



CAPITAL
2015

ANNUAL REPORT

Capital Securities Corporation

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

ANNUAL REPORT

■ Spokesperson

Name: TAN, DE-CHENG
Title: Executive Vice President
Tel: 886-2-8789-8888
E-mail: spokesman@capital.com.tw

■ Deputy Spokesperson

Name: XIE, YU-LIN;
HUANG, QI-MING
Title: Senior Vice President;
Executive Vice President
Tel: 886-2-8789-8888
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■ Headquarters & Branches

Headquarters
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Tel: 886-2-8789-8888

Branches
Address & Tel: Please refer to Section X
Addresses & Telephone Numbers of the Headquarters,
Branches & Affiliates.

■ Stock Transfer Agent

Name: Registrar Agency Department of Capital Securities Corporation
Address: B2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10601, Taiwan, R.O.C.
Tel: 886-2-2703-5000
Website: <http://www.capital.com.tw/agency/>

■ Auditors in the most recent year

KPMG
Auditors: Dannie Lee; Charles Chen
Address: 68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Tel.: 886-2-8101-6666
Website: www.kpmg.com.tw

■ Corporate Website

<http://www.capital.com.tw>

■ Overseas Securities Exchange

N/A

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Dear Shareholder:

In 2015, both the global economy and stock market underperformed simultaneously due to various domestic and overseas economic and financial factors. As China's policies focused on adjusting the country's economic structure and digesting excess capacity, its demand for raw materials decelerated. Moreover, the anticipation toward the Fed's interest rate hike boosted USD. In turn, it not only suppressed raw material quotations but decreased the purchasing power among emerging economies dependent on the export business of raw materials. Furthermore, led by Saudi Arabia, international oil price tumbled. The finances of oil-producing countries became tight, dragging down global economic growth and Taiwan's stock market.

Chinese shares soared in the first half of 2015, boosting TAIEX to rally again to the rarely-seen mark of 10,000 amid the support of international hot money. However, as Chinese shares siphoned capital out of TAIEX and the emergence of Chinese electronics sector's supply chain crowded out orders for Taiwan's technology industry, TAIEX immediately fell off the 10,000 mark. Soon after that, the soaring Chinese shares took a fall due to the unexpected RMB depreciation, triggering the global stock woes last August. TAIEX also fell incessantly and once hit 7,203 at its lowest. In 2015, TAIEX retreated by 10% YoY from 9,307 to close at 8,338. Affected by the effect prior to the repeal of the income tax on gains derived from securities transactions, the average daily trading turnover decreased from NTD118.3bn in 2014 to NTD115.6bn in 2015.

Capital Securities Corporation has always pursued stable development based on the idea of sustainable operations. Although the external environment was difficult, employees across all departments spared no efforts to generate outstanding operating results for the company. Our pre-tax profit was NTD1,784,346K in 2015, decreasing by ~21% YoY from NTD2,265,303K in 2014. Our net profit was NTD1,549,327K in 2015.

We at Capital Securities Corporation cherish our clients and employees as key assets facilitating corporate growth. We continue to show care to our clients and enhance the professional depth of our employees in every aspect so that we may establish an even better investment environment, meet our clients' need and maintain long-lasting profitability. We won the honor of double gold at the 13th Golden Goblet Award: President Chao Yong-fei won the Outstanding Business Leader Award; Capital Futures claimed the special award Outstanding Pay-raise Award this year. The service quality provided by Capital Securities Corporation has won accolades from both authorities and investors. The company won the Futures Introducing Broker Annual Contribution Award at Taiwan Futures Exchange's first Futures Diamond Award. We also received the Best Securities Broker Award in the non-financial holdings company section at the 2015 Outstanding Financial and Securities Service Rating" organized by the Excellence Magazine. To establish an outstanding market maker system for central government bonds, the Taipei Exchange evaluates and selects the most active market maker in the government bond market every six months. In the first and second halves of 2015, our proprietary trading departments for securities and bonds were both selected as outstanding market makers of central government bonds. Our proprietary trading departments also possess the qualifications granted by Taiwan's Central Bank as major central government bond traders. Our company claimed the Best Warrant Publisher Award and won second place at the Award of Most Warrants Issued from Taiwan Stock Exchange in 2015. Our representative office in Shanghai claimed first place at the "Media Industry Top Earnings Estimator Award" in Asia Pacific by StarMine in 2015.

Our operations in various businesses in 2015 were as follows:

Brokerage: Our company's average annual market share in TAIEX was 4.0738%. Our market share in OTC market was 5.8502%. Our composite market share was 4.4501%. Our company's business scale ranked 5th among all securities companies in Taiwan and ranked first among independent securities companies in Taiwan. We also ranked 8th among Taiwanese securities firms in terms of annual turnover for foreign stock sub-brokerage.

Investment Banking: We underwrote the following IPOs: Pharmally (listed on TAIEX), Megawin (listed on Taipei Exchange), Connection Technology Systems (listed on Taipei Exchange) and U-MEDIA Communications (listed on Taipei Exchange) in 2015. We also underwrote SPOs for C-Tech

United (CB), Chime Ball (CB), Diva Laboratories (CB) and Easywell (paid-in capital increase) at the secondary market. Our underwriting team is experienced and has been commissioned to complete domestic and foreign cases of different scales and types.

Derivatives products: In 2015, our company issued warrants amounting to NTD41.93bn and issued 2,851 warrants. We ranked 2nd in issued warrant value and 4th in the number of issued warrants in the industry. We also launched structured products amounting to NTD16.96bn in 2015, ranking 4th in the industry.

Fixed income: We underwrote five ordinary corporate bond tenders, accounting for 12% of the market and ranking 4th among all domestic securities companies. The ordinary corporate bonds sold via tenders underwritten by our company totaled to NTD14.4bn, accounting for 10.34% of the market and ranking 2nd among all Taiwanese securities companies. We underwrote well-known Taiwanese enterprises like CPC Corporation, Hon Hai Precision and Far Eastern New Century.

Looking forward to 2016, global economic challenges may persist. The Chinese economy may still be subject to downside risks. Although the economies of emerging markets may gradually stabilize along with stabilizing raw material quotations, we remain cautious toward the outlook in 2016. Consequently, although the economies of the US, Europe and Japan are steady, IMF and OECD still revised down their global economic growth forecasts at the beginning of the year. The possibility for another interest rate hike in the US may still emerge. Moreover, due to the pressure of persistently easing policies promoted by the ECB, Bank of Japan and the People's Bank of China, international capital flow may remain extraordinarily frequent. We forecast the fluctuation of Taiwan's stock market to intensify. Taiwan's capital market may be full of challenges and opportunities in 2016.

We at Capital Securities Corporation value our employees as an integral part of our company. To encourage the employees to work diligently and value the quality of their lives, as well as promote an attitude toward ecological and fun-filled living, we have organized a series of activities. They include Family Day hiking trip for all our employees and their family members for better health. We also have organized the Capital Securities Got Talents Singing Contest for all our employees to show their singing talents. Capital Securities Cutest Pet Contest is designed to raise public awareness that "pets are also family members" and "it is better to adopt than to buy a pet." It is our hope that through these multi-faceted events, our employees may relax, gain better health and enhance their work efficiency.

The brand value of Capital Securities Corporation is "Capital Care." Our company has long played the role of a corporate citizen. We constantly organize Capital Group's blood drive "We Share Love and Spread Happiness for Public Welfare". We also continue to partner with New Taipei City Welfare Promotion Association for the Blind this year by providing our employees weekly massage services by the blind. In order to promote education in the remote parts of Taiwan, we have also launched the "Sharing Love for Reading to Nurture the Young" campaign and adopted Da Cheng Elementary School in New Taipei's Sanxia District and GueiShan Elementary School in Xindian District. Our reading volunteers visited these adopted elementary schools to encourage the schoolchildren to read or tell them stories. The volunteers were enthusiastically received by the children. To offer more cultural stimulation unavailable to the schoolchildren in the remote parts of Taiwan and enhance their interest in reading, we also invited some teachers and students from GueiShan Elementary School to enjoy the animated movie Inside Out at Eslite Spectrum Songyan Store. We also planned a city reading tour for them by organizing a guided bookshop tour and free reading activities. Based on our consistent beliefs, we at Capital Securities Corporation will continue fulfilling our vision and showing our care to the society. We will also seek to establish long-term client partnership characterized with mutual growth and continue providing high-value-added financial services that exceed our clients' expectation.

Alex Jiunn-Chih Wang

Chairman

II > Company Profile

a. Date of registration: June 21, 1988

b. Paid-in capital: NTD22.691bn

c. Our history:

In 1988, our company's founder observed that the capital market played a critical role in raising capital from the domestic market for industry upgrades. Therefore, he invited those well-known in the corporate world in Taiwan to jointly found this company which, back then, was a professional brokerage company with a paid-in capital of NT\$300mn. Capital Securities has now evolved into a full-range international securities company offering services including brokerage, proprietary trading, underwriting, share registry, bonds, credit transaction and derivative products. In various business areas, we have topped our peers in both primary and secondary markets. To provide domestic and foreign institutional investors and general public all-encompassing financial services, we have set up affiliates such as Capital Futures, Capital Investment Management, Capital Insurance Agency, Capital Insurance Advisory, CSC Securities (HK) and CSC International Holdings. In 2016, we have also invested in and established Capital Venture Capital, extending our services further to the enterprises that are not listed on Taipei Exchange and TAIEX. In addition to all major cities in Taiwan, Capital Group has branches at financial centers like Hong Kong and Shanghai. With the full support of all our shareholders, directors and supervisors, Capital is sparing no effort in business expansion and moving toward the goal of becoming an international professional investment bank.

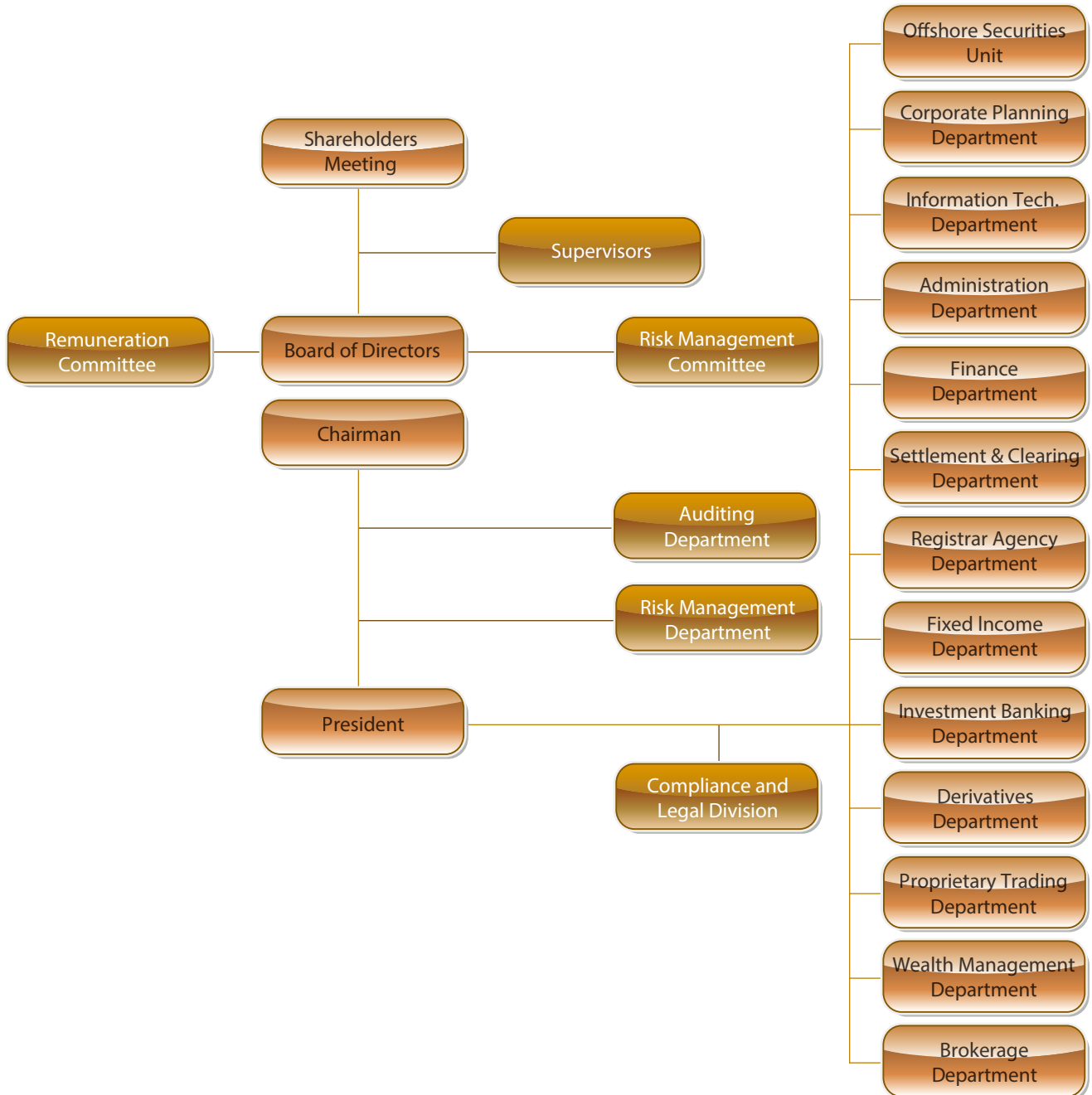
In 2014, our Shanghai representative office claimed top prize with a total of 7 awards including the "Top 10 Overall Earnings Estimators" in Asia-Pacific, Greater China, and Hong Kong presented by StarMine. In the same year, Capital Securities Corporation received the Best Brand Image Award in the "2014 Outstanding Financial and Securities Service Rating" among non-financial holding companies from Excellence Magazine and the Best Service Award in the "2014 Wealth Management Bank Rating" in the securities section from Business Today Magazine. President Chao Yong-fei won the Outstanding Business Leader Award at the 13th Golden Goblet Award in 2015. Our company also received the Best Securities Broker Award in the non-financial holdings company category at the "2015 Outstanding Financial and Securities Service Rating" organized by Excellence Magazine. Our representative office in Shanghai claimed first place at the "Media Industry Top Earnings Estimator Award" in Asia by StarMine in 2015.

In 1989, Capital Securities increased its paid-in capital to NTD1.6bn. In September and October of the same year, the company received business licenses for underwriting and proprietary trading and became a full-range securities company. In November of 2005, shares of Capital Securities were officially listed on TAIEX. Capital Group's headquarters were moved to the Capital Center in February of 1999. Capital Group became Taiwan's second financial group that moved into the Xinyi District of Taipei City. The district was aggressively developed by the government as an international financial center. Our settlement in the district reaffirms our determination to develop into a full-range international financial institution. We also moved our brokerage department into the same site. The former venue on Zhongxiao East Road was converted into our Jhongsiao Branch. Our company acquired Ta Shing Securities Co., Ltd. and set up our branches in Yilan and Tashing, respectively, in 2005. Our company's Chinese name was officially modified in September of 2011.

Looking forward into 2016, in response to the trend toward globalized and conglomerated development in the financial service sector, based on the concept of financial technology, Capital will optimize the service quality and operating efficiency of our various points of operations to fully satisfy the need of the investing public as a full-range securities company offering user-friendly and digitized services. Our company will continue providing high-value-added financial services that exceed our clients' expectations with our commitment to public interest.

