) | |
| | XIF | Seller | 3 | ( 3,318 ) | ( 3,365 ) | |
| | Stock futures | Buyer | 144 | 10,261 | 10,327 | |
| | Stock futures | Seller | 146 | ( 8,198 ) | ( 8,179 ) | |
| Futures contracts (Overseas) | Foreign Exchange | Buyer | 10 | 53,142 | 53,061 | |
| | Foreign Exchange | Seller | 11 | ( 37,121 ) | ( 37,147 ) | |
| | Metal Futures | Buyer | 1 | 3,629 | 3,616 | |
| | Metal Futures | Seller | 15 | ( 14,427 ) | ( 14,404 ) | |
| | Index Futures | Buyer | 32 | 44,922 | 44,893 | |
| | Index Futures | Seller | 38 | ( 102,288 ) | ( 102,325 ) | |
| | Energy Futures | Seller | 2 | 3,669 | 3,670 | |
| | Bond futures | Buyer | 20 | 104,039 | 104,065 | |
| | Bond futures | Seller | 6 | ( 30,110 ) | ( 30,111 ) | |
| | Grain Futures | Buyer | 33 | 33,392 | 34,518 | |
| | Grain Futures | Seller | 19 | ( 5,977 ) | ( 5,923 ) | |
| Option contracts | TXO | Buy call | 1,905 | 1,609 | 1,631 | |
| (Domestic) | TXO | Buy put | 761 | 3,067 | 2,916 | |
| | TXO | Sell call | 1,833 | ( 1,463 ) | ( 1,225 ) | |
| | TXO | Sell put | 618 | ( 1,739 ) | ( 981 ) | |

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12. RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES COMMISSION MERCHANTS LAWS

According to Regulations Governing Futures Commission Merchants

| Article | Calculation formula | 1/1/2016 ~ 6/30/2016 | | 1/1/2015 ~ 6/30/2015 | | Standard | Enforcement |
|---|---|---|---|---|---|---|---|
| | | Calculation | Ratio | Calculation | Ratio | | (Note 3) |
| 17 | *Equity* / *(Total liabilities – Future traders' equity)* | 6,811,315 / 518,745 | 13.13 | 6,279,018 / 356,593 | 17.61 | ≧1 | Satisfied |
| 17 | *Current assets* / *Current liabilities* | 60,407,440 / 55,945,174 | 1.08 | 43,333,420 / 39,069,931 | 1.11 | ≧1 | Satisfied |
| 22 | *Equity* / *Minimum paid – in capital (Note 1)* | 6,811,315 / 1,160,000 | 587.18% | 6,279,018 / 1,175,000 | 534.38% | ≧60% ≧40% (Note 2) | Satisfied |
| 22 | *Post – adjustment net capital* / *Total margin deposit required for futures traders, not yet off-set* | 4,640,175 / 8,241,398 | 56.30% | 4,583,071 / 5,925,713 | 77.34% | ≧20% ≧15% | Satisfied |

Note 1:"Minimum paid-in capital" shall be in compliance with futures commission merchants standard set of capital amount or designated appropriation of operating capital amount.

Note 2: For the entrusted foreign futures trading of foreign futures merchants, the standard ratios (equity / minimum paid-in capital) are adjusted to 50% and 30%, respectively.

Note 3:"Enforcement" column shall state whether or not the financial ratio requirements are satisfied; if not, an explanation is needed to be filed with a specific appointed institution or establish an improvement plan.

## 13. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER

(1) Credit risk is the main risk for engaging in futures brokerage business since the Group must demand collecting trading margin deposits from customers. The credit risk occurs when the customers fail to pay margin deposits. The Group and its subsidiaries act as agents for trading futures and options contracts and should pay attention to daily margin credit as to control credit risk. Market risk is also noted in the industry due to dealer business. Dealer business is price index sensitive, therefore, the Group pre-sets stop loss point for risk management purposes.

(2) The specific risks of the Group's futures brokerage business are outlined below: Futures trading has a characteristic of low margin. Therefore, the risks of futures trading include: when the futures market trend is unfavorable for customers, futures firms may demand to collect additional trading margin deposits from customers to keep certain margin level. If the customers fail to pay margin deposits in a period prescribed, futures firms have the right to offset the contract amount of the customers by the additional margin deposits demanded. Further, futures firms may incur losses when futures market prices fluctuate drastically and the customers are unable to settle futures contracts.

(3) See Note 19 for significant risk information on futures dealer business.

## 14. SEGMENT INFORMATION

(1) General information – type of product and service of reporting segments' income source

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, i.e. Board of Directors, that are used to make strategic decisions. The chief operating decision-maker considers the source of income, and the Group's operating segments are divided into broker and dealer. The primary source of income by each segment is as follows:

Broker: Consigned and entrusted to futures trading and financial instruments trading approved by relevant regulations in the R.O.C.

Dealer: Used capital funds to engage in trading stocks, futures, options, and other derivatives financial instruments approved by relevant regulations in the R.O.C.

(2) Measurement of segment information

A. Information on segment profit (loss); measurement of assets and liabilities

Measurement of profit (loss), assets and liabilities of the Group are consistent with Note 4 – Summary of significant accounting policies. Measurement of profit (loss) performance is based on income before tax.

In order to establish a fair and reasonable performance evaluation, the Group would offset the income and expense incurred internally from each segment for external financial reporting purposes.

Income and expense are classified directly to the segment where they belong to. For expense incurred indirectly, it will consider its classification based on the usage purpose by proportionally dividing into each segment when a reasonable rate can be assigned. Otherwise, it will be classified as "Other segment" when a reasonable rate cannot be assigned.

B. Identifying factors for reportable segments

The measurement of segment performance will be evaluated periodically to ensure that it achieves the goals of the Group. The results of its evaluation will be used as the framework for resource allocation.