3.1 Organization

Capital Securities Corporation



3.2 Data about Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, Department Heads and Branch Heads

3.2.1 Directors and Supervisors (1)

Apr 29, 2016

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Term (Years)	Date First Elected ²	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) ³	Other Position in this and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship	
						Shares	%	Shares	%	Shares	%	Shares	%			Shares	%
Chairman	R.O.C.	Tai Chun Investment Co., Ltd.; representative: WANG, JIUNN-CHIH	Jun 25, 2013	3	Apr 03, 2001 Sep 03, 2012	14,349,293 0	0.61% 0.00%	14,349,293 25,000	0.63% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	PhD in Technology Management, Chung Hua University	Director of Capital Futures Corp.; Director of CSC International Holdings Ltd.; Director of Capital Securities (Hong Kong) Ltd.; Director of CSC Securities (HK) Ltd.; Director of CSC Futures (HK) Ltd.; Chairman of CSC Venture Capital Corporation	None	None
Director	R.O.C.	Tai Chun Investment Co., Ltd.; representative: LIU, CHING-TSUN	Jun 25, 2013	3	Apr 03, 2001 Jan 01, 1994	14,349,293 0	0.61% 0.00%	14,349,293 0	0.63% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	M.A. in Public Administration, University of San Francisco	Director of Capital Futures Corp.	None	None
Director	R.O.C.	Kwang Hsing Co., Ltd.; representative: YANG, CHE-HUNG	Jun 25, 2013	3	Apr 03, 2001 Nov 02, 2015	9,261,919 0	0.39% 0.00%	9,261,919 27	0.41% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	National Kaohsiung University of Applied Sciences	Deputy Chief of Capital Management Section, Corporate Management Office, Kwang Yang Motor Co., Ltd.	None	None
Director	R.O.C.	Tai Lien Investment Co., Ltd.; representative: CHANG, CHIH-MING	Jun 25, 2013	3	Jun 15, 2004 Oct 27, 2011	14,528,072 0	0.61% 0.00%	14,528,072 0	0.64% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Vocational high school	Chairman of Yu Chun Enterprise Co., Ltd.; Chairman of Fu Tai Construction Co., Ltd.; Chairman of Hung Chang Enterprise Co., Ltd.; Chairman of Chuan Yi Investment Co., Ltd.; Chairman of Cheng Ta Investment Co., Ltd.; Chairman of Tsai Tzu Enterprise Co., Ltd.; Chairman of Tsai Chiang Enterprise Co., Ltd.; Director of Hung Tai Construction Co., Ltd.; Director of Tai He Real Estate Management Co., Ltd.; Director of Hung Nan Enterprise Co., Ltd.; Director of Han Pao Enterprise Co., Ltd.; Director of Chia Shan Yueh Construction Co., Ltd.; Director of Hung Yeh Investment Co., Ltd., Supervisor of Chao Lung Investment Co., Ltd.; Supervisor of Yu Pao Enterprise Co., Ltd.; Supervisor of Liang Chi Enterprise Co., Ltd.; Supervisor of Tai Fa Investment Co., Ltd.; Supervisor of Cooperative Construction Co., Ltd.; Supervisor of Chen Chen Co., Ltd.; Supervisor of Collins Co., Ltd.	None	None

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Term (Years)	Date First Elected ²	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) ³	Other Position in this and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship	
						Shares	%	Shares	%	Shares	%	Shares	%			Shares	%
Director	R.O.C.	Hung Chia Investment Co., Ltd.; representative: CHANG, CHANG-PANG	Jun 25, 2013	3	Jun 15, 2007 Jun 15, 2007	57,027,023 0	2.41% 0.00%	57,027,023 0	2.51% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Former Administrative Deputy Minister of the Ministry of Finance, R.O.C.; Chairman of Fuhwa Financial Holding Company; J.M., National Chengchi University	Independent Director of Inventec Corporation Co., Ltd.; Independent Director of Formosa Petrochemical Corporation Co., Ltd.; Independent Director of Silitech Technology Corporation Co., Ltd.; Independent Director of Powerchip Technology Corporation Co., Ltd.; Supervisor of Jintex Corporation Co., Ltd.; Director of Maxigen Biotech Inc.	None	None
Director	R.O.C.	Hung Chia Investment Co., Ltd.; representative: TSAI, I-CHING	Jun 25, 2013	3	Jun 15, 2007 Mar 5, 2012	57,027,023 9	2.41% 0.00%	57,027,023 9	2.51% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	J.M., Soochow University	Supervisor of Cross Strait Business Service Co., Ltd.; Deputy Secretary-General of Taiwan Federation of Commerce	None	None
Director	R.O.C.	San River Industrial Co., Ltd.; representative: TSAI, LIEN-LI	Jun 25, 2013	3	Jun 15, 2007 Jun 25, 2013	3,561,900 459	0.15% 0.00%	3,561,900 0	0.16% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	Department of Civil Engineering, Feng Chia University	None	None	None
Independent Director	R.O.C.	LIN, HSIN-HUI	Jun 25, 2013	3	Jun 15, 2007	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	PhD in Industrial Engineering, Iowa State University	None	None	None
Independent Director	R.O.C.	HWANG, JYH-DEAN	Jun 25, 2013	3	Jun 10, 2009	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	PhD in Economics, University of Wisconsin- Madison	None	None	None
Supervisor	R.O.C.	Yin Feng Enterprise Co., Ltd.; representative: KUO, YUH-CHYI	Jun 25, 2013	3	Jun 25, 2013 Jun 15, 2010	7,514,033 252,020	0.32% 0.01%	7,514,033 252,020	0.33% 0.01%	0 3,300	0.00% 0.00%	0 3,300	0.00% 0.00%	Department of Cooperative Economics, National Taipei University	None	None	None
Supervisor	R.O.C.	Yi Hsin Development Co., Ltd.; representative: ANGEL CHANG	Jun 25, 2013	3	Jun 27, 1997 Jun 25, 2013	3,583,763 0	0.15% 0.00%	3,583,763 0	0.16% 0.00%	0 0	0.00% 0.00%	0 0	0.00% 0.00%	M.B.A. in Executive Management, Royal Roads University	None	None	None
Supervisor	R.O.C.	JIN LONG Investment Co., Ltd., representative: LIN, CHUN-YU	Jun 25, 2013	3	Apr 3, 2001 Dec 30, 2013	10,000,000 0	0.42% 0.00%	- 0	- 0.00%	- 0	- 0.00%	- 0	- 0.00%	- -	- -	- -	- -

Note 1: Names of institutional shareholders and their representatives shall be listed separately (if the one listed is the representative of an institutional shareholder, the name of that institutional shareholder shall be indicated) here and in Table 1.

Note 2: A remark shall be made about any suspension of a person's first term of office serving as the Company's director or supervisor.

Note 3: Regarding a person's experiences related to his current position, if he once held a position at the auditing & certifying accounting agency or its affiliates, his job title and duties shall be specified.

Note 4: Kwang Hsing Co., Ltd. changed its representative ZHU JIN-LONG to YANG CHE-HUNG on Nov 2, 2015.

Note 5: Institutional supervisor JIN LONG Investment Co., Ltd. resigned on Apr 1, 2016.

III Corporate Governance Report

Table 1: Major shareholders of the Institutional Shareholders

Mar 31, 2016

Name of Institutional Shareholders ¹	Major Shareholders ²	
Tai Chun Enterprise Co., Ltd.	Tai Fa Investment Co., Ltd.	30.63%
	Chao Lung Investment Co., Ltd.	19.71%
	Tai Hsiang Investment Co., Ltd.	18.91%
	Tai He Investment Co., Ltd.	15.98%
	Tai Chun Enterprise Co., Ltd.	2.91%
	Han Pao Enterprise Co., Ltd.	2.88%
	Yin Feng Enterprise Co., Ltd.	2.74%
	Kai Ta Enterprise Co., Ltd.	2.49%
	Jun Hsiang Enterprise Co., Ltd.	1.89%
	Hung Sheng Enterprise Co., Ltd.	1.85%
Kwang Hsing Co., Ltd.	Kwang Yang Motor Co., Ltd.	100%
Tai Lien Investment Co., Ltd.	Tai Hsiang Investment Co., Ltd.	43.02%
	Chao Lung Investment Co., Ltd.	16.65%
	Tai Fa Investment Co., Ltd.	15.27%
	Tai He Investment Co., Ltd.	8.33%
	Yin Feng Enterprise Co., Ltd.	3.26%
	Han Pao Enterprise Co., Ltd.	3.26%
	Kai Ta Enterprise Co., Ltd.	3.26%
	Hung Sheng Enterprise Co., Ltd.	3.26%
	Fu Tai Construction Co., Ltd.	3.23%
	Hung Tai Construction Co., Ltd.	0.44%
Hung Chia Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	24.20%
	Tai He Investment Co., Ltd.	12.42%
	Hung Tai Construction Co., Ltd.	9.97%
	Fu Tai Construction Co., Ltd.	9.97%
	Tai Sheng Investment Co., Ltd.	7.96%
	Tai Fa Investment Co., Ltd.	6.37%
	Tai Hsiang Investment Co., Ltd.	6.37%
	Lien Mao Investment Co., Ltd.	4.78%
	Jui Cheng Construction Co., Ltd.	3.18%
	Kai Ta Enterprise Co., Ltd.	3.18%
San River Industrial Co., Ltd.	CHEN TIEN-WEN	41%
	LI A-XUE	39%
	CHEN TIEN-XING	20%

Name of Institutional Shareholders ¹	Major Shareholders ²	
Yin Feng Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	17.49%
	Hung Yeh Investment Co., Ltd.	15.79%
	Feng Yang Investment Co., Ltd.	11.63%
	Wei Wang Investment Co., Ltd.	9.22%
	Tai Chien Investment Co., Ltd.	7.58%
	Chen Hui Enterprise Co., Ltd.	6.38%
	Pao Ching Investment Co., Ltd.	5.06%
	Cheng Ta Investment Co., Ltd.	4.04%
	Fu Ting Investment Co., Ltd.	3.67%
	Pao Sheng Investment Co., Ltd.	3.66%
Yi Hsin Development Co., Ltd.	CHEN TIEN-XING	96%
	LIN BI-HUI	1%
	QIU PEI-LIN	1%
	WU LING-LAN	1%
	LI A-XUE	1%
JIN LONG Investment Co., Ltd.	CHEN YU-TING	37.25%
	CHEN YU-JUN	37.25%
	CHEN JIN-SHUN	6.75%
	XU MAN-DI	6.875%
	ZHOUTING-TING	6.875%
	CHEN YAN-YU	1.25%
	CHEN SI-YUN	1.25%
	CHEN XING-TONG	1.25%
	CHEN XING-YOU	1.25%

1. If a director or supervisor is a representative of an institutional shareholder, the name of the institutional shareholder shall be indicated.

2. The name of the major shareholder of the institutional shareholder (listed among the top 10 in terms of shareholding) and its shareholding percentage shall be indicated. If the major shareholder is a legal person, it shall be indicated in Table 2.

III Corporate Governance Report

Table 2: Major shareholders of Those Listed in Table 1 Whose Major Shareholders Are Legal Persons

Mar 31, 2016

Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Tai Fa Investment Co., Ltd.	Lin, Yu-Lin Hung Tai Education & Culture Charitable Trust	100.00%
Chao Lung Investment Co., Ltd.	Lin, Yu-Lin Hung Tai Education & Culture Charitable Trust Chen, Chuan-Wei	99.76% 0.24%
Tai Hsiang Investment Co., Ltd.	Lin, Yu-Lin Hung Tai Education & Culture Charitable Trust	100.00%
Tai He Investment Co., Ltd.	Lin, Yu-Lin Hung Tai Education & Culture Charitable Trust Yu Pao Enterprise Co., Ltd.	99.92% 0.08%
Tai Chun Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	15.44%
	Pao Ching Investment Co., Ltd.	15.06%
	Pao Tso Investment Co., Ltd.	12.64%
	Hung Yeh Investment Co., Ltd.	11.70%
	Cheng Ta Investment Co., Ltd.	11.44%
	Tai Lien Investment Co., Ltd.	10.01%
	Pao Sheng Investment Co., Ltd.	4.66%
	Tai Chien Investment Co., Ltd.	3.43%
	Tai Sheng Investment Co., Ltd.	3.42%
	Tai Chun Enterprise Co., Ltd.	3.42%
Han Pao Enterprise Co., Ltd.	Tai Chien Investment Co., Ltd.	16.21%
	Cheng Ta Investment Co., Ltd.	14.60%
	Pao Tso Investment Co., Ltd.	14.18%
	Lien Mao Investment Co., Ltd.	8.73%
	Feng Yang Investment Co., Ltd.	8.33%
	Pao Sheng Investment Co., Ltd.	5.02%
	Tai Chun Enterprise Co., Ltd.	5.02%
	Jun Hsiang Enterprise Co., Ltd.	4.95%
	Tai Lien Investment Co., Ltd.	3.41%
	Fu Ting Investment Co., Ltd.	3.41%
Yin Feng Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	17.49%
	Hung Yeh Investment Co., Ltd.	15.79%
	Feng Yang Investment Co., Ltd.	11.63%
	Wei Wang Investment Co., Ltd.	9.22%
	Tai Chien Investment Co., Ltd.	7.58%
	Chen Hui Enterprise Co., Ltd.	6.38%
	Pao Ching Investment Co., Ltd.	5.06%
	Cheng Ta Investment Co., Ltd.	4.04%
	Fu Ting Investment Co., Ltd.	3.67%
	Pao Sheng Investment Co., Ltd.	3.66%

Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Kai Ta Enterprise Co., Ltd.	Yu Lin Enterprise Co., Ltd.	18.04%
	Shou Ta Construction Co., Ltd.	12.63%
	Chien Sheng Construction Co., Ltd.	12.63%
	Hung Nan Enterprise Co., Ltd.	12.63%
	Wei Wang Investment Co., Ltd.	10.86%
	Lien Mao Investment Co., Ltd.	9.09%
	Min Hui Enterprise Co., Ltd.	6.43%
	Hung Yeh Investment Co., Ltd.	4.79%
	Cheng Ta Investment Co., Ltd.	4.65%
	Chung Lung Technology Co., Ltd.	2.38%
Jun Hsiang Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	15.90%
	Hung Yeh Investment Co., Ltd.	13.82%
	Cheng Ta Investment Co., Ltd.	13.82%
	Tai Lien Investment Co., Ltd.	9.94%
	Feng Yang Investment Co., Ltd.	8.95%
	Lien Mao Investment Co., Ltd.	5.20%
	Tai Sheng Investment Co., Ltd.	5.07%
	Pao Tso Investment Co., Ltd.	4.97%
	Wei Wang Investment Co., Ltd.	4.70%
Tai Chien Investment Co., Ltd.	4.23%	
Hung Sheng Enterprise Co., Ltd.	Lien Mao Investment Co., Ltd.	16.20%
	Wei Wang Investment Co., Ltd.	13.98%
	Jui Chin Enterprise Co., Ltd.	7.78%
	Hung Nan Enterprise Co., Ltd.	7.02%
	Yu Lin Enterprise Co., Ltd.	6.60%
	Chien Sheng Construction Co., Ltd.	6.60%
	Shou Ta Construction Co., Ltd.	6.60%
	Chung Lung Technology Co., Ltd.	5.86%
	Hung Yeh Investment Co., Ltd.	4.66%
	Pao Tso Investment Co., Ltd.	3.30%
Kwang Yang Motor Co., Ltd.	Xin Sheng Investment Co., Ltd.	11.31%
	Guang Zhou Investment Co., Ltd.	6.66%
	Da Ming Investment Co., Ltd.	6.54%
	Kwang Hsing Co., Ltd.	5.39%
	Hong Guang Investment Co., Ltd.	4.68%
	Qing Yang Investment Co., Ltd.	3.43%
	Yu Ji Investment Co., Ltd.	1.34%
	KE JIAO-XIONG	1.21%
	Hong Sheng Investment Co., Ltd.	1.09%
KE HONG-MING	1.03%	

III Corporate Governance Report

Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Fu Tai Construction Co., Ltd.	Pao Tso Investment Co., Ltd.	16.88%
	Lien Mao Investment Co., Ltd.	16.50%
	Wei Wang Investment Co., Ltd.	16.50%
	Tseng Mao Investment Co., Ltd.	11.91%
	Chuan Yi Construction Co., Ltd.	10.33%
	Hung Chia Investment Co., Ltd.	4.67%
	Tai Chun Enterprise Co., Ltd.	4.48%
	Pao Sheng Investment Co., Ltd.	4.32%
	Liang Chi Enterprise Co., Ltd.	3.05%
	Tai Yeh Enterprise Co., Ltd.	2.66%
Hung Tai Construction Co., Ltd.	Chung Lung Technology Co., Ltd.	21.65%
	Hung Lung Enterprise Co., Ltd.	19.71%
	Wei Wang Investment Co., Ltd.	12.67%
	Jun Hsiang Enterprise Co., Ltd.	12.41%
	Wang Hsing Enterprise Co., Ltd.	12.28%
	Yu Chun Enterprise Co., Ltd.	9.79%
	Pao Sheng Investment Co., Ltd.	4.74%
	Tai Sheng Investment Co., Ltd.	4.74%
	Lien Mao Investment Co., Ltd.	1.95%
	Lin, Yu-Lin	0.02%
Tai Sheng Investment Co., Ltd.	Tai He Investment Co., Ltd.	23.93%
	Chao Lung Investment Co., Ltd.	19.86%
	Tai Fa Investment Co., Ltd.	11.01%
	Tai Hsiang Investment Co., Ltd.	10.29%
	Chen Hui Enterprise Co., Ltd.	4.42%
	Yu Chun Enterprise Co., Ltd.	4.40%
	Fu Tai Construction Co., Ltd.	3.77%
	Chuan Yi Construction Co., Ltd.	3.54%
	Shou Ta Construction Co., Ltd.	2.99%
	Chien Sheng Construction Co., Ltd.	2.99%
Lien Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.	45.16%
	Chao Lung Investment Co., Ltd.	23.23%
	Tai Fa Investment Co., Ltd.	9.03%
	Tai Hsiang Investment Co., Ltd.	8.39%
	Hung Wei Construction Co., Ltd.	2.15%
	CYPRESS SERVICES LIMITED	2.10%
	Tai Sheng Investment Co., Ltd.	1.84%
	Tai Lien Investment Co., Ltd.	1.45%
	Tai Chien Investment Co., Ltd.	1.45%
	Feng Yang Investment Co., Ltd.	1.45%

Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Jui Cheng Construction Co., Ltd.	Yu Lin Enterprise Co., Ltd.	16.80%
	Shou Ta Construction Co., Ltd.	16.00%
	Chien Sheng Construction Co., Ltd.	16.00%
	Hung Nan Enterprise Co., Ltd.	16.00%
	Jun Hsiang Enterprise Co., Ltd.	16.00%
	Min Hui Enterprise Co., Ltd.	8.19%
	Fu Tai Construction Co., Ltd.	7.00%
	Lien Mao Investment Co., Ltd.	1.20%
	Hung Yeh Investment Co., Ltd.	1.09%
	Tai Chun Enterprise Co., Ltd.	0.89%
Chuan Yi Construction Co., Ltd.	Chao Lung Investment Co., Ltd.	16.65%
	Tai Hsiang Investment Co., Ltd.	43.02%
	Tai He Investment Co., Ltd.	8.33%
	Wang Hsing Enterprise Co., Ltd.	6.33%
	Hung Sheng Enterprise Co., Ltd.	6.33%
	Chuan Yi Construction Co., Ltd.	5.98%
	Tai Fa Investment Co., Ltd.	5.44%
	Yu Chun Enterprise Co., Ltd.	4.57%
	Hung Lung Enterprise Co., Ltd.	3.35%
	Chen Hui Enterprise Co., Ltd.	3.44%
Hung Yeh Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	41.25%
	Tai Fa Investment Co., Ltd.	18.58%
	Tai Hsiang Investment Co., Ltd.	18.54%
	Tai He Investment Co., Ltd.	9.73%
	CYBER COMPANY LIMITED	1.76%
	Tai He Real Estate Management Co., Ltd.	1.74%
	Tai Lien Investment Co., Ltd.	1.72%
	Pao Tso Investment Co., Ltd.	1.52%
	Hung Chia Investment Co., Ltd.	1.52%
	Fu Ting Investment Co., Ltd.	1.52%
Feng Yang Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	38.73%
	Tai Hsiang Investment Co., Ltd.	18.23%
	Chao Lung Investment Co., Ltd.	18.23%
	Tai He Investment Co., Ltd.	6.84%
	Hung Tai Construction Co., Ltd.	2.44%
	Fu Tai Construction Co., Ltd.	2.22%
	Hung Sheng Enterprise Co., Ltd.	2.36%
	Pao Tso Investment Co., Ltd.	2.28%
	Tai Sheng Investment Co., Ltd.	2.28%
	Tai Chun Enterprise Co., Ltd.	2.19%

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Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.	36.76%
	Chao Lung Investment Co., Ltd.	26.10%
	Tai Fa Investment Co., Ltd.	12.87%
	Tai Hsiang Investment Co., Ltd.	8.20%
	ASIA WAY GROUP LIMITED	2.39%
	Pao Ching Investment Co., Ltd.	2.24%
	Hung Sheng Construction Co., Ltd.	2.05%
	Chuan Yi Construction Co., Ltd.	1.87%
	Tseng Mao Investment Co., Ltd.	1.87%
	Tai Chun Enterprise Co., Ltd.	1.86%
Tai Chien Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	42.92%
	Tai Fa Investment Co., Ltd.	18.07%
	Tai Hsiang Investment Co., Ltd.	18.07%
	Tai He Investment Co., Ltd.	11.29%
	Tai Chun Enterprise Co., Ltd.	1.93%
	Hung Sheng Enterprise Co., Ltd.	1.80%
	Kai Ta Enterprise Co., Ltd.	1.68%
	Min Hui Enterprise Co., Ltd.	1.56%
	Chen Hui Enterprise Co., Ltd.	1.34%
	Jun Hsiang Enterprise Co., Ltd.	1.34%
Chen Hui Enterprise Co., Ltd.	Tai Lien Investment Co., Ltd.	14.82%
	Tai Chun Enterprise Co., Ltd.	14.22%
	Pao Ching Investment Co., Ltd.	9.88%
	Feng Yang Investment Co., Ltd.	9.88%
	Cheng Ta Investment Co., Ltd.	9.45%
	Lien Mao Investment Co., Ltd.	8.64%
	Wei Wang Investment Co., Ltd.	8.64%
	Yu Pao Enterprise Co., Ltd.	8.43%
	Hung Yeh Investment Co., Ltd.	5.00%
	Tai Sheng Investment Co., Ltd.	4.54%
Pao Ching Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	19.72%
	Tai Hsiang Investment Co., Ltd.	19.43%
	Chao Lung Investment Co., Ltd.	19.43%
	Chuan Yi Construction Co., Ltd.	6.93%
	Fu Tai Construction Co., Ltd.	6.93%
	Hung Lung Enterprise Co., Ltd.	5.51%
	Jun Hsiang Enterprise Co., Ltd.	5.51%
	Tai He Investment Co., Ltd.	4.93%
	Pao Tso Investment Co., Ltd.	4.35%
	Tai Sheng Investment Co., Ltd.	4.35%

Name of Institutional Shareholders ¹	Major Shareholders of Institutional Shareholders ²	
Cheng Ta Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	39.58%
	Tai Hsiang Investment Co., Ltd.	32.56%
	Chao Lung Investment Co., Ltd.	18.60%
	Tai He Investment Co., Ltd.	4.65%
	CREATIVE VISION LIMITED	1.35%
	Hung Lung Enterprise Co., Ltd.	0.92%
	Jui Cheng Construction Co., Ltd.	0.49%
	Hung Sheng Enterprise Co., Ltd.	0.46%
	Pao Sheng Investment Co., Ltd.	0.46%
	Tai Chien Investment Co., Ltd.	0.46%
Fu Ting Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	24.73%
	Tai Fa Investment Co., Ltd.	13.02%
	Tai Hsiang Investment Co., Ltd.	9.76%
	Pao Ching Investment Co., Ltd.	6.51%
	Hung Chia Investment Co., Ltd.	6.51%
	Yu Chun Enterprise Co., Ltd.	6.03%
	Fu Tai Construction Co., Ltd.	5.80%
	Tai He Investment Co., Ltd.	5.21%
	Tai Chun Enterprise Co., Ltd.	4.28%
	Jun Hsiang Enterprise Co., Ltd.	4.27%
Pao Sheng Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	18.36%
	Tai Hsiang Investment Co., Ltd.	18.36%
	Chao Lung Investment Co., Ltd.	18.36%
	Tai He Investment Co., Ltd.	12.85%
	Tai Chun Investment Co., Ltd.	5.43%
	Hung Sheng Enterprise Co., Ltd.	4.44%
	Kai Ta Enterprise Co., Ltd.	4.28%
	Chen Hui Enterprise Co., Ltd.	3.94%
	Yu Pao Enterprise Co., Ltd.	3.79%
	Yin Feng Enterprise Co., Ltd.	3.62%

Note 1: If the major shareholder listed in the previous table (Table 1) is a legal person, the name of the legal person shall be indicated.

Note 2: The name of the legal person's major shareholder (listed among the top 10 in terms of shareholding) and its shareholding percentage shall be indicated.

III Corporate Governance Report

3.2.1 Directors and Supervisors (2)

Mar 31, 2016

Name ¹	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria ²										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Tai Chun Investment Co., Ltd.; representative: WANG, JIUNN-CHIH	✓		✓				✓	✓	✓	✓	✓	✓	✓	✓	N/A
Tai Chun Investment Co., Ltd.; Representative: LIU, CHING TSUN			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Kwang Hsing Co., Ltd.; representative: YANG, CHE-HUNG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Tai Lien Investment Co., Ltd.; representative: CHANG, CHIH-MING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Hung Chia Investment Co., Ltd.; representative: CHANG, CHANG-PANG	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4
Hung Chia Investment Co., Ltd.; representative: TSAI, I-CHING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
San River Industrial Co., Ltd.; representative: TSAI, LIEN-LI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
LIN, HSIN-HUI	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
HWANG, JYH-DEAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Yin Feng Enterprise Co., Ltd.; representative: KUO, YUH-CHYI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Yi Hsin Development Co., Ltd.; representative: ANGEL CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
JIN LONG Investment Co., Ltd., representative: LIN, CHUN-YU				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Note1: The number of fields shall be adjusted based on the actual number of directors and supervisors.

Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected and during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of any of the Company's affiliates (not applicable in cases where the person is an independent director of the Company's parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.)
3. Not a natural-person shareholder who holds, together with the person's spouse, minor children, or in others' names, an aggregate amount of 1% or more of the total number of the Company's outstanding shares or ranks among the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of the Company's outstanding shares or who holds shares ranking among the top five in holdings.
6. Not a director, supervisor, manager of a specified company or institution which has a financial or business relationship with the Company, or a shareholder holding 5% or more of the shares.
7. Not a professional individual, an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial and accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship with, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, legal person or its representative as defined in Article 27 of the Company Law.

3.2.2 President, Executive Vice Presidents, Senior Vice Presidents, Department Heads & Branch Heads

Mar 31, 2016

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	CHAO, YONG-FEI	Dec 20, 2012	0	0.00%	0	0.00%	0	0.00%	A.A. in Accounting, Chihlee College of Business	Director of CSC Venture Capital Corporation; President of CSC Venture Capital Corporation	None	None	None
Senior Vice President	R.O.C.	LIN, JING- HUA	Jan 1, 2007	245,606	0.01%	0	0.00%	0	0.00%	Master of Business, University of Washington	Chief representative of the Shanghai office of CSC International Holdings Ltd.	None	None	None
Vice President	R.O.C.	LAI, AI-WEN	Jan 1, 2015	20	0.00%	0	0.00%	0	0.00%	L.L.B., Soochow University		None	None	None
Senior Vice President	R.O.C.	YAO, ZHONG- ZHI	Sep 15, 2008	0	0.00%	0	0.00%	0	0.00%	M.B.A., University of Rochester	Director of CSC Securities (HK) Ltd.; Director of CSC Futures (HK) Ltd.; Director of Capital Securities Nominee Ltd.; Director of Capital Securities (Hong Kong) Ltd.	None	None	None
Senior Vice President	R.O.C.	ZHANG, DUN-FU	May 2, 2011	137,568	0.01%	0	0.00%	0	0.00%	B.B.A. in Economics, National Taiwan University		None	None	None

III Corporate Governance Report

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive Vice President	R.O.C.	WENG, CHIN- NENG	Jun 19, 2003	20,696	0.00%	0	0.00%	0	0.00%	B.B.A. in Insurance, Tamkang University	Director of Capital Insurance Agency Corporation; Director of Capital Insurance Advisory Corporation; Director of CSC International Holdings Ltd.; Director of Capital Securities (HK) Ltd.; Director of Capital Securities Nominee Ltd.; Director of CSC Futures (Hong Kong) Ltd.; Director of Taiwan International Securities (B.V.I.) Corporation; Director of Taiwan International Capital (HK) Ltd.; Director of TIS Securities (HK) Limited	None	None	None
Senior Vice President	R.O.C.	XIE, XIU- YING	May 2, 2013	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Statistics, National Chung Hsing University		None	None	None
Executive Vice President	R.O.C.	HUANG, QI- MING	Jun 1, 2012	300,130	0.01%	0	0.00%	0	0.00%	E.M.B.A., National Chengchi University		None	None	None
Senior Vice President	R.O.C.	LIN, SHU- JUAN	Sep 1, 2013	93,880	0.00%	0	0.00%	0	0.00%	B.B.A., Feng Chia University		None	None	None
Senior Vice President	R.O.C.	FANG, ZHI- HONG	Jun 18, 2014	0	0.00%	0	0.00%	0	0.00%	M.B.A., City University of New York		None	None	None
Executive Vice President	R.O.C.	ZHANG, PEI-WEN	Sep 1, 2013	0	0.00%	0	0.00%	0	0.00%	A.A. in Bank and Insurance, Ming Chuan Woman's Business College	Director of Capital Insurance Agency Corporation; Director of Capital Insurance Advisory Corporation	None	None	None
Senior Vice President	R.O.C.	WANG, YA- FANG	Apr 1, 2010	0	0.00%	0	0.00%	0	0.00%	B.B.A., Tamkang University		None	None	None
Senior Vice President	R.O.C.	LIN, BO-WEI	Apr 1, 2014	0	0.00%	0	0.00%	0	0.00%	M.A. in Industrial Management, National Taiwan University of Science and Technology		None	None	None
Executive Vice President	R.O.C.	GUO, MEI- LING	Jun 1, 2012	165,823	0.01%	0	0.00%	0	0.00%	E.M.B.A., National Chengchi University		None	None	None
Senior Vice President	R.O.C.	QIU, JIAN- HUA	Dec 1, 2004	70,401	0.00%	0	0.00%	0	0.00%	B.B.A. in Statistics, National Chung Hsing University		None	None	None

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President	R.O.C.	LIU, SHU- RU	May 10, 2013	21,000	0.00%	0	0.00%	0	0.00%	B.S. in Information Management, National Central University		None	None	None
Senior Vice President	R.O.C.	WU, YUN- WEN	Apr 1, 2014	0	0.00%	1,390	0.00%	0	0.00%	B.S. in Industrial Management, Feng Chia University		None	None	None
Executive Vice President	R.O.C.	TAN, DE- CHENG	Nov 1, 2008	267,014	0.01%	0	0.00%	0	0.00%	M.A. in Accounting, Drexel University	Supervisor of Capital Insurance Agency Corporation; Supervisor of Capital Insurance Advisory Corporation; Director of Capital Securities (Hong Kong) Ltd.; Supervisor of CSC Venture Capital Corporation	None	None	None
Senior Vice President	R.O.C.	HUANG, ZI- RONG	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	M.A. in Finance, Tamkang University		None	None	None
Senior Vice President	R.O.C.	HOU, LE- PING	Jul 1, 2000	550,023	0.02%	0	0.00%	0	0.00%	M.B.A., Armstrong University		None	None	None
Senior Vice President	R.O.C.	XIE, YU-LIN	Jul 1, 2000	849,471	0.03%	0	0.00%	0	0.00%	B.B.A. in Accounting, Soochow University		None	None	None
Senior Vice President	R.O.C.	YAO, MING- QING	Apr 1, 2015	0	0.00%	0	0.00%	0	0.00%	M.A. in Accounting, National Chung Cheng University		None	None	None
Executive Vice President	R.O.C.	YANG, JIE- BIN	Nov 1, 2002	159,570	0.01%	0	0.00%	0	0.00%	M.A. in Finance, University of London		None	None	None
Assistant Vice President	R.O.C.	YANG, ZONG-MU	Dec 2, 2014	0	0.00%	0	0.00%	0	0.00%	M.A. in Finance, National Taiwan University		None	None	None
Senior Vice President	R.O.C.	ZHOU, XIU- ZHEN	Apr 1, 2010	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Accounting, National Taiwan University		None	None	None
Senior Vice President	R.O.C.	ZHANG, JIA-WEN	Apr 1, 2014	330	0.00%	0	0.00%	0	0.00%	M.B.A., Tarleton State University		None	None	None
Senior Vice President	R.O.C.	CHEN, YI- REN	Apr 1, 2015	655	0.00%	0	0.00%	0	0.00%	M.B.A., Baruch College, City University of New York		None	None	None
Senior Vice President	R.O.C.	WENG, SHU-LING	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	M.A. in Finance, National Chengchi University		None	None	None
Senior Vice President	R.O.C.	YE, YH-LING	Apr 1, 2015	566	0.00%	0	0.00%	0	0.00%	B.B.A. in Finance, National Taiwan University		None	None	None
Senior Vice President	R.O.C.	WU, JUN- MING	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Accounting, Soochow University		None	None	None