(3) Information on segment profit (loss)

| Items | Broker Amount | Broker % | Dealer Amount | Dealer % | Total Amount | Total % |
|---|---|---|---|---|---|---|
| For the six months ended June 30, 2016 | | | | | | |
| Direct segment profit | | | | | | |
| Segment revenue | | | | | | |
| Brokerage | $ 1,436,036 | 95 | $ - | - | $ 1,436,036 | 93 |
| Gain on trading of securities | - | - | 2,759 | 6 | 2,759 | - |
| Loss on valuation of trading securities | - | - | ( 11,818 ) | ( 27 ) | ( 11,818 ) | ( 1 ) |
| Lending securities and sell back to bond funds and bonds through profit or loss at fair value measurements of net benefits | - | - | ( 4,502 ) | ( 10 ) | ( 4,502 ) | - |
| Securities commission revenue | 1,788 | - | - | - | 1,788 | - |
| Clearance fee from consignation | 44,924 | 3 | - | - | 44,924 | 3 |
| Net gain on disposal of derivative financial instruments | - | - | 56,856 | 131 | 56,856 | 4 |
| Futures management fee revenues | 38 | - | - | - | 38 | - |
| Futures advisory revenues | 6,684 | - | - | - | 6,684 | - |
| Other operating revenues | 19,403 | 1 | - | - | 19,403 | 1 |
| Total revenues | 1,508,873 | 99 | 43,295 | 100 | 1,552,168 | 100 |
| Segment expense | | | | | | |
| Brokerage fee | ( 264,937 ) | ( 18 ) | - | - | ( 264,937 ) | ( 17 ) |
| Dealer handling fee | - | - | ( 7,461 ) | ( 17 ) | ( 7,461 ) | ( 1 ) |
| Interest expense | ( 17,483 ) | ( 1 ) | ( 20 ) | ( - ) | ( 17,503 ) | ( 1 ) |
| Futures commission | ( 294,051 ) | ( 19 ) | ( 4,253 ) | ( 10 ) | ( 298,304 ) | ( 19 ) |
| Clearance fee | ( 213,899 ) | ( 14 ) | ( 5,024 ) | ( 12 ) | ( 218,923 ) | ( 14 ) |
| Employee benefit expense | ( 197,978 ) | ( 13 ) | ( 27,606 ) | ( 64 ) | ( 225,584 ) | ( 15 ) |
| Depreciation and amortization | ( 17,377 ) | ( 1 ) | ( 3,963 ) | ( 9 ) | ( 21,340 ) | ( 1 ) |
| Other operating expenses | ( 190,008 ) | ( 13 ) | ( 28,975 ) | ( 67 ) | ( 218,983 ) | ( 14 ) |
| Total expense | ( 1,195,733 ) | ( 79 ) | ( 77,302 ) | ( 179 ) | ( 1,273,035 ) | ( 82 ) |
| Segment operating income (Loss) | 313,140 | 20 | ( 34,007 ) | ( 79 ) | 279,133 | 18 |
| Other gains and losses | 304,870 | 20 | 4,504 | 10 | 309,374 | 20 |
| Segment profit (loss) | $ 618,010 | 40 | ($ 29,503 ) | ( 69 ) | 588,507 | 38 |
| Indirect segment profit (loss) | | | | | | |
| Management expense | | | | | ( 59,904 ) | ( 4 ) |
| Net income before income tax | | | | | 528,603 | 34 |
| Income tax expense | | | | | ( 84,130 ) | ( 6 ) |
| Net income | | | | | $ 444,473 | 28 |

| For the six months ended June 30, 2015 | | | | | | |
|---|---|---|---|---|---|---|
| | Broker | | Dealer | | Total | |
| Items | Amount | % | Amount | % | Amount | % |
| Direct segment profit | | | | | | |
| Segment revenue | | | | | | |
| Brokerage | $ 1,175,939 | 96 | $ - | - | $ 1,175,939 | 95 |
| Loss on trading of securities | - | - | ( 4,908) | ( 47) | ( 4,908) | - |
| Dividend income | - | - | 935 | 9 | 935 | - |
| Gain on valuation of trading securities | - | - | 6,371 | 61 | 6,371 | 1 |
| Securities commission revenue | 1,361 | - | - | - | 1,361 | - |
| Clearance fee from consignation | 41,947 | 4 | - | - | 41,947 | 3 |
| Net gain on disposal of derivative financial instruments | - | - | 7,969 | 77 | 7,969 | 1 |
| Futures advisory revenues | 4,072 | - | - | - | 4,072 | - |
| Other operating revenues | 234 | - | - | - | 234 | - |
| Total revenues | 1,223,553 | 100 | 10,367 | 100 | 1,233,920 | 100 |
| Segment expense | | | | | | ) |
| Brokerage fee | ( 201,877) | ( 16) | - | - | ( 201,877) | ( 16) |
| Dealer handling fee | - | - | ( 4,901) | ( 48) | ( 4,901) | - |
| Interest expense | ( 12,737) | ( 1) | ( 3) | - | ( 12,740) | ( 1) |
| Futures commission | ( 242,389) | ( 20) | ( 3,597) | ( 35) | ( 245,986) | ( 20) |
| Clearance fee | ( 168,488) | ( 14) | ( 3,259) | ( 31) | ( 171,747) | ( 14) |
| Employee benefit expense | ( 173,879) | ( 15) | ( 25,418) | ( 245) | ( 199,297) | ( 16) |
| Depreciation and amortization | ( 26,660) | ( 2) | ( 5,101) | ( 49) | ( 31,761) | ( 3) |
| Other operating expenses | ( 148,173) | ( 12) | ( 24,564) | ( 237) | ( 172,737) | ( 14) |
| Total expense | ( 974,203) | ( 80) | ( 66,843) | ( 645) | ( 1,041,046) | ( 84) |
| Segment operating income | 249,350 | 20 | ( 56,476) | ( 545) | 192,874 | 16 |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | ( 273) | - | - | - | ( 273) | - |
| Other gains and losses | 302,336 | 25 | ( 45,110) | ( 435) | 257,226 | 21 |
| Segment profit (loss) | $ 551,413 | 45 | ($ 101,586) | ( 980) | 449,827 | 37 |
| Indirect segment profit (loss) | | | | | | |
| Management expense | | | | | ( 57,100) | ( 5) |
| Net income before income tax | | | | | 392,727 | 32 |
| Income tax expense | | | | | ( 74,827) | ( 6) |
| Net income | | | | | $ 317,900 | 26 |

Note : The Group's Chief Operating Decision-Maker does not use segment assets and liabilities as a basis for decision-making, therefore, the Group does not have to disclose the assets and liabilities of the operating segments.

15. SUBSEQUENT EVENTS

None.

16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

(1) Financing activities to any company or person: None.

(2) Endorsements and guarantees provided: None.

(3) Acquisition of real estate properties exceeding $300 million or 20% of the Company's paid-in capital: None

(4) Disposal of real estate properties exceeding $300 million or 20% of the Companies' paid-in capital: None

(5) Purchases or sales transactions discount on Broker's charges with related parties in excess of NT$5,000,000：None.