III Corporate Governance Report

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President	R.O.C.	LAI, JUN-FU	May 20, 2013	0	0.00%	0	0.00%	0	0.00%	A.S. in Electrical Engineering, Tungnan Junior College of Technology		None	None	None
Executive Vice President	R.O.C.	LIN, YAN- FEN	Apr 1, 2014	0	0.00%	0	0.00%	0	0.00%	M.B.A., Drexel University		None	None	None
Senior Vice President	R.O.C.	CHEN, PEI- QI	Apr 8, 2008	1,441	0.00%	0	0.00%	0	0.00%	M.B.A., University of St. Thomas — Minnesota		None	None	None
Senior Vice President	R.O.C.	WANG, JUAN-HUI	Aug 12, 2004	97,697	0.00%	0	0.00%	0	0.00%	E.M.B.A., Tamkang University		None	None	None
Senior Vice President	R.O.C.	ZHENG, SHU-FEN	Aug 25, 2000	241,921	0.01%	0	0.00%	0	0.00%	B.B.A. in Economics, Tunghai University		None	None	None
Executive Vice President	R.O.C.	MA, JIA- HUAN	Sep 1, 2009	100,000	0.00%	0	0.00%	0	0.00%	E.M.B.A., National Chengchi University		None	None	None
Senior Vice President	R.O.C.	CHEN, YI- RU	Apr 1, 2014	251,550	0.01%	0	0.00%	0	0.00%	B.A. in Hospitality Management, Chung Hwa University of Medical Technology		None	None	None
Senior Vice President	R.O.C.	HUANG, ZHI-HUA	Apr 1, 2014	272,782	0.01%	0	0.00%	0	0.00%	B.B.A. in International Trade, Tamkang University		None	None	None
Senior Vice President	R.O.C.	ZHAO, FENG- RONG	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	M. A. in Economics, University of California		None	None	None
Senior Vice President	R.O.C.	ZHENG, YU- LING	Jun 19, 2003	417,793	0.02%	0	0.00%	0	0.00%	A.A. in International Trade, National Open College		None	None	None
Senior Vice President	R.O.C.	ZHONG, XUAN- FENG	May 22, 2001	27,643	0.00%	0	0.00%	0	0.00%	E.M.B.A., National Chengchi University		None	None	None
Senior Vice President	R.O.C.	HUANG, DONG-HE	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	B.B.A., Soochow University		None	None	None
Senior Vice President	R.O.C.	LI, MU-XIAN	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	L.L.B., Fu Jen Catholic University		None	None	None
Senior Vice President	R.O.C.	WENG, HE- MING	Apr 24, 2002	439	0.00%	0	0.00%	0	0.00%	E.M.B.A., National Chengchi University		None	None	None
Senior Vice President	R.O.C.	HUANG, YU-FANG	Jun 19, 2006	104,151	0.00%	0	0.00%	0	0.00%	B.B.A., Fu Jen Catholic University		None	None	None
Vice President	R.O.C.	WU, HONG- ZHI	May 1, 2003	0	0.00%	0	0.00%	0	0.00%	A.S. in Mechanical Engineering, Nanya Institute of Technology		None	None	None

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	R.O.C.	ZHENG, YU- CHANG	Jun 23, 2003	1,012	0.00%	0	0.00%	0	0.00%	B.S. in Applied Mathematics, Chung Yuan Christian University		None	None	None
Vice President	R.O.C.	WANG, JING-FEN	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	E.M.B.A., Feng Chia University		None	None	None
Vice President	R.O.C.	LIN, LI-KAI	Mar 1, 2006	659	0.00%	0	0.00%	0	0.00%	A.A. in Accounting and Statistics, Jinou Girls High School		None	None	None
Vice President	R.O.C.	ZHU, DE- REN	Jun 1, 2004	22,183	0.00%	0	0.00%	0	0.00%	M.B.A., Tamkang University		None	None	None
Vice President	R.O.C.	YANG, ZHI- KAI	Jul 1, 2011	0	0.00%	0	0.00%	0	0.00%	A.S.in Electrical Engineering, Cheng Shiu Junior College of Technology		None	None	None
Vice President	R.O.C.	WEI, YU- MEI	Jun 1, 2015	0	0.00%	0	0.00%	0	0.00%	B.A. in Land Economics, National Chengchi University		None	None	None
Vice President	R.O.C.	ZHANG, MING-YI	Apr 1, 2015	0	0.00%	0	0.00%	0	0.00%	M.B.A., National Chung Hsing University		None	None	None
Vice President	R.O.C.	HUANG, XIU-YU	Aug 10, 2001	39,813	0.00%	0	0.00%	0	0.00%	B.A. in Economics, Fu Jen Catholic University		None	None	None
Vice President	R.O.C.	LIN, JIANG- HE	Sep 1, 2013	10,816	0.00%	560	0.00%	0	0.00%	B.B.A. in Statistics, Tamkang University		None	None	None
Vice President	R.O.C.	LI, XIANG- JUN	Apr 20, 2004	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Banking and Finance, Tamkang University		None	None	None
Vice President	R.O.C.	MA, SHAO- HONG	Apr 1, 2015	0	0.00%	0	0.00%	0	0.00%	M.B.A., Chung Yuan Christian University		None	None	None
Vice President	R.O.C.	CHEN, LI- ZHUN	Jul 11, 2002	348,576	0.02%	2,718	0.00%	0	0.00%	E.M.B.A., Fu Jen Catholic University		None	None	None
Vice President	R.O.C.	WANG, WAN-QI	Feb 5, 2014	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Finance, Southern Taiwan University of Science and Technology		None	None	None
Vice President	R.O.C.	YU, XIAO- MEI	Oct 7, 2002	0	0.00%	0	0.00%	0	0.00%	B.A. in Tourism Management, Chinese Culture University		None	None	None
Vice President	R.O.C.	XU, HONG- BO	Jul 1, 2011	18,890	0.00%	0	0.00%	0	0.00%	B.A in Economics, Kansai University		None	None	None
Vice President	R.O.C.	PENG, GUI- CONG	Jan 24, 2000	0	0.00%	0	0.00%	0	0.00%	A.A. in Business Administration, Tatung Junior College of Commerce		None	None	None

III Corporate Governance Report

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Assistant Vice President	R.O.C.	WU, ZHENG- HAN	Aug 1, 2015	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Finance & Banking, Hsuan Chuang University		None	None	None
Vice President	R.O.C.	CHEN, ZHENG- YANG	Oct 1, 2014	0	0.00%	0	0.00%	0	0.00%	E.M.B.A., Feng Chia University		None	None	None
Assistant Vice President	R.O.C.	XU, YONG- WEN	Apr 1, 2015	0	0.00%	0	0.00%	0	0.00%	A.S. in Electrical Engineering, St. John's & St. Mary's Institute of Technology		None	None	None
Vice President	R.O.C.	LI, DA- ZHONG	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	E.M.B.A., Feng Chia University		None	None	None
Vice President	R.O.C.	HUANG, YI- LIAN	Aug 3, 2015	0	0.00%	0	0.00%	0	0.00%	B.B.A., Feng Chia University		None	None	None
Vice President	R.O.C.	LIN, HUI- JING	Nov 25, 2000	34,235	0.00%	0	0.00%	0	0.00%	A.S in Textile Engineering, Provincial Taipei Institute of Technology		None	None	None
Vice President	R.O.C.	CHEN, XUAN-ZHI	May 17, 2008	0	0.00%	0	0.00%	0	0.00%	E.M.B.A., Yu Da University of Science and Technology		None	None	None
Vice President	R.O.C.	ZHANG, XUE-HE	Jul 20, 2006	25,491	0.00%	0	0.00%	0	0.00%	B.A. in Political Science, Fu Hsing Kang College		None	None	None
Vice President	R.O.C.	HUANG, TENG- FENG	Sep 1, 2013	0	0.00%	0	0.00%	0	0.00%	A.A. in International Business, Hsing Wu College of Commerce		None	None	None
Vice President	R.O.C.	ZHAO, ZHI- MING	Jul 28, 2003	6,413	0.00%	0	0.00%	0	0.00%	B.S. in Mechanical Engineering, Tatung Institute of Technology		None	None	None
Assistant Vice President	R.O.C.	YANG, KUN- LONG	Feb 1, 2015	0	0.00%	0	0.00%	0	0.00%	B.S. in Psychology, Chung Yuan Christian University		None	None	None
Vice President	R.O.C.	CAI, QING- FEN	Nov 15, 2006	13,213	0.00%	0	0.00%	0	0.00%	E.M.B.A., National Taiwan University		None	None	None
Vice President	R.O.C.	ZHANG, TIAN-MU	Jul 28, 2003	492	0.00%	0	0.00%	0	0.00%	B.A. in Tourism Management, Chinese Culture University		None	None	None
Vice President	R.O.C.	XU, LI-FEN	Mar 31, 2003	11,685	0.00%	0	0.00%	0	0.00%	A.A. in Business Administration, Chihlee College of Business		None	None	None
Vice President	R.O.C.	TIAN, DA- ZHONG	Oct 1, 2004	0	0.00%	0	0.00%	0	0.00%	A.A. in Radio & Television, Shih Hsin School of Journalism		None	None	None
Vice President	R.O.C.	SU, RUI-YI	Sep 1, 2011	224	0.00%	0	0.00%	0	0.00%	B.A. in English, Tamkang University		None	None	None

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	R.O.C.	WEI, WEN- JIN	Feb 16, 2004	425	0.00%	0	0.00%	0	0.00%	A.A. in Journalism, Shih Hsin School of Journalism		None	None	None
Vice President	R.O.C.	XIE, JIA-JUN	Jan 1, 2013	0	0.00%	0	0.00%	0	0.00%	I.E.M.B.A., National Taipei University		None	None	None
Vice President	R.O.C.	CHEN, BO- XUN	Jan 3, 2005	0	0.00%	0	0.00%	0	0.00%	B.S. in Navigation, Taipei College of Maritime Technology		None	None	None
Assistant Vice President	R.O.C.	CHEN, MEI- RU	Jul 19, 2014	0	0.00%	0	0.00%	0	0.00%	A.A. in Accounting and Statistics, I-LAN Commercial Vocational Senior High School		None	None	None
Vice President	R.O.C.	CAO, HOU- SHENG	Aug 2, 2004	0	0.00%	0	0.00%	0	0.00%	M.A. in Labour Research, National Chengchi University		None	None	None
Vice President	R.O.C.	CHEN, ZHI- ZHONG	Aug 8, 2002	488	0.00%	0	0.00%	0	0.00%	B.A. in Chinese Literature, National Chengchi University		None	None	None
Vice President	R.O.C.	TANG, WEN- JI	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	B.B.A. in International Trade, Fu Jen Catholic University		None	None	None
Vice President	R.O.C.	LIU, JIAN- LIANG	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	B.S. in Forestry and Resource Conservation, National Taiwan University		None	None	None
Vice President	R.O.C.	ZHENG, WEN-TAO	Jan 1, 2012	0	0.00%	0	0.00%	0	0.00%	B.A. in Economics, National Chung Hsing University		None	None	None
Vice President	R.O.C.	LIN, JING- WEN	Jun 28, 2011	0	0.00%	0	0.00%	0	0.00%	A.A. in Business Administration, National Taipei College of Business		None	None	None
Vice President	R.O.C.	HUANG, QIU- HUANG	May 2, 2011	0	0.00%	930	0.00%	0	0.00%	A.A. in Business Administration, Tamsui Institute of Business Administration		None	None	None
Vice President	R.O.C.	LIN, JIONG- GUANG	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	M.B.A. in Industrial Management, Chung Hua University		None	None	None
Vice President	R.O.C.	CHEN, ZHI- SHAN	Mar 3, 2014	0	0.00%	0	0.00%	0	0.00%	B.B.A., Ming Chuan University		None	None	None
Vice President	R.O.C.	WANG, LU- CHENG	Jun 28, 2011	0	0.00%	0	0.00%	0	0.00%	A.A. in Finance, Jin-Wen Institute of Technology		None	None	None
Assistant Vice President	R.O.C.	YANG, YAN- QIU	Sep 1, 2013	11,373	0.00%	1,302	0.00%	0	0.00%	A.A. in Accounting, National Open College Continuing Education Affiliated to Taiwan Provincial Taichung College of Business		None	None	None

III Corporate Governance Report

Title ¹	Nationality/ Country of Origin	Name	Date Elected/ Taking Office	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	R.O.C.	HAI, YAN	Sep1, 2011	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Banking and Insurance, Feng Chia University		None	None	None
Vice President	R.O.C.	HUANG, MIAO-YIN	Oct 1, 2014	429	0.00%	0	0.00%	0	0.00%	A.A. in Accounting and Statistics, Overseas Chinese College of Commerce		None	None	None
Vice President	R.O.C.	LIN, JING- ZHI	Aug 1, 2015	0	0.00%	10	0.00%	0	0.00%	A.A. in International Trade(Affiliated College of Continuing Education), Takming College		None	None	None
Vice President	R.O.C.	ZHANG, DONG-HAI	Aug 26, 2011	0	0.00%	0	0.00%	0	0.00%	A.A. in Bank Management, Tamsui Institute of Business Administration		None	None	None
Vice President	R.O.C.	KAI, SHI- HUA	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	B.B.A. in Statistics, Tunghai University		None	None	None
Vice President	R.O.C.	HUANG, QING-YAN	May 2, 2011	0	0.00%	0	0.00%	0	0.00%	A.S. in Chemical Engineering, Vanung Institute of Technology		None	None	None
Vice President	R.O.C.	XU, JUN- YANG	Oct 15, 2007	0	0.00%	0	0.00%	0	0.00%	B.A. in Tourism Management, Chinese Culture University		None	None	None
Assistant Vice President	R.O.C.	ZHANG, REN-FANG	Sep 1, 2013	0	0.00%	0	0.00%	0	0.00%	M.B.A., National Kaohsiung First University of Science and Technology		None	None	None
Vice President	R.O.C.	ZHOU, DING-DUN	Jan 7, 2015	0	0.00%	0	0.00%	0	0.00%	B.A. in Economics, National Chengchi University		None	None	None
Vice President	R.O.C.	DENG, XUE- REN	Jan 7, 2015	0	0.00%	0	0.00%	0	0.00%	M.B.A., Central Missouri State University		None	None	None
Senior Vice President	R.O.C.	PAN, HUI- MEI	Aug 1, 1999	1,537	0.00%	0	0.00%	0	0.00%	M.B.A., University of South Carolina		None	None	None

3.2.3 Remuneration of Directors (including Independent Directors) 、 Supervisors 、 the President and Executive Vice Presidents

A. Remuneration of Directors (including Independent Directors)

Unit: NT\$ thousands

Title	Name	Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary			
		Base Compensation (A)		Severance Pay/ Pension (B)		Remuneration to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay/ Pension (F)	Employee Remuneration (G)		Exercisable Employee Stock Options (H)	New Restricted Employee Shares (I)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			Cash	Stock						Cash
Chairman	Tai Chun Investment Co. Ltd.; representative: WANG, JIUNN-CHIH																		
Director	Chun Investment Co. Ltd.; representative: LU, CHING-TSUN																		
Director	Kwang Hsing Co. Ltd.; representative: ZHU, JIN-LONG; YANG, CHE-HUNG																		
Director	Tai Lien Investment Co. Ltd.; representative: CHANG, CHIH-MING	13,301		0	22,577	22,577	1,861	1,936	2.44%	2.44%	0	0	0	0	0	0	0	2.44%	2.44%
Director	San River Industrial Co. Ltd.; representative: TSAI, LIEN-JU																		
Director	Hung Chia Investment Co. Ltd.; representative: CHANG, CHANG-PANG, TSAI, CHING																		
Independent Director	HWANG, JYH-DEAN																		
Independent Director	LIU, HSIN-HUI																		

Note 1: The company paid to the driver a remuneration of NTD1,193K.

Note 2: ZHU, JIN-LONG was dismissed on Nov 1, 2015.

Note 3: YANG, CHE-HUNG was elected and took office on Nov 2, 2015.

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Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-	-	-
NT\$2,000,000 ~ NT\$4,999,999	Kwang Hsing Co., Ltd.; Tai Lien Investment Co., Ltd.; San River Industrial Co., Ltd.; Hung Chia Investment Co., Ltd.; HWANG, JYH-DEAN; LIN, HSIN-HUI	Kwang Hsing Co., Ltd.; Tai Lien Investment Co., Ltd.; San River Industrial Co., Ltd.; Hung Chia Investment Co., Ltd.; HWANG, JYH-DEAN; LIN, HSIN-HUI	Kwang Hsing Co., Ltd.; Tai Lien Investment Co., Ltd.; San River Industrial Co., Ltd.; Hung Chia Investment Co., Ltd.; HWANG, JYH-DEAN; LIN, HSIN-HUI	Kwang Hsing Co., Ltd.; Tai Lien Investment Co., Ltd.; San River Industrial Co., Ltd.; Hung Chia Investment Co., Ltd.; HWANG, JYH-DEAN; LIN, HSIN-HUI
NT\$5,000,000 ~ NT\$9,999,999	-	-	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	Tai Chun Enterprise Co., Ltd.	Tai Chun Enterprise Co., Ltd.	Tai Chun Enterprise Co., Ltd.	Tai Chun Enterprise Co., Ltd.
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

B. Remuneration of Supervisors

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Remuneration (B)		Allowances (C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	Yi Hsin Development Co., Ltd.; representative: ANGEL CHANG									
Supervisor	JIN LONG Investment Co., Ltd.; representative: LIN, CHUN-YU	0	0	6,157	6,157	400	400	0.42%	0.42%	None
Supervisor	Yin Feng Enterprise Co., Ltd.; representative: KUO, YUH-CHYI									

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-
NT\$2,000,000 ~ NT\$4,999,999	Yi Hsin Development Co., Ltd.; JIN LONG Investment Co., Ltd.; Yin Feng Enterprise Co., Ltd.	Yi Hsin Development Co., Ltd.; JIN LONG Investment Co., Ltd.; Yin Feng Enterprise Co., Ltd.
NT\$5,000,000 ~ NT\$9,999,999	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Over NT\$100,000,000	-	-
Total	3	3

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C. Remuneration of the President and Executive Vice Presidents

Title	Name	Salary (A)		Severance Pay/ Pension (B)		Bonuses and Allowances (C)		Employee Remuneration Amount (D)				Ratio of total compensation (A+B+C+D) to net income (%)	Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the President and Executive Vice Presidents from an Invested Company Other Than the Company's Subsidiary	
		The company consolidated financial statements	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock		The company	Companies in the con- solidated financial statements	The company	Companies in the con- solidated financial statements		
CSO	WANG, JIUNN-CHIH																	
President	CHAO, YONG-FEI																	
Senior Vice President	YAO, ZHONG-ZHI																	
Executive Vice President	WENG, QIN- NENG																	
Executive Vice President	HUANG, QI- MING																	
Executive Vice President	ZHANG, PEI- WEN																	
Executive Vice President	GUO, MEI- LING	31,700	31,700	1,080	1,080	30,272	30,272	1,007	0	1,007	0	4.13%	0	0	0	0	0	None
Executive Vice President	TAN, DE- CHENG																	
Executive Vice President	YANG, JIE- BIN																	
Executive Vice President	XU, SHI-MU																	
Executive Vice President	ZHOU, ZHENG- SHENG																	
Executive Vice President	LIN, YAN- FEN																	
Executive Vice President	MA, JIA- HUAN																	

Note: ZHOU, ZHENG-SHENG was dismissed on Apr 1, 2015.

Range of Remuneration	Name of President and Executive Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	WANG, JIUNN-CHIH	WANG, JIUNN-CHIH
NT\$2,000,000 ~ NT\$4,999,999	YAO, ZHONG-CHIH; WENG, CHIN-NENG; HUANG, QI-MING; ZHANG, PEI-WEN; GUO, MEI-LING; TAN, DE-CHENG; XU, SHI-MU; ZHONG, ZHENG-SHENG	YAO, ZHONG-CHIH; WENG, CHIN-NENG; HUANG, QI-MING; ZHANG, PEI-WEN; GUO, MEI-LING; TAN, DE-CHENG; XU, SHI-MU; ZHONG, ZHENG-SHENG
NT\$5,000,000 ~ NT\$9,000,000	LIN, YAN-FEN; MA, JIA-HUAN	LIN, YAN-FEN; MA, JIA-HUAN
NT\$10,000,000 ~ NT\$14,999,999	CHAO, YONG-FEI; YANG, JIE-BIN	CHAO, YONG-FEI; YANG, JIE-BIN
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,000,000	-	-
Over NT\$100,000,000	-	-
Total	13	13

III Corporate Governance Report

D.Names of executive officers who were distributed employee bonuses and their distribution status

Mar 31, 2016 Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CSO	WANG, JIUNN-CHIH	0	9,482	9,482	0.61%
	President	CHAO, YONG-FEI				
	Executive Vice President	WENG, CHIN-NENG; HUANG, QI-MING; ZHANG, PEI-WEN; GUO, MEI-LING; TAN, DE-CHENG; YANG, JIE-BIN; LIN, YAN-FEN; MA, JIA-HUAN				
	Senior Vice President	YAO, ZHONG-ZHI; ZHANG, DUN-FU; PAN, HUI-MEI				
	Senior Vice President	LIN, JING-HUA; FANG, ZHI-HONG; WANG, YA-FANG; QIU, JIAN-HUA; HOU, LE-PING; ZHOU, XIU-ZHEN; ZHANG, JIA-WEN; LAI, JUN-FU; CHEN, PEI-QI; WANG, JUAN-HUI; ZHENG, SHU-FEN				
	Senior Vice President	XIE, XIU-YING; LIN, SHU-JUAN; LIN, BO-WEI; LIU, SHU-RU; WU, YUN-WEN; HUANG, ZI-RONG; XIE, YU-LIN; YAO, MING-QING; CHEN, YI-REN; WENG, SHU-LING; YE, YI-LING; WU, JUN-MING; CHEN, YI-RU; HUANG, ZHI-HUA; ZHAO, FENG-RONG; ZHENG, YU-LING; ZHONG, XUAN-FENG; HUANG, DONG-HE; LI, MU-XIAN; WENG, HE-MING; HUANG, YU-FANG				
	Vice President	LAI, AI-WEN; WU, HONG-ZHI; ZHENG, YU-CHANG; WANG, JING-FEN; LIN, LI-KAI; ZHU, DE-REN; YANG, ZHI-KAI; WEI, YU-MEI; ZHANG, MING-YI; HUANG, XIU-YU; LIN, JIANG-HE; LI, XIANG-JUN; MA, SHAO-HONG; CHEN, LI-ZHUN; WANG, WAN-QI; YU, XIAO-MEI; XU, HONG-BO; PENG, GUI-CONG; CHEN, ZHENG-YANG; LI, DA-ZHONG; HUANG, YI-LIAN; LIN, HUI-JING; CHEN, XUAN-ZHI; ZHANG, XUE-HE; HUANG, TENG-FENG; ZHAO, ZHI-MING; CAI, QING-FEN; ZHANG, TIAN-MU; XU, LI-FEN; TIAN, DA-ZHONG; SU, RUI-YI; WEI, WEN-JIN; XIE, JIA-JUN; CHEN, BO-XUN; CAO, HOU-SHENG; CHEN, ZHI-ZHONG; TANG, WEN-JI; LIU, JIAN-LIANG; ZHENG, WEN-TAO; LIN, JING-WEN; HUANG, QIU-HUANG; LIN, JIONG-GUANG; CHEN, ZHI-SHAN; WANG, LU-CHENG; HAI, YAN; HUANG, MIAO-YIN; LIN, JING-ZHI; ZHANG, DONG-HAI; KAI, SHI-HUA; HUANG, QING-YAN; XU, JUN-YANG; ZHOU, DING-DUN; DENG, XUE-REN				
Assistant Vice President	YANG, ZONG-MU; WU, ZHENG-HAN; XU, YONG-WEN; YANG, KUN-LONG; CHEN, MEI-RU; YANG, YAN-QIU; ZHANG, REN-FANG					

3.2.4 Analysis of the Ratios of Remuneration Paid to Directors, Supervisors, the President and Executive Vice Presidents to Net Income and the Relationship of the Company's Remuneration Policy to Its Operating Efficiency

The ratios of total remuneration paid by the Company to directors, supervisors, the president and executive vice presidents of the Company to the net income in 2014 and 2015 were as follows:

- (1) The ratios of total remuneration (including salary, honoraria and attendance allowances) paid to directors and supervisors of the Company to net income were 2.29% and 0.44%, respectively, in 2014. The ratio of total remuneration paid to the president and executive vice presidents to net income was 3.41%, in 2014.
- (2) The ratios of total remuneration (including salary, honoraria and attendance allowances) paid to directors and supervisors of the Company to net income were 2.44% and 0.42%, respectively, in 2015. The ratio of total remuneration paid to presidents and executive vice presidents to net income was 4.13%, in 2015.
- (3) To continue expanding the Company's scale and profitability, the remuneration paid to directors and supervisors is made in accordance with the Company's rules and regulations. Moreover, in addition to monthly salary, based on the operating efficiency of various departments, the president and executive vice presidents may share the Company's overall operating achievements.

3.3 Implementation of Corporate Governance

3.3.1 Implementation of the Board of Directors

(A) 8 meetings of the Board of Directors were held last year (2015). The attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 2	Remarks
Chairman	Tai Chun Investment Co., Ltd.; representative: WANG, JIUNN-CHIH	8	0	100%	
Director	Tai Chun Investment Co., Ltd.; representative: LIU, CHING TSUN	7	0	88%	
Director	Kwang Hsing Co., Ltd.; representative: YANG, CHE-HUNG	6	0	75%	The term of office of Kwang Hsing Co., Ltd.'s representative ZHU JIN-LONG was from Aug 27, 2014 to Nov 01, 2015. The term of office of Kwang Hsing Co., Ltd.'s representative YANG CHE-HUNG is from Nov 02, 2015 to Jun 24, 2016.
Director	Tai Lien Investment Co., Ltd.; representative: CHANG, CHIH-MING	8	0	100%	
Director	Hung Chia Investment Co., Ltd.; representative: CHANG, CHANG-PANG	5	2	63%	
Director	Hung Chia Investment Co., Ltd.; representative: TSAI, I-CHING	8	0	100%	
Director	San River Industrial Co., Ltd.; representative: TSAI, LIEN-LI	8	0	100%	
Independent Director	LIN, HSIN-HUI	8	0	100%	

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Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 2	Remarks
Independent Director	HWANG, JYH-DEAN	7	1	88%	
Supervisor	Yin Feng Enterprise Co., Ltd.; representative: KUO, YUH-CHYI	6	0	75%	
Supervisor	Yi Hsin Development Co., Ltd.; representative: ANGEL CHANG	8	0	100%	
Supervisor	JIN LONG Investment Co., Ltd., representative: LIN, CHUN-YU	8	0	100%	

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the board meetings objected to by independent directors or subject to qualified opinions and recorded or declared in writing, the dates of the meeting(s), session(s), contents of motions, all independent directors' opinions and the Company's response should be specified: N/A.
2. If there is any directors' avoidance of motions in conflict of interest, the directors' names, contents of motions, causes for avoidance and voting should be specified:

(1) 11th meeting of the 9th Board of Directors (Jan 28, 2015)

Motion subject: The attendance allowance of independent directors or directors serving as members of the Product Deliberation Committee shall be the same as the allowance for their attendance at board meetings.

Cause for avoidance and voting: Because independent director HWANG JYH-DEAN is also a member of the Product Deliberation Committee, as HWANG avoided the meeting and the chair of the motion inquired other attending directors, the motion was passed unanimously.

(2) 16th meeting of the 9th Board of Directors (Nov 11, 2015)

Motion subject: The suggestion on the candidates of directors, supervisors and president of the CSC Venture Capital Corporation (wholly-owned by Capital Securities Corporation)

Cause for avoidance and voting: Since our company's chairman WANG JIUNN-CHIH is a representative candidate of our director seat in the board of our company's wholly-owned investment CSC Venture Capital Corporation, as WANG avoided the meeting and the acting chair of the motion LIU CHING TSUN inquired other attending directors, the motion was passed unanimously.

(3) 16th meeting of the 9th Board of Directors (Nov 11, 2015)

Motion subject: The Board plans to remove the business strife limitation for our company's directors and their representatives and managers.

Cause for avoidance and voting: Since our company's chairman WANG JIUNN-CHIH also serves as the representative of Tai Chun Investment Co., Ltd., which holds a director seat in the board of our company, and his appointment as the director of CSC Venture Capital Corporation was approved at the board meeting, as WANG avoided the meeting and the acting chair of the motion LIU CHING TSUN inquired other attending directors, the motion was passed unanimously.

3. Evaluation of the goal implementation (eg. setting up the Auditing Committee and enhancing information transparency) to strengthen the functionality of the Board in the present and past years: Our company plans to establish the Auditing Committee following the re-election of the board in 2016.

Note 1: If a director or supervisor is a legal person, the name(s) of the institutional shareholder (s) and their representatives shall be disclosed.

Note 2: (1) If a director or supervisor resigns from the Company before the end of the year, his resignation date shall be indicated in the Remarks section. His actual attendance rate (%) shall be calculated based on the number of board meetings held during his term of office and his actual number of attendance.

(2) In the event of a director or supervisor reelection, both new and former directors or supervisors shall be listed and identified as former, newly-elected or re-elected board members with the date of reelection specified in the Remarks section. Each member's actual attendance rate (%) shall be calculated based on the number of board meetings held during his term of office and his actual number of attendance.

3.3.2 Attendance of Supervisors at Board Meetings

A total of 8 (A) meetings of the Board of Directors were held last year (2015). The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【 B / A 】 ^{1,2}	Remarks
Supervisor	KUO, YUH-CHYI	6	75%	
Supervisor	ANGEL CHANG	8	100%	
Supervisor	LIN, CHUN-YU	8	100%	

Other mentionable items:

1. Composition and responsibilities of supervisors:

(1) Communication between supervisors and the Company's employees and shareholders (e.g. communication channels, methods, etc.): Supervisors may engage in direct contact and communication with the Company's employees and shareholders when necessary.

(2) Communication between supervisors and the Company's chief internal auditor and CPAs (e.g. communication matters, methods and results concerning the Company's finance and business):

A. The auditing department made auditing reports to the supervisors in the following months after completing its auditing. The supervisors made no dissenting opinions.

B. Chief internal auditor attended the Company's regular board meetings and make auditing reports. The supervisors made no dissenting opinions.

C. The supervisors communicated with the CPAs based on the Company's circumstances on an irregular basis.

2. If a supervisor expresses an opinion during a board meeting, the date(s), session(s), contents of motions, resolution(s) of the board meeting and the Company's response to the supervisor's opinion should be specified:

N/A.

Note 1: If a supervisor resigns from the Company by the end of the year, his resignation date shall be indicated in the Remarks section. His actual attendance rate (%) shall be calculated based on his actual number of attendance during his term of office.

Note 2: In the event of a supervisor reelection, both new and former members shall be listed and identified as former, newly-elected or re-elected members with the date of reelection specified in the Remarks section. Each member's actual attendance rate (%) shall be calculated based on his actual number of attendance during his term of office.

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3.3.3 Corporate Governance Implementation Status, Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Does the company establish and disclose the company's corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		Our company has established the "Capital Securities Corporation Corporate Governance Best-Practice Principles" and disclosed the rules on the Company's website, internal website (CIS) and Market Observation Post System (MOPS).	No deviation
2.Shareholding structure & shareholders' rights (1)Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and act on the procedure?	✓		1.Our company has established the "Regulations Governing the Handling of Business Disputes" and "Regulations Governing Fair Treatment of Clients." Our sales departments have established various procedures or regulations on understanding and evaluating our clients and protecting client rights, as well as standard operating procedures for our sales personnel. In addition, our company has designated a spokesperson and a contact person for matters concerning investor relations. Our company's website also includes a stakeholder relations section. It also has a client service center and units such as the Registrar Agency Department and Compliance and Legal Division so that stakeholders may contact and communicate with our company regarding suggestions, doubts, disputes and litigations.	No deviation
(2)Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		2.Our company is in full grasp of the shares held by our shareholders and the members of our shareholder list based on our shareholder registrar and the monthly shareholding confirmation procedure. The information on our major shareholders and the list of our major shareholders who are legal persons are also published in our annual reports.	No deviation
(3)Does the company establish and execute the risk management and firewall systems with respect to its affiliates?	✓		3.Concerning dealings with our affiliates, our company implements risk controls by differentiating our IT system from those of our affiliates and building a firewall mechanism and executing it. We carry out other related items in accordance with the authorities' rules and regulations.	No deviation
(4)Does the company establish internal rules against insiders trading with undisclosed information?	✓		4.Our company has established the "Procedures and Behavioral Guidelines on Operational Integrity," "Regulations Governing Insiders' Opening Accounts for Securities and Futures Transactions," and "Principles on Preventing Conflicting Interests in Trading for Sales Personnel" to regulate the trading of our internal personnel.	No deviation
3.Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement diversified policies for the composition of its members?	✓		1.In consideration of the operations, operating type and development needs of our company, our board members not only generally possess the necessary expertise, skills and expertise required to perform their duties but have various capabilities in terms of operating judgement, accounting and financial analysis, business management, crisis management, and perspectives on the global market. Currently, the board consists of diverse members such as experts in fields like banking, securities, law and academics. They are in charge of promoting various policies maximizing the rights and benefits of shareholders.	No deviation

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Auditing Committee?	✓		2. Currently, our company has the Remuneration Committee and Risk Management Committee. We are expected to set up the Auditing Committee this year. We have also established Overseas Structured Product Review Committee, Trust Asset Assessment Committee, Ethical Operations Committee and Personnel Evaluation Committee.	No deviation
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?		✓	3. Our company has not set up any regulations governing the evaluation of our board efficiency. Our board members all possess the professional knowledge required to perform their duties. Currently, we calculate the attendance of our board members at board meetings as well as the courses and training on corporate governance to conduct annual evaluation on the performance of our board.	The Company shall devise board efficiency evaluation procedures according to the rules of the authorities concerned and actual practices.
(4) Does the company regularly evaluate the independence of its CPAs?	✓		4. Our company has devised an independence evaluation form based on Article 47 of the Certified Public Accountant Act and the 10th edition of the "Norm of Professional Ethics for Certified Public Accountant of the Republic of China". After evaluating, our company's financial and tax CPAs have all met the independence evaluation standards	No deviation
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the key issues stakeholders care for in terms of corporate social responsibilities?	✓		Our company has designated a spokesperson and a contact person for matters concerning investor relations and established the client service center. Related contact persons and contact information are disclosed on the company's website for investors to provide their opinions. Moreover, the company's website also has a stakeholder relations section. We are committed to maximizing our stakeholders' benefits, maintain a free and versatile communication channel, discover issues and propose solutions.	No deviation
5. Does the company appoint a professional shareholder service agency to deal with shareholders' meeting affairs?	✓		Our company's Registrar Agency Department is a professional shareholder service agency. Our company's shareholders' meeting affairs are handled by the department.	No deviation
6. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle corporate information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	✓ ✓		1. Our company's website discloses both our financial standings and the status of corporate governance. We update the website regularly for the reference of our investors. 2. (1) Our company has an English website. (2) Matters like collection and disclosure of the company's information are all handled by related departments. (3) We have designated a spokesperson and a contact person for matters concerning investor relations. Related contact persons and contact information are available on our company's website to provide stakeholders a convenient communication channel. (4) Information on our company's investor conference and video files are all available on our company's website.	No deviation No deviation