(6) Purchases or sales transactions with related parties in excess of $100 million or over 20% of paid-in capital balance: None.

(7) Other: Significant transactions between parent company and subsidiaries: None.

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17. <u>INFORMATION ON INVESTEES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)</u>

(1) Names of investee companies, locations, and related information are as follows:

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at June 30, 2016 | Initial investment amount: Balance as at December 31, 2015 | Shares held as at June 31, 2016: Number of shares (in thousands) | Shares held as at June 31, 2016: Ownership (%) | Shares held as at June 31, 2016: Book value | Net income (loss) of the investee | Investment income (loss) recognized by the company | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Yuanta Futures Co., Ltd. | MF Global Investment Consulting Company | Taiwan | Investment and management consulting services | $ - | $ 13,665 | - | - | $ - | $ - | $ - | (Note) |
| Yuanta Futures Co., Ltd. | Yuanta Futures (Hong Kong) Co., Ltd. | Hong Kong | Financial services | 193,319 | 193,319 | 6,000 | 100.00 | 175,119 | ( 606 ) | ( 606 ) | |
| Yuanta Futures Co., Ltd. | SYF Information Co., Ltd. | Taiwan | Information Technology Services | 350,000 | 350,000 | 35,000 | 100.00 | 317,728 | ( 4,936 ) | ( 4,936 ) | |
| SYF Information Co., Ltd | SYF Information (SAMOA) Limited | Samoa | Investment holdings | 95,274 | 29,046 | 3,000 | 100.00 | 84,237 | ( 1,420 ) | ( 1,420 ) | |

Note: The company has completed liquidation procedures in second quarter of 2016.

(2) Information on investee companies with direct or indirect controlling interest is as follows:

A. Financing activities to any company or person: None.

B. Endorsements and guarantees provided: None.

C. Acquisition of real estate properties exceeding $300 million or 20% of the Company’s paid-in capital: None

D. Disposal of real estate properties exceeding $300 million or 20% of the Companies’ paid-in capital: None

E. Purchases or sales transactions discount on Broker’s charges with related parties in excess of NT$5,000,000：None.

F. Purchases or sales transactions with related parties in excess of $100 million or over 20% of paid-in capital balance: None.

G. Other: Significant transactions between parent company and subsidiaries: None.

## 18. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENT IN MAINLAND CHINA

(1) Basic information:

| Name of investee in Mainland China | Main business activities | Issued capital | Investment method (Note 1) | Beginning balance of foreign investment from Taiwan | Investment movement within this period | | Ending balance of foreign investment from Taiwan | Net income of investee | Percentage of direct or indirect investment holding | Gain (loss) recognized during the period (Notes 2) | Book value as of June 30, 2016 | Accumulated gain returned to Taiwan at end of period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Invested amount | Returned amount | | | | | | |
| SYF Information (Shanghai) Limited | Research & development and production of computer software, etc. | $75,953 | (2) SYF Information (Samoa) Limited | $14,995 | $60,958 | $ - | $75,953 | ($1,463) | 100 | ($1,463) | $63,917 | - |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Yuanta Futures Co., Ltd. | $ 75,953 | $ 150,000 | $ 4,086,789 |

Note 1: Investment types are categorized into three sub-sections, as follows:

(1) Direct investment in entities of Mainland China.

(2) Reinvest in entities of Mainland China through indirect investment in the third place.

(3) Others.

Note 2: In the ‘Gain (loss) recognized during the period’ column:

(1) It should be indicated if the investee was still in the incorporation stage and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements that are audited and attested by R.O.C. parent company’s CPA.

C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

(2) Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

19. FINANCIAL RISK MANAGEMENT

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group adopted to strengthen risk-adjusted return on capital, which allocated the Group's capital effectively.

(2) Financial instruments

A. Fair value information of financial instruments

(A) Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value including cash and cash equivalents, customer margin deposits, futures trading margin receivable, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties, other current assets, operating guarantee deposits, clearing and settlement funds, refundable deposits, futures traders' equity, accounts payable, accounts payable - related parties, other payables, other payables - related parties, and other current liabilities are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 19(3).

(B) The methods and assumptions of fair value measurement are as follows:Held-to-maturity financial assets: If there is a quoted price in an active market, the fair value is based on the market price; if there is no quoted market price available, the fair value is determined by using valuation techniques or counterparty quotes.

B. The methods of reporting derivative financial instruments on financial statements

(A) As of June 30, 2016, December 31, 2015 and June 30, 2015, the account balances of margin deposits were $639,552, $624,530 and $497,344, respectively, and the amounts of deposits exceeding the limit were $476,042, $356,420, and $480,814 and were recognized in "cash and cash equivalents", respectively, other balances were recognized in "futures margin deposits - house fund".

(B) The gains on futures trading were $345,363, $145,400, $630,489 and $233,104 for the three months and six months ended June 30, 2016 and 2015, respectively, and were recognized as "gain on disposal of financial instrument – futures".

(C) The Group was engaged in purchasing and selling of options with gains amounting to $49,581, $14,364, $86,713 and $28,389 for the three months and six months ended June 30, 2016 and 2015, respectively, and were recognized as "gain on disposal of derivative financial instruments – gain on options contract".

(D) The losses on futures were $305,771, $152,721, $576,788 and $239,490 for the three months and six months ended June 30, 2016 and 2015, respectively, and were recognized as "loss on disposal of derivative financial instruments – loss on futures".

(E) The Group was engaged in purchasing and selling of options with losses amounting to $41,067, $2,816, $83,558 and $14,034 for the three months and six months ended June 30, 2016 and 2015, respectively, and were recognized as "gain on disposal of derivative financial instruments – loss on options contract".

(F) As of June 30, 2016, December 31, 2015 and June 30, 2015, the account balances – disposal of options amounted to $7,214, $10,069 and $2,206, and were recognized as “financial liabilities at fair value through profit or loss – current” and classified as “liability on disposal of options”. As of June 30, 2016, December 31, 2015 and June 30, 2015, the account balances – purchase of options amounted to $7,085, $7,199 and $4,547, and were recognized as “financial assets at fair value through profit or loss – current” and classified as “purchase of options – non-hedging”.