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Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
7. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>1. Employee rights: Our company has established various personnel management regulations and set up the "Regulations Governing Complaints and Punishments Related to Workplace Sexual Harassment Prevention" and "Regulations Governing the Use of Employee Feedback Mailbox" so that employees may voice their opinions on such matters as contents of duties, operating procedures, administrative measures, regulations and systems or any other opinions that may benefit the company's operations or related to the intrusion of personal rights and benefits.</p> <p>2. Employee wellness: Our company has established several kinds of leaves according to the law. In addition to providing employees with coverage of labor insurance and national health insurance, our company gives employees the options to purchase various other insurance policies (casualty insurance, life insurance, health insurance and savings insurance) at a discount rate. We also offer employees stipends for occasions such as weddings and funerals, provide emergency aids and host a series of activities to enhance employees' coherence and commitment to the company.</p> <p>3. Investor relations & stakeholder rights: Our company has designated a spokesperson and a contact person for matters concerning investor relations and established the client service center. Related contact persons and contact information are disclosed on the company's website for investors to provide their opinions. Moreover, the company's website also has a stakeholder relations section. We are committed to maximizing our stakeholders' benefits, maintaining a free and versatile communication channel, discovering issues and proposing solutions.</p> <p>4. Supplier relations: Our company regulates that it shall evaluate if a supplier has any record of impacting the environment and the society negatively before taking on business partnerships with it and avoid business dealings with any companies that violate our company's social responsibility policies. When signing contracts with our major suppliers, the contract contents require the compliance to mutual corporate social responsibility policies and include articles that stipulate the following: if a supplier violates related policies and exerts significant impact on the environment and society of its supplies, our company may terminate or cancel the contract.</p> <p>5. Directors and supervisors' training records: All of our company's directors and supervisors have completed their continuing education hours required by the "Principles Governing the Continuing Education of the Directors & Supervisors of a Company Whose Stock Is Listed on the Stock Exchange or Traded Over the Counter". Detailed information is disclosed on the appendix under the section titled "Courses and Training Related to Corporate Governance Attended by the Company's Managerial Personnel, Directors and Supervisors" of the report.</p>	No deviation

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>6. Implementation of risk management policies and risk evaluation measures: Our company has established the "Risk Management Policies" and risk evaluation standards. We also hold quarterly risk management committee meetings. After evaluating the risks, returns and their impact on our company's capital adequacy ratio, our risk management department makes an adequacy report to the management. By fully implementing our risk management system, we have generated steady and high-quality earnings for our shareholders.</p> <p>7. Customer relations policy implementation: Our company has established the "Regulations Governing Fair Treatment of Clients". Its contents include principles regarding fair contract signing, due care/diligence, truthfulness of advertising solicitation, suitability of products or services, informing and disclosure, balance between sale, bonuses and business of highly-complex risky products, assurance of complaint responses and professionalism of sales personnel.</p> <p>8. The Company's purchasing of liability insurance for its directors and supervisors: Our company has renewed liability insurance for all our directors and supervisors in SEP15.</p>	
8. Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements (see Note 2).	✓		Our company has implemented self-evaluation procedures on internal controls and law compliance according to the statutory time period and makes a regular report to the board annually. Our company has participated in the corporate governance evaluation organized by the authorities concerned since 2014. We may review our inadequacies on the evaluation items where we failed to receive points and devise improvement measures. According to the government's corporate governance evaluation in 2015, our company ranked among the top 20% of all the evaluated listed companies.	No deviation

Note: 1. Regardless of whether the evaluation item is achieved or not, the Company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

3.3.4 Implementation of Remuneration Committee

A. Data about Remuneration Committee Members

Title ¹	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria ²								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks ³	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8			
Independent Director	HUANG, ZHI-DIAN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other Position	ZHUANG, ZHI-CHENG		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other Position	YEN, JIAN-SAN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please indicate the title as director, independent director or other positions.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected and during the term(s) of office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary established according to the laws of the R.O.C. or the domestic laws of the country in which it is established.
- Not a natural-person shareholder who, together with the person's spouse, minor children, or others, holds an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranks in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- Not a director, supervisor, or employee of an institutional shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who ranks in the top five holdings.
- Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- Not a professional individual, who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliates of the Company, or a spouse thereof.
- Not a person subject to any of the conditions defined in Article 30 of the Company Law.

Note 3: If the member is a director, please indicate if it complies with Item 5 of Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

B. Operations of the Remuneration Committee

1. There are three members in the Remuneration Committee.

2. The term of office for current committee members: Jun 25, 2013 to Jun 27, 2016. A total of 8 (A) Remuneration Committee meetings were held in the last year (2015). The qualifications and attendance record of the Remuneration Committee members were as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【 B / A 】 ^{1,2}	Remarks
Convener	HWANG, JYH-DEAN	8	0	100%	
Committee Member	ZHUANG, ZHI-CHENG	8	0	100%	
Committee Member	YEN, JIAN-SAN	7	1	88%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a suggestion of the remuneration committee, it should specify the date of the meeting, session, content of motions, resolution by the Board, and the Company's response to the remuneration committee's opinion (eg., if the remuneration passed by the Board exceeds that passed by the remuneration committee, the difference and cause for the difference shall be specified).
2. Regarding resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of motions, all members' opinions and the responses to the members' opinions should be specified.

Note:

- (1) If a remuneration committee member resigns from the Company by the end of the year, his resignation date shall be indicated in the Remarks section. His actual attendance rate (%) shall be calculated based on the number of remuneration committee meetings held during his employment and his actual number of attendance.
- (2) In the event of a remuneration committee reelection by the end of the year, both new and former members shall be listed and identified as former, newly-elected or re-elected members with the date of reelection specified. Each member's actual attendance rate (%) shall be calculated based on the number of remuneration committee meetings held during his employment and his actual number of attendance.

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
1. Corporate Governance Implementation				
(1) Does the company declare its corporate social responsibility policies or system and examine the results of the implementation?	✓		1. The Company's board of directors passed the "Corporate Social Responsibility Implementation Principles" on Jan 28, 2015. The Board passed the "Corporate Social Responsibility Policies" on Jul 23, 2015. Based on the "Corporate Social Responsibility Policies," our company is committed to ensuring the rights and benefits of various stakeholders and taking part in community and social welfare activities. Moreover, we advocate using resources effectively, protecting the natural environment and fulfilling our social responsibilities. Since 2014, we have compiled the corporate social responsibility report regularly to disclose our policy implementation results. Our company also publishes our "Corporate Social Responsibility Implementation Principles," "Corporate Social Responsibility Policies," and "Corporate Social Responsibility Report" on our corporate website for the reference of our employees and stakeholders.	No deviation.
(2) Does the company provide educational training on social responsibility on a regular basis?	✓		2. We implement such social responsibility-related educational training as: (1) The "Capital Securities Corporation Ethical Behavior Guidelines" clearly stipulate the business ethics principles that the Company's directors, supervisors, managers and all the employees shall abide by and the duties/obligations they shall fulfill. The scope covers individual employees, all the employees, as well as the Company's responsibility toward the general public and other stakeholders. (2) Upon reporting to duty, all the employees shall sign the "Capital Group Employee Behavior Guidelines" and abide by principles of integrity when performing various duties. (3) In addition to including the ethical behavior guidelines as educational materials for new employee orientation, the Company shall describe such corporate policies as its development directions, management principles and related policies as well as its beliefs about corporate social responsibility.	No deviation.
(3) Does the company establish exclusively (or concurrently) dedicated departments to promote corporate social responsibility and does the Board authorize high-ranking managers who would report to the Board to be in charge of the promotion of corporate social responsibility?	✓		3. The Company's board passed the resolution on Mar 27, 2015, that the Company's Corporate Planning Department would be in charge of promoting corporate social responsibility. The Board also authorized the president to be in charge of supervising the promotion of the Company's corporate social responsibility activities. The Company's Corporate Planning Department reports to the Board the annual corporate social responsibility activity schedule regularly and seeks its approval. Then it reports the schedule to the Company's shareholders at the annual shareholders' meeting.	No deviation.
(4) Does the company declare a reasonable salary remuneration policy, integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		4. According to the law, the Company holds Remuneration Committee meetings regularly and declares the articles of incorporation of the Remuneration Committee. The Company establishes all its policies based on principles promoting professional ethics, protecting employees' legal rights and ensuring sustainable environmental development in hopes to advance and fulfill its corporate social responsibility. The Company has also established rules governing employee reward and discipline and holds Personnel Evaluation Committee meetings regularly to judge reward and punishment cases and incorporate the results into the employee performance appraisal system.	No deviation.

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of its industry? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish strategies for energy conservation and carbon/greenhouse gas reduction?	✓ ✓ ✓		1. The Company is in the financial securities industry, which produces minimal pollution. It does not manufacture and sell any products. Nor is it required to recycle the packaging materials of its sold products. The Company endeavors to utilize various resources more efficiently. For example, it continues to promote e-bills, uses the electronic bulletin board for internal information announcement, launches the digital signature system and promotes using presentation files instead of paper-based files at meetings to actively promote a paperless environment. The Company also encourages its employees to photocopy double pages and places a recycling rack beside every photocopy machine to reduce the use of paper. To prevent pollution, the Company's used ink cartridges are all recycled by the original manufacturer. The Company also uses eco-friendly toners. It places a recycling bin on every floor of its buildings for recycling purposes to reduce pollution and waste of resources and achieve sustainable use of resources. 2. The Company is in the financial securities industry, which produces no pollution. The Company's Administration Department is in charge of implementing related environment management systems. 3. In compliance with the government's environmental policies on energy conservation, the Company has gradually replaced equipment and appliances that are energy-consuming. By using various energy-conserving equipment and appliances and conducting regular self-exams and irregular policy promotions, the Company seeks to reduce the impact of climate change on its operations. The Company examines the greenhouse gas emissions from its headquarters and branches yearly. Its CO2 emissions from consumption of water, electricity and fuel totaled to 4.47mn kilograms in 2015 (-3% YoY). Our company is in the financial securities industry. Our goal is to report an annual decrease of 1~3% in related energy consumption and greenhouse gas emissions.	No deviation. No deviation. No deviation.
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee grievance mechanism or channel with appropriate solutions?	✓ ✓		1. The Company's employment conditions regarding matters such as salary, vacations, leaves, retirement and compensation on occupational hazards are all in line with the Labor Standards Act to ensure employee rights and benefits and implement employee management for harmonious labor relations. The Company abides by the Act of Gender Equality in Employment and establishes the "Regulations Governing Complaints and Punishments Related to Workplace Sexual Harassment Prevention". The Company stipulates in the "Work Regulations" that all its employees shall participate in the labor insurance and National Health Insurance schemes. The insurance premiums are subsidized by the Company according to the law. The Company makes no discrimination against any job applicant or employee on account of their gender, sexual orientation, age, race and religion in its policies related to recruitment, recommendation/selection, employment, job dispatch, placement, performance appraisal, promotion, educational training and remuneration. 2. The Company provides the email accounts of supervisors across all levels for its employees to express their suggestions and opinions. The Company has set up the employee feedback mailbox and established the "Regulations Governing the Use of Employee Feedback Mailbox" to enhance employees' awareness on risk management, improve their work procedures, as well as maximize business results and minimize corruption. The Company's Employee Feedback Mailbox is retrieved by dedicated department heads daily. Constructive employee feedback is also submitted to president and Chairman for further deliberation in a confidential manner.	No deviation. No deviation.

III Corporate Governance Report

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies" and Reasons									
	Yes	No	Abstract Explanation ²										
(3) Does the company provide a safe and healthy working environment and organize training on safety and health for its employees on a regular basis?	✓		<p>3.The Company provides a clean and neat environment for its employees and offers all the safety protection gear required for employee safety and health. It also regularly inspects its work environment, organizes employee health checkups and invites doctors from Cathay General Hospital to offer health-related counselling services at the Company.</p> <table border="1"> <thead> <tr> <th>Measure</th> <th>Item</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Employee health</td> <td>Insurance and benefits</td> <td> <p>The Company provides the following according to the law:</p> <ol style="list-style-type: none"> labor insurance and National Health Insurance coverage; establishment of the "Regulations Governing Complaints and Punishments Related to Workplace Sexual Harassment Prevention"; Employee Breastfeeding Rooms; regular employee health checkups; doctors' counseling services regarding occupational health education, health enhancement and hygiene-related instructions at the Company's headquarters <p>The Company exceeds the law's requirements in the following areas:</p> <ol style="list-style-type: none"> employee group insurance programs like life insurance, casualty insurance, and insurance for medical care in cases of accidents and occupational hazards; low-rate self-paid group insurance programs including fixed-term life insurance, casualty insurance, medical insurance and insurance for cancer prevention to better care for the employees and their families; free massage services for headquarter employees; "Seminars on Nutritious Diet and Calories" and "Practical Workshops on Exercise for Office Workers" to promote employee awareness on healthy diet and exercise; establishment of the "Regulations Governing the Founding of Recreational and Social Welfare Clubs and Club Grants" to encourage employees to develop the habit of taking part in athletic and social welfare activities; hosting hiking trips so that the employees may enjoy phytoncide in the nature with their family members on the weekends as they tread on hiking trails for better well-being </td> </tr> <tr> <td></td> <td>Environmental health</td> <td> <p>The Company seeks to create a tobacco-free work environment with the following measures:</p> <ol style="list-style-type: none"> promotion of the important rules of the Tobacco Hazards Prevention Act on the Company's internal website; promotional videos on smoking termination on the Company's internal website; establishment of our company's "Measures Governing the Handling and Prevention of Tobacco Hazards" </td> </tr> </tbody> </table>	Measure	Item	Description	Employee health	Insurance and benefits	<p>The Company provides the following according to the law:</p> <ol style="list-style-type: none"> labor insurance and National Health Insurance coverage; establishment of the "Regulations Governing Complaints and Punishments Related to Workplace Sexual Harassment Prevention"; Employee Breastfeeding Rooms; regular employee health checkups; doctors' counseling services regarding occupational health education, health enhancement and hygiene-related instructions at the Company's headquarters <p>The Company exceeds the law's requirements in the following areas:</p> <ol style="list-style-type: none"> employee group insurance programs like life insurance, casualty insurance, and insurance for medical care in cases of accidents and occupational hazards; low-rate self-paid group insurance programs including fixed-term life insurance, casualty insurance, medical insurance and insurance for cancer prevention to better care for the employees and their families; free massage services for headquarter employees; "Seminars on Nutritious Diet and Calories" and "Practical Workshops on Exercise for Office Workers" to promote employee awareness on healthy diet and exercise; establishment of the "Regulations Governing the Founding of Recreational and Social Welfare Clubs and Club Grants" to encourage employees to develop the habit of taking part in athletic and social welfare activities; hosting hiking trips so that the employees may enjoy phytoncide in the nature with their family members on the weekends as they tread on hiking trails for better well-being 		Environmental health	<p>The Company seeks to create a tobacco-free work environment with the following measures:</p> <ol style="list-style-type: none"> promotion of the important rules of the Tobacco Hazards Prevention Act on the Company's internal website; promotional videos on smoking termination on the Company's internal website; establishment of our company's "Measures Governing the Handling and Prevention of Tobacco Hazards" 	No deviation.
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Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																		
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III Corporate Governance Report

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
(4) Does the company set up a regular employee communication mechanism and reasonably inform its employees of any changes in operations that may have a significant impact on them?	✓		4.The Company has established labor-management meetings for regular employee communication to coordinate labor relations and enhance labor-management cooperation. Information such as the Company's rules and regulations, employee benefits and the Company's daily news is available on the Company's internal website. An electronic bulletin board is also in place to announce important news on a real-time basis.	No deviation.
(5) Does the company provide its employees with an effective career capability development and training program?	✓		5.The Company has the following programs in place to help employees further develop their professional capability: (1) To cultivate various types of professionals, the Company has devised a well-rounded training program based on the career stages of employees at different levels and the organization's development needs. The program provides employees with timely and diverse learning channels to achieve a win-win effect regarding organizational talent development and individual employee career advancement. The program includes such topics as new employee orientation, professional training, management trainee cultivation/training and supervisor growth training. Experts and academicians are also invited to give finance-themed speeches at the Company. In 2007, the Company founded the Capital Financial University as the cradle of mainstay employee cultivation. (2) Furthermore, the Company holds intensive sales personnel training sessions through video conferences and broadcast links around Taiwan to enhance sales personnel's professional expertise and skills. Additionally, to enhance employees' learning results, the Company has produced multiple e-learning courses and utilized various electronic systems so that the employees can learn and grow anytime and anywhere. (3) To encourage the employees to obtain financial certifications, the Company has devised related regulations to reward the employees for taking professional exams and offer funding support for certification exam registration. (4) Moreover, the Company has implemented the Taiwan Training Quality System (TTQS) to boost talent cultivation quality and training results.	No deviation.
(6) Does the company establish any consumer protection policies and complaint procedures regarding R&D, procurement, production, operations and service processes?	✓		6.To ensure client rights, our company has provided our clients with effective communication and complaint channels. Customer service number: 412-8878 (please add 02 before the number if calling from a cellphone). E-mail address: cs@capital.com.tw Service counter: various business units of our company	No deviation.
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		7.According to the Company's "Regulations Governing the Production, Distribution and Publication of Promotional Literature for Advertising, Business Solicitation and Sales Promotional Activities," before utilizing any promotional literature and advertisements/commercials in public for advertising, business solicitation and sales promotional activities, an employee shall submit related contents to his supervisor(s) for approval to ensure the materials do not contain any inappropriate, false, misleading or illegal contents. The contents may only be used after they are approved by the president.	No deviation.
(8) Does the company evaluate the records of its suppliers' impact on the environment and the society before taking on business partnerships?	✓		8.The Company assesses the competency of its new and old suppliers regularly. The assessment results are taken as reference for future business dealings. For contract signing, a note is included indicating if the supplier violates the aforementioned corporate social responsibility policy, the Company may terminate or cancel the articles of the contract at any given time and the supplier may not seek any compensation from the Company.	No deviation.