(3) Fair value estimation

A. Details of the fair value of the Group’s financial assets and financial liabilities not measured at fair value are provided in Note 19(2)A.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market has to satisfy all the following conditions: a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group’s investment in off-the-run financial bonds is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2016, December 31, 2015 and June 30, 2015 is as follows:

| June 30, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 86,834 | $ - | $ - | $ 86,834 |
| Open-End Fund and Money Market Instruments | 59,525 | - | - | 59,525 |
| Futures | 163,510 | - | - | 163,510 |
| Options | 7,085 | - | - | 7,085 |
| Available-for-sale financial assets | | | | |
| Equity securities | 141,158 | - | 1,109,921 | 1,251,079 |
| Financial bonds | - | 100,266 | - | 100,266 |
| Total | $ 458,112 | $ 100,266 | $ 1,109,921 | $ 1,668,299 |

| Liabilities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ 7,214 | $ - | $ - | $ 7,214 |
| Security borrowing payable - non hedging | 43,332 | - | - | 43,332 |
| Total | $ 50,546 | $ - | $ - | $ 50,546 |

| December 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 242,139 | $ - | $ - | $ 242,139 |
| Beneficiary certificates | 38,653 | - | - | 38,653 |
| Open-End Fund and Money Market Instruments | 10,208 | - | - | 10,208 |
| Futures | 268,110 | - | - | 268,110 |
| Options | 7,199 | - | - | 7,199 |
| Available-for-sale financial assets | | | | |
| Equity securities | 127,104 | - | 990,491 | 1,117,595 |
| Financial bonds | - | 99,037 | - | 99,037 |
| Total | $ 693,413 | $ 99,037 | $ 990,491 | $ 1,782,941 |

| Liabilities | | | | |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ 10,069 | $ - | $ - | $ 10,069 |

| June 30, 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | $ 189,901 | $ - | $ - | $ 189,901 |
| Beneficiary certificates | 9,435 | - | - | 9,435 |
| Futures | 16,530 | - | - | 16,530 |
| Options | 4,547 | - | - | 4,547 |
| Available-for-sale financial assets | | | | |
| Equity securities | 113,309 | - | 951,841 | 1,065,150 |
| Financial bonds | - | 94,093 | - | 94,093 |
| Total | $ 333,722 | $ 94,093 | $ 951,841 | $ 1,379,656 |

| Liabilities | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Options | $ 2,206 | $ - | $ - | $ 2,206 |

D. The methods and assumptions the Group used to measure fair value are as follows:

(A) The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

(B) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(C) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(D) Specific valuation techniques used to value financial instruments include:

a. Quoted market prices or dealer quotes for similar instruments.

b. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

E. For the six months ended June 30, 2016 and 2015, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the six months ended June 30, 2016 and 2015.

| | Equity securities |
|---|---|
| January 1, 2016 | $ 990,491 |
| Gains and losses recognised in other comprehensive income (Note 1) | 119,430 |
| June 30, 2016 | $ 1,109,921 |

| | Equity securities |
|---|---|
| January 1, 2015 | $ 815,035 |
| Gains and losses recognised in other comprehensive income (Note 1) | 136,806 |
| June 30, 2015 | $ 951,841 |

Note 1: Recorded as unrealised valuation gain or loss of available-for-sale financial assets.

G. The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at June 30, 2016 | Valuation technique | Significant Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| Non-derivative equity | | | | |
| Non-listed stocks | $ 1,109,921 | Market approach | Price to earnings ratio multiple | 21.24~29.04 |
| | | | Discount of marketability | 25% |

| | Fair value at December 31, 2015 | Valuation technique | Significant Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| Non-derivative equity | | | | |
| Non-listed stocks | $ 990,491 | Market approach | Price to earnings ratio multiple | 18.91~29.04 |
| | | | Discount of marketability | 25% |

| | Fair value at June 30, 2015 | Valuation technique | Significant Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| Non-derivative equity | | | | |
| Non-listed stocks | $ 951,841 | Market approach | Price to earnings ratio multiple | 16.60~29.04 |
| | | | Discount of marketability | 25% |

H. The valuation process for fair values classified at Level 3 is the responsibility of the risk management department, which verifies the financial instrument’s fair value. The result of the evaluation is then reviewed and approved by the risk management department of the Group’s parent company. The risk management department evaluates the independence, reliability, consistency, and representativeness of the information source, and periodically verifies the valuation model and calibrates the valuation parameters, ensuring the valuation process and valuation results are in accordance with IFRS’s requirements.

(Blank)

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial instruments categorized within Level 3 if the valuation input of financial instrument classified in Level 3 moves upward or downward by 1%:

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | |
| Equity instrument | $ - | $ - | $ 3,700 | ( $ 3,700 ) |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | |
| Equity instrument | $ - | $ - | $ 3,302 | ( $ 3,302 ) |

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | |
| Equity instrument | $ - | $ - | $ 3,173 | ( $ 3,173 ) |

(4) System of risk management

A. Objectives of risk management

The Group controls any potential losses that might incur in operations within its tolerable limits by increasing completeness of risk management mechanism, establishing efficient risk management measures, models and systems, and monitoring the changes of whole risks strictly. The Group also puts efforts in allocating its capital more efficiently to raise the risk adjusted return on capital.

B. Risk management system

The Group's risk management system is in compliance with the "Risk Management Policy" of Yuanta Financial Holding Co., Ltd. and "Risk Management Practice Principles for Futures Commission Merchants" of Taiwan Futures Exchange. The Group has established the Risk Management Policy, which is the internally highest risk management standard authorized by the Board of Directors, comprising objectives, scopes, powers and responsibilities, and procedures of risk management.

C. Organizational structure of risk management

(A) The Group's organizational structure of risk management comprises the Board of Directors, Audit Committee, high management level, Risk Management Department, Legal Compliance Department, Auditing Office, each business unit and each functional committee; they all together form three lines of defense for risk management.

a. First line of defense: First line of defense includes each business unit and each functional committee, whose personnel are serving in the operational or administration division and have responsibilities for risk identification, risk assessment and risk control.

b. Second line of defense: Second line of defense includes high management level, Risk Management Department and Legal Compliance Department, which are responsible for risk monitoring, risk management and taking measures in response to risk issues in accordance with the Company's Risk Management Policy. The Group also takes part in the Risk Management Committee of Yuanta Financial Holding Co., Ltd. for integration of risk control and management in the Group.

c. Third line of defense: Third line of defense includes the Board of Directors, Audit Committee and Auditing Office. Auditing Office conducts audits especially in the risk consideration to ensure every risk is under control.

(B) The function of each unit in the structure of risk management of the Group is as follows:

a. The Board of Directors: The Board of Directors has ultimate responsibility for risk management on all businesses and operations in the Group; it shall be fully aware of every risk exposure to the Group, and then determines tolerable limit for every risk, allocates resources effectively, and authorizes relevant departments to execute risk measures for the achievement of effective risk management. The Board of Directors hears risk management and other related reporting by Risk Management Department, Auditing Office and Finance Department regularly to evaluate the impact of every risk and the impact on capital allocation, and determines responding strategies.

b. Audit Committee: Audit Committee directs the execution of the risk management system under the commission of the Board of Directors; its main duties include review of the Group's risk scopes and risk toleration capability, of the Risk Management Policy and relevant principles, and of annual authorized acceptable limit of risk of each kind, as well as directing the execution of the risk management system.

c. Risk Management Department: Risk Management Department, an independent department under the Board of Directors, is responsible for market risk, liquidity risk and credit risk management, and controls operational risk with Auditing Office together; its main duties include daily risk monitoring and assessments of risk management affairs. Risk Management Department exercises its authority independently from business units and trading activities, and holds accountability to the Board of Directors directly. By employing the risk management information system, Risk Management Department monitors trading conditions in the futures market during the trading time every day and performs analyses after the closing of trading time; it also checks the use status of risk limits authorized to each business unit, and assesses risk exposures and extent of risk concentration, and submits risk management reports regularly.

d. Auditing Office: Auditing Office, an independent department under the Board of Directors, is responsible for legislation and internal control system compliance management, operational risk management and supervision of operational risk management procedures. In accordance with the internal control rules of regulatory authorities, and adjusted operational risk management procedures appropriately in line with the amendments to the regulations of regulatory authorities, Taiwan Futures Exchange and Chinese National Futures Association or for the changes in the Group's business.

e. Legal Compliance Department: Legal Compliance Department is responsible for review of legal compliance for the Group's businesses, operations, trading and transaction contracts/documents and offering legal options on those aspects and pushing the execution of legal compliance within the Group together with Auditing Office.

f. Each business unit: Each business unit is liable for the first-line risk management. The directors of each business unit are in charge of the whole risk management on businesses and trading activities of the unit, including analyzing and controlling risk exposures, drawing up responding plans and taking measures against risk when necessary, and also conveying related information to Risk Management Department to ensure the risk control mechanism and procedures are all effectively executed, and comply with the legislation and the Group's Risk Management Policy and regulations.

D. Procedures of risk management

The Group's procedures of risk management include risk identification, risk measurement, risk management and risk reporting. The design of these procedures is to ensure all risks faced by the Group can be effectively controlled.

(A) Risk identification: The Group identifies risks, through business and product analyses, that may arise during the courses of operations, including market risk, credit risk, liquidity risk, operational risk, legal risk and model risk, and finds out risk factors of risk exposure of each kind, selects appropriate method of risk measurement, and establishes risk indexes and judgment principles and risk control procedures that can be connected to the internal information system.

(B) Risk measurement: The Group measures market risk by using scenario analysis, sensitivity analysis and VaR model and credit risk by using the credit rating system, option pricing model (ex. KMV) and following the Group's credit risk assessment rules. Operational risk is controlled by establishing standard operating procedures, establishing internal and external event notification mechanism, reviewing current operating procedures and employing operational risk management methods.

(C) Risk management: Risk monitoring and control are performed through the use of risk management tools, establishment of acceptable limits of risks and division of authority and responsibilities. Different risk management tools and information systems and statements are developed and employed for different risks to raise the efficiency and quality of risk management.

(D) Risk reporting: Risk information and risk management performing results are compiled as risk management statements or reports. These results are disclosed periodically and provided as a reference to the management in making risk management policy and rules.

E. Hedging and risk diminishing strategies

The Group has established hedging tools and hedging mechanisms for risks of each business based on its capital scale and risk toleration capability. Through hedging mechanisms, the Group may restrict risks within authorized limits, and employ authorized financial instruments, based on market conditions, business strategies, characteristics of commodities and risk management rules, to adjust risk positions within acceptable levels.

(5) Market risk

The Group's financial assets include bank deposits, government bonds, treasury bonds, bank debentures, negotiable certificates of deposit, commercial papers or other short-term notes and bills authorized by Ministry of Finance, domestic listed stocks, securities investment trust funds, offshore funds authorized by competent authorities to be raised and sold in ROC, futures trust funds, futures trading listed in Article 5 of Futures Trading Act, hedging trading of bond options and other financial instruments authorized by competent authorities. The fair value of these financial assets would be changed by the fluctuations of market prices or interest rates.

To manage market risk, the Group has established the Rules of Financial Instruments Investment Risk Management, including Rules of Dealer Trading Risk Management and Rules of Medium and Long-term Securities Investment Risk Management, and established various control mechanisms based on the characteristics of financial instrument risks, such as position limits, stop-loss amounts and exception management. The Group also conducts market risk quantitative management by employing VaR model in the measurement and control of market risk of each position.

Through the VaR model, the Group measures market risk by estimating maximum possible losses of the trading positions for the next day at the 99% confidence level. According to the types of trading, the VaR of equity trading, commodity trading, foreign-exchange-rate trading and interest-rate trading are as follows:

<Table> VaR of Trading of Different Types

Period: January 1 ~ June 30, 2016
Amount in thousands of NTD

| Type of Trading | Equity | Commodity | Foreign Exchange Rate | Interest Rate | Total |
|---|---|---|---|---|---|
| June 30, 2016 | $ 14,798 | $ 1,507 | $ 476 | $ - | $ 15,972 |
| Average | 12,351 | 2,172 | 390 | 524 | 13,296 |
| Lowest | 7,199 | 358 | - | - | 7,320 |
| Highest | 19,857 | 6,931 | 936 | 1,290 | 22,211 |

Period: January 1 ~ June 30, 2015
Amount in thousands of NTD

| Type of Trading | Equity | Commodity | Foreign Exchange Rate | Interest Rate | Total |
|---|---|---|---|---|---|
| June 30, 2015 | $ 4,933 | $ 781 | $ 375 | $ 154 | $ 4,404 |
| Average | 5,700 | 1,467 | 416 | 534 | 5,830 |
| Lowest | 2,445 | 275 | 92 | 125 | 2,241 |
| Highest | 18,452 | 4,007 | 1,446 | 1,293 | 17,894 |

Note 1： Trading included futures dealer trading and securities dealer trading but excluded medium and long-term securities investments.