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		9.Regarding selecting suppliers and signing contracts with its suppliers, starting from this year, the Company has carefully evaluated the records of its suppliers' impact on the environment and the society as key reference for future business partnerships. A termination clause may also be included into a business contract which indicates once the supplier violates the aforementioned corporate social responsibility policy, the Company may terminate or cancel the articles of the contract at any given time and the supplier may not seek any compensation from the Company.	No deviation.
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	✓		The Company has published relevant and reliable CSR report and all the related information on the Company's website.	No deviation.

5.If the Company has established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation:
The Company's Board passed the "Corporate Social Responsibility Implementation Principles" on Jan 28, 2015. The Company's actual implementation is all in line with the principles.

6.Other important information to facilitate better understanding of the Company's corporate social responsibility practices :
The Company released its 2014 CSR report and published it on the Company's website in DEC15. The Company already published its relevant and reliable CSR report and all the related information on the Company's website for the reference of its stakeholders. Stakeholders may express their concerns through phone calls, the Company's website or e-mails. The Company may handle and reply to these concerns as special projects.

7.A clear statement shall be made below if the Company's corporate social responsibility reports were verified by relevant certification institutions: The Company's CSR reports have not yet been verified by relevant certification institutions.

Note: 1. Whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

Note: 2: Companies that have compiled CSR reports may indicate the method to inquire their reports and cite the source from specific pages of their CSR reports instead.

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status ¹			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(1)Does the company declare its ethical corporate management policies, procedures as well as the commitment from its board and management to actively implement these policies in its guidelines and external documents?</p>	✓		1.The Company has established the "Ethical Corporate Management Best-Practice Principles" and "Procedures and Behavioral Guidelines on Operational Integrity". The Board and management actively fulfill their commitments to implementing ethical management policies and effectively implement these policies in internal management and business activities. Moreover, the Company discloses its ethical management policies on the Company's website so that its suppliers, clients and other organizations and personnel related to the Company may clearly understand the Company's ethical management beliefs and guidelines.	No deviation
<p>(2)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	✓		2.The Company's "Procedures and Behavioral Guidelines on Operational Integrity" regulates various unethical deeds and stipulate related handling procedures. The Company also incorporates ethical management into the Company's employee performance appraisal and human resources policies by indicating clear and effective reward/discipline and appeal systems. If the breach of ethical conduct is serious, the Company may dismiss the offender based on related laws or the Company's personnel regulations.	No deviation
<p>(3)Does the company establish appropriate precautions against the listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies or other higher-potential unethical conducts in the Company's business scope?</p>	✓		3.The Company implements the employee ethics guarantee insurance system and insured the employees based on their types/levels of business duties. The insurance covers such areas as employee burglary, robbery, theft, fraud, embezzlement or other illegal acts that lead to the Company's financial losses. Furthermore, the Company's "Procedures and Behavioral Guidelines on Operational Integrity" also regulates and includes handling procedures regarding various higher-potential unethical conducts.	No deviation
<p>2.Fulfill operations integrity policy</p> <p>(1)Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	✓		1.The Company sufficiently evaluates its business partners' state of ethical operations when signing business contracts and includes ethics-related clauses in the contracts. Once a party commits unethical conduct, the other party may terminate or cancel the contract without any conditions.	No deviation
<p>(2)Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and reports to the Board its operations on a regular basis?</p>	✓		2.The Company has established the Ethical Management Committee to devise ethical management policies and breach prevention programs and supervise related implementation. The committee regularly reports its operations to the Board every year.	No deviation

Evaluation Item	Implementation Status ¹			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them?	✓		3. The Company has established the "Procedures and Behavioral Guidelines on Operational Integrity" and "Principles on Preventing Business Personnel's Conflict of Interest in Trading". When a board member is involved in a conflict of interest with himself or the legal person he represents, which may harm the Company's interests, the member may express his opinions and answer questions on a proposal but shall avoid discussing and voting regarding the proposal at the board meeting. The discussed incident shall be recorded in the minutes of the meeting. In carrying out his duties, when an employee discovers any possible unethical gains for himself or his stakeholder(s), he shall report the situation to his department head and the Company's dedicated units. The department head shall also offer appropriate counsel.	No deviation
(4) Has the company established effective accounting and internal control systems to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		4. To ensure ethical corporate management, the Company has designed and established the "Accounting System" and "Internal Control System" based on the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". The Company's internal auditors examine the operations of these systems regularly.	No deviation
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		5. The Company plans and holds educational trainings on operational integrity regularly.	No deviation
3. Operation of the Company's whistleblowing system (1) Does the company establish a concrete whistleblowing and reward system, convenient whistleblowing channels and appropriate personnel dedicated to handling the person that was reported?	✓		1. The Company's "Work Regulations" and "Regulations Governing the Use of Employee Feedback Mailbox" clearly stipulate the principles regarding the reporting of employee opinions on operating procedure improvement or ways to maximize business results and minimize corruption. They also offer clear guidelines on employee reward/discipline. The Company also has a Personnel Evaluation Committee that deliberates on affairs regarding employee reward/discipline. External parties may express their opinions on the Company via the Company's spokesperson and contact person for investor relations.	No deviation

III Corporate Governance Report

Evaluation Item	Implementation Status ¹			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures for confidential reporting and investigation of accusation cases?	✓		2. The Company's "Regulations Governing the Use of Employee Feedback Mailbox" clearly stipulates the standard operating procedures and confidentiality mechanism regarding the investigation of accusation cases. The Employee Feedback Mailbox is retrieved by the head of the Auditing Department. Once it is received, opinions may be forwarded in an anonymous manner to related departments for further investigation, assessment or review based on the circumstances. Then the related department shall fill out the "Employee Feedback Mailbox Reply/Description Form". The form shall be signed for approval by the department head and then reviewed by the Auditing Department head before being submitted for the president's review and deliberation. Mails sent to the Employee Feedback Mailbox are transmitted online in full SSL encryption. The encrypted emails are then stored at the Company's database. Back-end operators must use a Windows NT account number and password to log into the computer and access the back-end management interface via an ID verification process before he can view the data. The Company's spokesperson and investor relations contact person shall also handle external parties' opinions according to the same operating procedures.	No deviation
(3) Does the company provide proper whistleblower protection?	✓		3. The related supervisors and employees shall keep the opinions raised through the Employee Feedback Mailbox and the party raising the opinions in confidentiality. Once there is a breach in confidentiality, the incident shall be sent to the Personnel Evaluation Committee for review and handled in compliance with the Company's related work regulations afterwards.	No deviation
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		1. The Company's "Ethical Corporate Management Best-Practice Principles" and "Procedures and Behavioral Guidelines on Operational Integrity" have been disclosed on the Company's website and MOPS.	No deviation
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company's operations and its establishment of the "Ethical Corporate Management Best-Practice Principles" and "Procedures and Behavioral Guidelines on Operational Integrity" are in compliance with the "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies".				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amendment of its policies). The Company reviews and amends the contents of its rules governing operational integrity on an irregular basis. After the contents are approved by the Board, the Company discloses them on the Company's website, MOPS and the Company's internal website so that its investors and employees may understand the Company's ethical management and operations policies.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

3.3.7 If the Company has Established Corporate Governance Guidelines and Regulations, it shall Disclose its Method of Enquiry:

The Company's corporate governance-related rules and regulations are disclosed at the following:

1. MOPS/under the section of corporate governance;
2. Capital Website (www.capital.com.tw)/About Capital/Corporate Governance section

3.3.8 Other Important Information Improving Knowledge of the Company's Corporate Governance Operations shall also be Disclosed: None

3.3.9 Disclosure of Internal Control System

A. The Declaration of Internal Control

Capital Securities Corp. Statement of Declaration on Internal Control

Date: Mar 28, 2016

Capital Securities (the Company) makes the following statements based on the results of a self-assessment of the Company's internal control system covering the year 2015:

1. The Company is fully aware that the establishment, implementation and maintenance of an internal control system is the responsibility of the board of directors and management, and such system has been established. Its purpose is to provide reasonable assurance that goals related to operation effectiveness and efficiency (including profit, performance, and protection of asset safety), the reliability, timeliness and transparency of reporting, and compliance with applicable regulations, laws and bylaws will be achieved.
2. Internal control systems have inherent limitations. No matter how complete its design is, an effective internal control system can only provide a reasonable assurance that the aforementioned three goals can be achieved. Besides, the effectiveness of an internal control system may change as a result of changes in environment and conditions. However, the Company's internal control system has a self-monitoring mechanism. As soon as a problem is identified, the Company will take a corrective action immediately.
3. The Company has assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereafter "the Regulations"). The evaluation criteria for internal control system set in "the Regulations" are based on management control procedures and consist of five elements: a) control environment, b) risk assessment, c) control activities, d) information and communication, and e) monitoring activities. Each element includes a number of items. Please refer to "the Regulations" for details.
4. The Company has adopted the abovementioned internal control system evaluation criteria to evaluate the effectiveness of the design and implementation of its internal control system.
5. Based on results of the evaluation referred above, the Company concludes that as of Dec 31, 2015, the design and implementation of its internal control system (including supervision and management over subsidiaries) were effective and were able to reasonably ensure the achievement of the following goals: identifying the degree of achieving the goal of operation effectiveness and efficiency, reporting reliability, timeliness and transparency, and compliance with applicable regulations, laws and bylaws.
6. This statement of declaration will be included as a main part of the Company's annual report and prospectuses and will be made public. Any false information, concealed information, and any other illegalities in the statement of declaration will incur legal liabilities stipulated in the Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement of declaration was passed by the board of directors of the Company on Mar 28, 2016. Of the 9 directors attending the meeting, 0 had dissenting opinions, and all directors approved the content of this statement of declaration.

Capital Securities Corporation

Chairman: WANG, JIUNN-CHIH

President: CHAO, YONG-FEI

B. Internal control audit report issued by the CPA commissioned to conduct an internal control audit: None

3.3.10 Penalties Imposed on the Company and Its Internal Personnel in accordance with Laws, Punishments Imposed by the Company on Its Internal Personnel for Violating Internal Control System Regulations, Main Deficiencies and Improvements during the most recent year and up to the Date of Publication of This Annual Report:

A. Disposition letters issued by Taiwan Securities Association (TSA) on May 18, 2015 and Taiwan Stock Exchange (TWSE) on Sep 22, 2015 and Oct 15, 2015: The Company underwrote the IPO of Pharmally International Holding and was found violating the "Taiwan Securities Association Rules for Handling Underwriting Deficiencies of Securities Underwriters". Hence, 11 demerit points were imposed on the Company, and TWSE ceased accepting the evaluation report submitted by the Company for 3 months.

Improvement:

The Company strengthened employee awareness and enhanced employee education and training in a bid to reinforce law and regulation compliance and implementation of internal control system.

B. A disposition letter issued by Taipei Exchange (TPEX) on Jun 12, 2015: A brokerage associated person of the Company violated the Order No. Financial-Supervisory-Securities-Firms-0990055656 of the Financial Supervisory Commission issued on Nov 10, 2010 and the Regulations Governing Responsible Persons and Associated Persons of Securities Firms (paragraph 1 of Article 18, and subparagraph 7, 19, 23 of paragraph 2 of Article 18). The associated person received a warning and was suspended from his/her duties for a period of 3 months; related managerial personnel also received a warning.

Improvement:

The Company strengthened employee awareness and enhanced employee education and training in a bid to reinforce law and regulation compliance and implementation of internal control system.

C. Disposition letters issued by TWSE on Feb 05, 2016 and Financial Supervisory Commission (FSC) on Mar 08, 2016: Two brokerage associated persons of the Company were found violating the paragraph 2 of Article 18 of Operating Rules of the Taiwan Stock Exchange Corporation, Internal Control System CA-11210 (pertinent to brokerage trading and trading procedures) and paragraph 2 of Article 2 of the Regulations Governing Securities Firms. The Company was ordered to take corrective actions. The combined punishments for the two brokerage associated persons are suspension from their duties for periods of 3 and 4 months, respectively, and the related managerial personnel was suspended from his or her duties for a period of 1 month.

Improvement:

The Company strengthened employee awareness and enhanced employee education and training in a bid to reinforce law and regulation compliance and implementation of internal control system.

D. A disposition letter issued by TWSE on Mar 08, 2016: A brokerage associated person of the Company violated the paragraph 1 of Article 12 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms and the Internal Control System. The Company was ordered to pay attention to

the deficiency and to make an improvement. The brokerage associated person was suspended from his or her duties for a period of 1 month.

Improvement:

The Company strengthened employee awareness and enhanced employee education and training in a bid to reinforce law and regulation compliance and implementation of internal control system.

3.3.11 Material Resolutions Reached in the Shareholders' Meeting or by the Board of Directors during the Most Recent Year and up to the Date of Publication of This Annual Report and Implementation Status:

A. Material resolutions

Material resolutions approved at the shareholders' meeting in 2015

1. Date and time: 9:00 am, Jun 22, 2015 (Monday)
2. Location: No.75, Changxing St., Taipei City (S. J. Chiang International Conference Hall of Chung-Hua Institution for Economic Research)
3. Approved and discussed items:
 - (1) Proposal: To approve the Company's 2014 business report and financial statements (proposed by the board of directors)
Resolution: The proposal was approved as proposed
 - (2) Proposal: To approve the Company's distribution plan of 2014 earnings (proposed by the board of directors)
Resolution: The proposal was approved as proposed
 - (3) Proposal: To discuss the amendment to the Company's "Articles of Incorporation" (proposed by the board of directors)
Resolution: The proposal was approved as proposed
 - (4) Proposal: To discuss the amendment to the Company's "Operational Procedures for Endorsements/ Guarantees" (proposed by the board of directors)
Resolution: The proposal was approved as proposed

Material resolutions approved by the board of directors of Capital Securities

1. Date: Jan 28, 2015 (Wednesday)
Proposal: The Company's non-operating investment, CSC International Holdings, intended to raise capital by USD38.71mn (around HKD300mn) in cash.
Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.
2. Date: Mar 17, 2015 (Tuesday)
Proposal: To approve the nomination of candidates for 2015 election of Capital Futures' independent directors
Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.

3. Date: May 11, 2015 (Monday)

Proposal: To approve the submission of an application of setting up a venture capital company with Alex Wang as the responsible person to the competent authority

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.

4. Date: Sep 21, 2015 (Monday)

Proposal: Based on the Article 28-2 of the Securities and Exchange Act and the Article 2 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company intended to repurchase its stocks.

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.

5. Date: Nov 11, 2015 (Wednesday)

(1) Proposal: To approve the assessment of CPA's independence for 2015

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor

(2) Proposal: To approve the Company's self-assessment of financial reporting and agree not to submit proposal to enhance financial reporting

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor

(3) Proposal: The Company intended to conduct the 8th round of stock buyback and reduce capital via cancellation of treasury stocks.

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor

(4) Proposal: Based on the Article 28-2 of the Securities and Exchange Act and the Article 2 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company intended to repurchase its stocks.