Note 2： Total category of value-at-risk may be less than the amount of value-at-risk of equity, commodity, foreign exchange rate and interest rate, that’s due to diversification effects between different categories.

The Group continues to run model validation and back testing to ensure that the Group’s VaR model can reasonably, completely and correctly measure maximum potential losses of financial instruments.

(6) Credit risk analysis

The Group is exposed to credit risk from financial trading, including issuer credit risk, counterparty credit risk and underlying asset credit risk.

A. Issuer credit risk occurs when issuer (or guarantor) of the financial debt instruments held by the Group or bank with which the Group deposits money fails to fulfill contractual obligations (or guarantor's obligations) because of its default, bankruptcy or liquidation, which would cause a financial loss to the Group.

B. Counterparty credit risk occurs when counterparty of the financial instrument transaction undertaken by the Group fails to fulfill settlement or payment obligation on the appointed day, which would cause a financial loss to the Group.

C. Underlying asset credit risk refers to the risk of loss that may arise from deterioration of credit quality of the underlying asset linked to the financial instruments or increasing of credit risk premium or downgrade of credit rating or contract default.

The financial assets of the Group with credit risk include bank deposits, debt securities, OTC derivative trade, repurchase agreement/reverse repurchase agreement of bonds (bills), deposits for securities borrowing and lending trade, margins for futures trade, other margins and receivables.

A. Analysis of concentration of credit risk

(A) Geography location:

Percentages of credit risk exposure amounts of the Group's financial assets by geographic area were as follows (see the table below): As of June 30, 2016, the first highest - Taiwan 90.35%, the second highest - Europe 7.57%, the third highest - Asia (excluding Taiwan) 1.99%. Compared to the same period last year, the proportion of investments in Taiwan has decreased slightly in this period.

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Taiwan | $ 55,377,472 | $ 50,420,726 | $ 39,527,273 |
| Asia(not including Taiwan) | 1,217,576 | 440,637 | 1,072,553 |
| Europe | 4,637,041 | 4,390,156 | 3,333,868 |
| America | 62,539 | 43,853 | 40,620 |
| Total | $ 61,294,628 | $ 55,295,372 | $ 43,974,314 |

(B) Industry:

Percentages of credit risk exposure amounts of the Group's financial assets by industry were as follows (see the table below): Financial institutions are 99.98% and other industries is 1% below. Credit risk is concentrated in financial institutions because the Group's own capital and margins received from customers were both deposited with financial institutions, debt securities held by the Group were issued or guaranteed by banks, and counterparties of derivative trade and reverse repurchase agreement of bonds undertaken by the Group were banks, futures clearing and settlement institution and re-consigned futures firms. The percentages distribution did not change significantly in this period compared to the corresponding period of last year.

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Privately owned businesses | $ - | $ - | $ 20,545 |
| Financial institutions | 61,283,837 | 55,284,950 | 43,943,149 |
| Public enterprises | 4 | 4 | 4 |
| Other | 10,787 | 10,418 | 10,616 |
| Total | $ 61,294,628 | $ 55,295,372 | $ 43,974,314 |

B. Analysis of credit risk levels

Credit risk rating is categorized into Excellent, Standard, Below standard, Other and the definitions are illustrated below:

(A) Excellent: The underlying position or an entity is capable of fulfilling its financial commitment even if facing significant uncertain factors or exposed to an adverse condition.

(B) Standard: The underlying position or an entity's capacity to fulfill the contractual obligation is weak, and any adverse movement toward operation, finance or economy could further weaken its capacity to fulfill financial commitment.

(C) Below standard: The underlying position or an entity's capacity to fulfill the contractual obligation is weak, and the fulfillment of the contractual commitment depends on the advantageous movement in operating environment and financial status.

(D) Other: This level shows that the counterparty or the underlying asset does not fulfill contractual obligations, or for other reasons fails to (or not) do the internal credit risk ratings.

As of June 30, 2016, the credit quality levels of the Group's financial assets were classified as follows: Excellent is 99.98%, below the standard is 0.02%. The result of credit quality level classification did not change significantly in this period compared to the corresponding period of last year.

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---|---|---|---|
| Excellent | $ 61,280,353 | $ 55,282,464 | $ 43,960,408 |
| Standard | - | - | - |
| Below standard | 14,275 | 12,908 | 13,906 |
| Other | - | - | - |
| Total | $ 61,294,628 | $ 55,295,372 | $ 43,974,314 |

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(7) Liquidity risk analysis

A. Liquidity risk of capital refers to the risk arising from the Group's inability to raise funds adequately in a period, which makes it unable to fulfill repayment or disbursement obligations on the expiry days. For liquidity risk management, the Group has established a warning system based on the nature of its businesses, including capital liquidity index, current ratio, loan lines granted by financial institutions and capital shortfall indication, which can estimate in advance the possible capital shortfall in certain periods and help the Group be aware of the overall liquidity risk of capital; the Group has also established a fund procurement plan in response to the occurrence of systematic risk events or exceptional capital flows. For the realization, marketability and safety of current assets, the Group has established the rules of capital risk management, which state the Group's bank deposits, bond trade, repo trade, etc. must meet certain level above of the internal rating and their positions and liquidity shall be monitored regularly.

B. The information about the maturity of the Group's financial liabilities is shown below. The Group's working capital is sufficient enough to meet its funding requirements in the future. Therefore it has no liquidity risk that would arise from inability to raise funds to fulfill repayment or disbursement obligations.

Cash flow analysis of financial liabilities on June 30, 2016

| | | Payment period | | | | | |
|---|---|---|---|---|---|---|---|
| Accounts | Financial liabilities | Prevailing Period | Less than 3 months | 3 ~12 months | 1~5 years | Over 5 years | Total |
| 212000 | Financial liabilities at fair value through profit and loss -current | $ 50,546 | $ - | $ - | $ - | $ - | $ 50,546 |
| 214080 | Futures traders' equity | 55,486,277 | - | - | - | - | 55,486,227 |
| 214130 | Accounts payable | - | 104,337 | - | - | - | 104,337 |
| 214140 | Accounts payable-related parties | - | 21,386 | - | - | - | 21,386 |
| 214170 | Other payables | - | 179,460 | 4,638 | 1,986 | 197 | 186,281 |
| 214180 | Other payables-related parties | - | 1,279 | - | - | - | 1,279 |
| 219000 | Other current liabilities | - | 4,239 | 4,413 | 11 | - | 8,663 |
| | Total | $ 55,536,823 | $ 310,701 | $ 9,051 | $ 1,997 | $ 197 | $ 55,858,769 |
| | Percentage (%) of overall | 99.43% | 0.55% | 0.02% | 0.00% | 0.00% | 100.00% |

Cash flow analysis of financial liabilities on December 31, 2015

| | | Payment period | | | | | |
|---|---|---|---|---|---|---|---|
| Accounts | Financial liabilities | Prevailing Period | Less than 3 months | 3 ~12 months | 1~5 years | Over 5 years | Total |
| 212000 | Financial liabilities at fair value through profit and loss -current | $ 10,069 | $ - | $ - | $ - | $ - | $ 10,069 |
| 214080 | Futures traders' equity | 49,595,196 | - | - | - | - | 49,595,196 |
| 214130 | Accounts payable | - | 138,829 | - | - | - | 138,829 |
| 214140 | Accounts payable-related parties | - | 25,938 | - | - | - | 25,938 |
| 214170 | Other payables | - | 181,156 | 3,138 | 1,986 | 197 | 186,477 |
| 214180 | Other payables-related parties | - | 434 | - | - | - | 434 |
| 219000 | Other current liabilities | - | 3,295 | 3,551 | 12 | - | 6,858 |
| | Total | $ 49,605,265 | 349,652 | 6,689 | 1,998 | 197 | 49,963,801 |
| | Percentage (%) of overall | 99.29% | 0.70% | 0.01% | 0.00% | 0.00% | 100.00% |

Cash flow analysis of financial liabilities on June 30, 2015

| | | Payment period | | | | | |
|---|---|---|---|---|---|---|---|
| Accounts | Financial liabilities | Prevailing Period | Less than 3 months | 3 ~12 months | 1~5 years | Over 5 years | Total |
| 212000 | Financial liabilities at fair value through profit and loss -current | $ 2,206 | $ - | $ - | $ - | $ - | $ 2,206 |
| 214080 | Futures traders' equity | 38,753,041 | - | - | - | - | 38,753,041 |
| 214130 | Accounts payable | - | 93,259 | - | - | - | 93,259 |
| 214140 | Accounts payable-related parties | - | 23,142 | - | - | - | 23,142 |
| 214170 | Other payables | - | 121,013 | 4,456 | 1,986 | 197 | 127,652 |
| 214180 | Other payables-related parties | - | 592 | - | - | - | 592 |
| 219000 | Other current liabilities | - | 4,805 | 3,358 | 12 | - | 8,175 |
| | Total | $ 38,755,247 | $ 242,811 | $ 7,814 | $ 1,998 | $ 197 | $ 39,008,067 |
| | Percentage (%) of overall | 99.35% | 0.62% | 0.02% | 0.01% | 0.00% | 100.00% |

Note: All amounts of cash flow analysis of financial liabilities were total cash flow of liabilities without discount.

The analysis of cash flow gap on June 30, 2016

| Accounts | Financial assets | Payment period: Prevailing Period | Less than 3 months | 3 ~12 months | 1~5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| 111100 | Cash and cash equivalents | $ 958,762 | $ 2,574,171 | $ 1,096,540 | $ - | $ - | $ 4,629,473 |
| 112000 | Financial assets at fair value through profit or loss-current | 316,954 | - | - | - | - | 316,954 |
| 113400 | Available-for-sale financial assets-current | 46,841 | - | - | - | - | 46,841 |
| 114070 | Margin deposits | 55,656,349 | - | - | - | - | 55,656,349 |
| 114080 | Futures trading margin receivable | 703 | - | - | - | - | 703 |
| 114100 | Security lending deposits | 38,040 | - | - | - | - | 38,040 |
| 114130 | Accounts receivable | - | 42,291 | - | - | - | 42,291 |
| 114140 | Accounts receivable-related parties | - | 4,573 | - | - | - | 4,573 |
| 114170 | Other receivables | - | 44,816 | - | - | - | 44,816 |
| 114180 | Other receivables-related parties | - | 6,443 | - | - | - | 6,443 |
| 119990 | Other current assets | - | 10 | - | - | - | 10 |
| 123400 | Available-for-sale financial assets-non-current | - | - | - | 1,304,504 | - | 1,304,504 |
| 129010 | Operating guarantee deposits | - | - | - | - | 165,000 | 165,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 433,088 | 433,088 |
| 129030 | Refundable deposits | - | - | - | 10,076 | - | 10,076 |
| | Subtotal | $ 57,017,649 | $ 2,672,304 | $ 1,096,540 | $ 1,314,580 | $ 598,088 | $ 62,699,161 |
| | Cash inflow | $ 57,017,649 | $ 2,672,304 | $ 1,096,540 | $ 1,314,580 | $ 598,088 | $ 62,699,161 |
| | Cash outflow | 55,536,823 | 310,701 | 9,051 | 1,997 | 197 | 55,858,769 |
| | The amount of capital gap | $ 1,480,826 | $ 2,361,603 | $ 1,087,489 | $ 1,312,583 | $ 597,891 | $ 6,840,392 |

The analysis of cash flow gap on December 31, 2015

| Accounts | Financial assets | Payment period Prevailing Period | Less than 3 months | 3 ~12 months | 1~5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| 111100 | Cash and cash equivalents | $ 795,679 | $ 2,083,791 | $ 1,508,275 | $ - | $ - | $ 4,387,745 |
| 112000 | Financial assets at fair value through profit or loss-current | 566,309 | - | - | - | - | 566,309 |
| 113400 | Available-for-sale financial assets-current | 37,876 | - | - | - | - | 37,876 |
| 114070 | Margin deposits | 49,756,070 | - | - | - | - | 49,756,070 |
| 114080 | Futures trading margin receivable | 703 | - | - | - | - | 703 |
| 114100 | Security lending deposits | 25,901 | - | - | - | - | 25,901 |
| 114130 | Accounts receivable | - | 31,148 | - | - | - | 31,148 |
| 114140 | Accounts receivable-related parties | - | 5,200 | - | - | - | 5,200 |
| 114170 | Other receivables | - | 9,222 | - | - | - | 9,222 |
| 114180 | Other receivables-related parties | - | 26,183 | - | - | - | 26,183 |
| 119990 | Other current assets | - | 31 | - | - | - | 31 |
| 123400 | Available-for-sale financial assets-non-current | - | - | - | 1,178,756 | - | 1,178,756 |
| 129010 | Operating guarantee deposits | - | - | - | - | 185,000 | 185,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 491,338 | 491,338 |
| 129030 | Refundable deposits | - | - | - | 9,715 | - | 9,715 |
| | Subtotal | $ 51,182,538 | $ 2,155,575 | $ 1,508,275 | $ 1,188,471 | $ 676,338 | $ 56,711,197 |
| | Cash inflow | $ 51,182,538 | $ 2,155,575 | $ 1,508,275 | $ 1,188,471 | $ 676,338 | $ 56,711,197 |
| | Cash outflow | 49,605,265 | 349,652 | 6,689 | 1,998 | 197 | 49,963,801 |
| | The amount of capital gap | $ 1,577,273 | $ 1,805,923 | $ 1,501,586 | $ 1,186,473 | $ 676,141 | $ 6,747,396 |

The analysis of cash flow gap on June 30, 2015

| Accounts | Financial assets | Payment period: Prevailing Period | Payment period: Less than 3 months | Payment period: 3 ~12 months | Payment period: 1~5 years | Payment period: Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| 111100 | Cash and cash equivalents | $ 902,258 | $ 691,030 | $ 2,505,366 | $ - | $ - | $ 4,098,654 |
| 112000 | Financial assets at fair value through profit or loss-current | 220,413 | - | - | - | - | 220,413 |
| 113400 | Available-for-sale financial assets-current | 27,145 | - | - | - | - | 27,145 |
| 114070 | Margin deposits | 38,907,486 | - | - | - | - | 38,907,486 |
| 114080 | Futures trading margin receivable | 471 | - | - | - | - | 471 |
| 114130 | Accounts receivable | - | 42,390 | - | - | - | 42,390 |
| 114140 | Accounts receivable-related parties | - | 4,956 | - | - | - | 4,956 |
| 114170 | Other receivables | - | 53,843 | 31 | - | - | 53,874 |
| 114180 | Other receivables-related parties | - | 67,629 | - | - | - | 67,629 |
| 119990 | Other current assets | - | 36 | - | - | - | 36 |
| 123400 | Available-for-sale financial assets-non-current | - | - | - | 1,132,098 | - | 1,132,098 |
| 129010 | Operating guarantee deposits | - | - | - | - | 195,000 | 195,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 483,086 | 483,086 |
| 129030 | Refundable deposits | - | - | - | 10,145 | - | 10,145 |
| | Subtotal | $ 40,057,773 | $ 859,884 | $ 2,505,397 | $ 1,142,243 | $ 678,086 | $ 45,243,383 |
| | Cash inflow | $ 40,057,773 | $ 859,884 | $ 2,505,397 | $ 1,142,243 | $ 678,086 | $ 45,243,383 |
| | Cash outflow | 38,755,247 | 242,811 | 7,814 | 1,998 | 197 | 39,008,067 |
| | The amount of capital gap | $ 1,302,526 | $ 617,073 | $ 2,497,583 | $ 1,140,245 | $ 677,889 | $ 6,235,316 |

(8) Currency risk

A. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| (Foreign currency: functional currency) | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---|---|---|---|---|---|
| Financial instrument | Foreign currency (in thousands) | Exchange rate | Foreign currency (in thousands) | Exchange rate | Foreign currency (in thousands) | Exchange rate |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD/NTD | $ 877,324 | 32.2750 | $ 837,307 | 32.8250 | $ 601,193 | 30.8600 |
| JPY/NTD | 2,151,797 | 0.3143 | 1,339,634 | 0.2727 | 555,319 | 0.2524 |
| HKD/NTD | 133,967 | 4.1590 | 89,820 | 4.2350 | 95,297 | 3.9800 |
| EUR/NTD | 6,717 | 35.8900 | 3,919 | 35.8800 | 4,795 | 34.4600 |
| GBP/NTD | 1,380 | 43.4600 | 1,659 | 48.6700 | 943 | 48.4800 |
| AUD/NTD | 4,980 | 23.9750 | 477 | 23.9850 | 483 | 23.6850 |
| SGD/NTD | 330 | 23.9100 | 43 | 23.2500 | 58 | 22.8600 |
| CNY/NTD | 44,814 | 4.8450 | 28,689 | 4.9950 | 150,458 | 4.9730 |
| CHF/NTD | 63 | 32.9450 | 23 | 33.1850 | 11 | 33.1050 |
| USD/HKD | 5,407,591 | 7.7588 | 5,293 | 7.7503 | 5,309 | 7.7523 |
| CNY/HKD | - | - | - | - | 372 | 1.2493 |
| GBP/HKD | 84 | 10.4417 | - | - | - | - |
| EUR/HKD | 2,220 | 8.6235 | 2 | 8.4703 | 2 | 8.6569 |
| JPY/HKD | 10,640 | 0.0756 | 11 | 0.0644 | 11 | 0.0634 |
| USD/CNY | 1,501 | 6.4841 | 390 | 6.1168 | 415 | 6.0969 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD/NTD | 863,731 | 32.2750 | 822,835 | 32.8250 | 595,524 | 30.8600 |
| JPY/NTD | 2,002,936 | 0.3143 | 1,196,539 | 0.2727 | 427,666 | 0.2524 |
| HKD/NTD | 125,317 | 4.1590 | 82,472 | 4.2350 | 87,753 | 3.9800 |
| EUR/NTD | 6,272 | 35.8900 | 3,538 | 35.8000 | 4,537 | 34.4600 |
| GBP/NTD | 1,116 | 43.4600 | 1,267 | 48.6700 | 613 | 48.4800 |
| AUD/NTD | 4,972 | 23.9750 | 472 | 23.9850 | 472 | 23.6850 |
| SGD/NTD | 319 | 23.9100 | 2,550,875 | 23.2500 | 52 | 22.9600 |
| CNY/NTD | 41,614 | 4.8450 | 33,997 | 4.9950 | - | - |
| CHF/NTD | 58 | 32.9450 | 20 | 33.1850 | 10 | 33.1050 |
| CNY/USD | 165 | 0.1611 | 165 | 0.1611 | 161 | 0.1611 |
| USD/CNY | 474 | 6.4841 | 62 | 6.1168 | 48 | 6.0969 |

B. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2016 and 2015 amounted to $6,258, ($26,249), ($7,316) and ($43,913), respectively.

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