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor

6. Date: Jan 28, 2016 (Thursday)

Proposal: The Company intended to conduct the 9th round of stock buyback and reduce capital via cancellation of treasury stocks.

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.

7. Date: Mar 28, 2016 (Monday)

Proposal: To approve election of the Company's 10th Board of Directors

Resolution: Presented by the chairperson, the proposal was passed with all directors voting in favor.

B. Implementation status

Implementation status of resolutions reached in the shareholders' meeting on Jun 22, 2015:

Item	Proposal	Voting Results/Resolution	Implementation Status
Approved Items	No.1 To approve the Company's 2014 business report and financial statements	The number of votes in favor was 1,636,149,397 votes (of which 291,764,535 votes were casted by way of electronic transmission); the number of votes against was 200,627 votes (of which 200,627 votes were casted by way of electronic transmission); the number of abstaining votes was 65,701,551 votes (of which 65,701,551 votes were casted by way of electronic transmission); the number of invalid votes was 0; the number of absent votes was 84,910,345 votes. A statutory majority voted in favor, and the proposal was approved as proposed.	Announced upon implementation of the resolution reached in the shareholders' meeting
	No.2 To approve the Company's distribution plan of 2014 earnings	The number of votes in favor was 1,636,085,503 votes (of which 291,700,641 votes were casted by way of electronic transmission); the number of against votes was 264,521 votes (of which 264,521 votes were casted by way of electronic transmission); the number of abstaining votes was 65,701,551 votes (of which 65,701,551 votes were casted by way electronic transmission); the number of invalid votes was 0; the number of absent votes was 84,910,345 votes. A statutory majority voted in favor, and the proposal was approved as proposed.	A cash dividend of NTD0.6 per share was distributed based on the resolution reached in the shareholders' meeting (target date for cash dividend distribution was Aug 19, 2015; cash dividends were distributed on Sep 11, 2015).
Discussed Items	No.1 To discuss the amendment to the Company's "Articles of Incorporation"	The number of votes in favor was 1,636,146,421 votes (of which 291,761,559 votes were casted by way of electronic transmission); the number of against votes was 206,586 votes (of which 206,586 votes were casted by way of electronic transmission); the number of abstaining votes was 65,698,568 votes (of which 65,698,568 votes were casted by way electronic transmission); the number of invalid votes was 0; the number of absent votes was 84,910,345 votes. A statutory majority voted in favor, and the proposal was approved as proposed.	Operation is already in accordance with the amended "Articles of Incorporation".
	No.2 To discuss the amendment to the Company's "Operational Procedures for Endorsements/ Guarantees"	The number of votes in favor was 1,636,150,806 votes (of which 291,765,944 votes were casted by way of electronic transmission); the number of against votes was 199,195 votes (of which 199,195 votes were casted by way of electronic transmission); the number of abstaining votes was 65,701,574 votes (of which 65,701,574 votes were casted by way electronic transmission); the number of invalid votes was 0; the number of absent votes was 84,910,345 votes. A statutory majority voted in favor, and the proposal was approved as proposed.	Operation is already in accordance with the amended "Operational Procedures for Endorsements/ Guarantees".

3.3.12 Major Content of Recorded or Written Statements Made by Any Director or Supervisor Who Specified Dissent against Material Resolutions Passed by the Board of Directors during the Most Recent Years and up to the Date of Publication of This Annual Report:
None

3.3.13 Summary of Resignation or Dismissal of the Company's Associated Personnel during the Most Recent Years and up to the Date of Publication of This Annual Report:

Mar 31, 2016

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
	None			

Note: The associated personnel are chairman, president, heads of accounting, finance, internal audit and R&D, etc.

3.3.14 Courses and Training Related to Corporate Governance Attended by the Company's Managerial Personnel, Directors and Supervisors:

A. Managerial personnel :

Title	Name	Starting Date	Ending Date	Organizers	Course Hours	Course Names
Executive Vice President	WENG, CHIN-NENG	Aug 05, 2015	Aug 05, 2015	Taiwan Academy of Banking and Finance	3	Necessary Concepts of Chinese Banks and Related Foreign Exchange Transactions for Business Dealings with Mainland China Enterprises
		Aug 05, 2015	Aug 05, 2015	Taiwan Academy of Banking and Finance	3	Basic Tax Structure and Problem Analysis for Taiwanese Enterprises Making Investment in Mainland China
Senior Vice President	XIE, XIU-YING	Aug 21, 2015	Aug 21, 2015	Taiwan Securities Association	3	Digital Finance Development Trend
Executive Vice President	HUANG, QI-MING	Feb 05, 2015	Feb 05, 2015	Trust Association of R.O.C	3	In-service Training for Trust Supervisory Personnel
		Apr 08, 2015	Apr 08, 2015	Trust Association of R.O.C	3	In-service Training for Trust Supervisory Personnel
		Apr 09, 2015	Apr 10, 2015	The Institute of Internal Auditors-Chinese Taiwan	13	2015 Symposium of the Institute of Internal Auditors
		Jun 12, 2015	Jun 12, 2015	Taiwan Stock Exchange	4	Standards for the Internal Control Systems of Securities Firms
		Jun 18, 2015	Jun 18, 2015	Taiwan Futures Exchange	3	Educational Seminar on Amendment of Internal Control System for Futures Commission Merchant and Futures Introducing Brokers
		Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
		Oct 22, 2015	Oct 22, 2015	Taiwan Securities Association	3	Educational Seminar on Establishment of Relevant Prevention Measures and Assessing Risks of Money Laundering and Terrorism Financing for Securities, Futures, Securities Investment Trust and Securities Investment Consulting Business
		Oct 28, 2015	Oct 28, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
Senior Vice President	LIN, SHU-JUAN	Apr 14, 2015	Apr 14, 2015	Chinese National Futures Association	2.5	Securities Firms Engaging in Overseas Futures Trading
		Apr 28, 2015	Apr 28, 2015	Taiwan Academy of Banking and Finance	3	Symposium on Outlook of New Vision in Taiwan's Financial Industry
		Jun 04, 2015	Jun 04, 2015	Taiwan Futures Exchange	3	2015 Educational Seminar on Amendment of Internal Control System for Futures Commission Merchant and Futures Introducing Brokers
		Jun 08, 2015	Jun 08, 2015	Taiwan Stock Exchange	3	2015 Educational Seminar on the Standards for the Internal Control Systems of Securities Firms
		Aug 26, 2015	Aug 26, 2015	Taiwan Securities Association	3	Digital Finance Development Trend

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Title	Name	Starting Date	Ending Date	Organizers	Course Hours	Course Names
Senior Vice President	LIN, SHU-JUAN	Sep 22, 2015	Sep 22, 2015	Taiwan Stock Exchange	2	Educational Seminar on Securities Lending
		Oct 05, 2015	Oct 05, 2015	Taiwan Stock Exchange	3	2015 Forum on Corporate Governance Evaluation
		Oct 21, 2015	Oct 21, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
		Nov 12, 2015	Nov 12, 2015	Taiwan Securities Association	2.5	Educational Seminar on New Competitive Bidding Auction System for Securities
		Nov 27, 2015	Nov 27, 2015	Securities & Futures Institute	3	Forum on Auditing Cases of Futures Commission Merchant
		Dec 01, 2015	Dec 01, 2015	Securities & Futures Institute	3	Forum on Auditing Cases of Securities Firm
		Dec 24, 2015	Dec 24, 2015	Financial Ombudsman Institution	3	2015 Symposium on Financial Consumer Dispute Case Study
Senior Vice President	FANG, ZHI-HONG	Mar 19, 2015	Jun 25, 2015	Taiwan Securities Association	45	Training for Derivative Foreign Exchange Products
		Apr 10, 2015	Apr 10, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
Executive Vice President	ZHANG, PEI-WEN	Dec 18, 2015	Dec 18, 2015	Taiwan Academy of Banking and Finance	3.5	Symposium on Latest Trend of Regulatory Compliance in Banking Industry under the Context of E-Banking Environments
Executive Vice President	GUO, MEI-LING	May 21, 2015	May 21, 2015	Taiwan Insurance Institute	4.5	Symposium on IoT Application Trend in Financial Industry
		Aug 21, 2015	Aug 21, 2015	Taiwan Academy of Banking and Finance	8	New Financial Trend—Forum on Third-party Payment and E-commerce
Executive Vice President	TAN, DE-CHENG	Mar 18, 2015	Mar 18, 2015	Securities & Futures Institute	3	Symposium on Investor Relations in Taiwan's Capital Market
		Mar 26, 2015	Mar 26, 2015	Taiwan Securities Association	3	Tax-saving Strategies for Directors, Supervisors and Managerial Personnel under Taiwan's Tax Environment Trend
		Apr 15, 2015	Apr 15, 2015	Taiwan Securities Association	3	Case Analysis on Legal Risk Stemming from Cross-Strait Investment
		May 13, 2015	May 13, 2015	Taiwan Securities Association	3	Legal Liabilities of an Enterprise's Directors, Supervisors and Managerial Personnel and Case Analysis
		Jul 29, 2015	Jul 29, 2015	Taiwan Securities Association	3	Corporate Governance and Corporate Social Responsibility
Senior Vice President	HUANG, ZI-RONG	Mar 19, 2015	Jun 25, 2015	Taiwan Securities Association	45	Training for Derivative Foreign Exchange Products
		Apr 10, 2015	Apr 10, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
		Jun 10, 2015	Jun 10, 2015	Taiwan Securities Association	3	Symposium on Competition for Company's Operational Right and "Business Mergers and Acquisitions Act"
		Aug 12, 2015	Aug 12, 2015	Taiwan Securities Association	3	Case Analysis on Legal Risk Stemming from Cross-Strait Investment
		Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
		Sep 09, 2015	Sep 09, 2015	Taiwan Securities Association	3	Enterprises' Responses to and Strategies for Foreign Exchange Fluctuation
		Oct 07, 2015	Oct 07, 2015	Taiwan Securities Association	3	Insight into Hidden Crises in Financial Statements
Senior Vice President	YAO, MING-QING	Oct 02, 2015	Oct 03, 2015	Taiwan Stock Exchange	8	2015 Networking Event for Senior Executives of Securities Brokers and Securities Dealers

Title	Name	Starting Date	Ending Date	Organizers	Course Hours	Course Names
Executive Vice President	XU, SHI-MU	Mar 18, 2015	Mar 18, 2015	Taiwan Securities Association	3	Dividend Income Tax Reform Trend under Corporate Governance and Coping Strategies
		Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
Senior Vice President	ZHANG, JIA-WEN	Aug 11, 2015	Aug 11, 2015	Accounting Research and Development Foundation	3	The Effect and Evaluation of Business Merger and Acquisition
Senior Vice President	ZHOU, XIU-ZHEN	Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
Senior Vice President	LAI, JUN-FU	Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
Executive Vice President	LIN, YAN-FEN	Mar 19, 2015	Jun 25, 2015	Taiwan Securities Association	45	Training for Derivative Foreign Exchange Products
		Aug 25, 2015	Aug 25, 2015	Taiwan Securities Association	7.5	In-service Training for Associated Persons of Securities Firm
Senior Vice President	WANG, JUAN-HUI	Feb 02, 2015	Feb 06, 2015	Chinese National Futures Association	15	In-service Training for Futures Associated Persons
		Apr 29, 2015	Apr 29, 2015	Trust Association of R.O.C	7.5	Seminar on the "Practice of Offshore Trust Business"
		Jun 12, 2015	Jun 12, 2015	Trust Association of R.O.C	6	Presentation on the "Mobile Financial Business and Digital Innovation for Wealth Management & Trust Business Development—examples of Hong Kong and China"
		Oct 01, 2015	Oct 01, 2015	Trust Association of R.O.C	3	Presentation on the "Major Points of The Act Governing Electronic Payment Institutions"
		Oct 23, 2015	Oct 23, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
Senior Vice President	ZHANG, DUN-FU	Mar 06, 2015	Mar 09, 2015	Taiwan Securities Association	6	In-service Training for Wealth Management Associated Persons
		Apr 08, 2015	Apr 08, 2015	Taiwan Academy of Banking and Finance	2.5	Forum on International Financial Trends—The Impact on Global Financial Market from Monetary Easing Policies and Transition Period of Interest Rate Hike
		Apr 28, 2015	Apr 28, 2015	Taiwan Academy of Banking and Finance	3.5	Symposium on New Era and New Economy—Outlook of New Vision in Taiwan's Financial Industry
		Apr 29, 2015	Apr 29, 2015	Taiwan Academy of Banking and Finance	2.5	New Hope in Cross-Strait Relation—Development and Cooperation in Corporate Social Responsibility
		May 07, 2015	May 07, 2015	Taiwan Securities Association	6	Fund Sales
		May 26, 2015	May 26, 2015	Taiwan Academy of Banking and Finance	4	Symposium on Opening the Door to Sustainable Finance—The Competitiveness of Green Finance
		May 29, 2015	May 29, 2015	Taiwan Academy of Banking and Finance	3	Senior Executive Workshop on New Scope and Challenges of Wealth Management
		Jun 18, 2015	Jun 18, 2015	Taiwan Academy of Banking and Finance	3	New Financial Cooperation Opportunities Stemming from the Belt and Road Economic Circle and Establishment of Asian Infrastructure Investment Bank
		Aug 21, 2015	Aug 21, 2015	Taiwan Securities Association	3	Digital Finance Development Trend
Senior Vice President	ZHENG, SHU-FEN	Sep 03, 2015	Sep 03, 2015	Taiwan Academy of Banking and Finance	3	Pre-service Training for Trust Supervisory personnel
		Jun 09, 2015	Jun 09, 2015	Taiwan Securities Association	6	Fund Sales
		Nov 18, 2015	Nov 18, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics

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Title	Name	Starting Date	Ending Date	Organizers	Course Hours	Course Names
Executive Vice President	MA, JIA-HUAN	Mar 30, 2015	Mar 31, 2015	Taiwan Securities Association	6	In-service Training for Wealth Management Associated Persons
		Oct 06, 2015	Oct 06, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics
		Nov 06, 2015	Nov 06, 2015	Taiwan Securities Association	15	In-service Training for Associated Persons of Securities Firm
Senior Vice President	ZHONG, XU-AN-FENG	Apr 17, 2015	Apr 18, 2015	Taiwan Securities Association	15	In-service Training for Associated Persons of Securities Firm
		May 07, 2015	May 08, 2015	Taiwan Securities Association	6	Fund sales
		Oct 07, 2015	Oct 07, 2015	Taiwan Securities Association	3	Regulations Governing Brokerage Trading of Foreign Securities and Code of Professional Ethics

B. Directors and supervisors:

Title	Name	Organizers	Course Names	Date	Course Hours
Chairman	WANG, JUNN-CHIH	Taiwan Stock Exchange	Business Ethics Leadership Forum for TWSE-Listed Companies	May 27, 2015	3
		The Institute of Internal Auditors-Chinese Taiwan	Corporate Governance and Social Responsibility—Practices Related to Legal Risks	Dec 24, 2015	6
Director	LIU, CHING TSUN	Dharma Drum Mountain Humanities and Social Improvement Foundation	How to Create a Happy Business	Jul 17, 2015	3
		Dharma Drum Mountain Humanities and Social Improvement Foundation	From Regulatory Requirements to Making Money Rightly	Aug 21, 2015	3
		Dharma Drum Mountain Humanities and Social Improvement Foundation	Emphasizing Corporate Governance and Establishing Pleasant Workplace	Sep 18, 2015	3
Director	YANG, CHE-HUNG	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms and Securities Exchanges	Dec 10~Dec 11, 2015	12
Director	CHANG, CHIH-MING	The Institute of Internal Auditors-Chinese Taiwan	Corporate Governance and Social Responsibility—Practices Related to Legal Risks	Dec 24, 2015	6
Director	CHANG, CHANG-PANG	Taiwan Corporate Governance Association	Introduction to the Consolidation of Housing and Land taxes and Its Impacts	Mar 24, 2015	1.5
		Taiwan Corporate Governance Association	Discussing Enterprise Risk Management and Corporate Management from the Viewpoint of Procurement Practices	May 11, 2015	1.5
		Taiwan Corporate Governance Association	Impact on Financial Statement Readers from Auditing Reports Conducted by New Accountants	Aug 11, 2015	1.5
		Taiwan Corporate Governance Association	Brief Introduction to the Cross-Strait Taxation Agreement	Nov 10, 2015	1.5
Director	TSAI, I-CHING	Securities & Futures Institute	Regulations on Competitive Behaviors pertinent to Company's Operational Right and Case Analysis	Dec 04, 2015	3
		Taiwan Academy of Banking and Finance	Corporate Governance Forum—Blueprint of Tax Management (Stage 1)	Dec 15, 2015	4
Director	TSAI, LI-LIEN	Taiwan Stock Exchange	2015 Presentation on Legal Compliance in Stock Trading for Insiders of Public Companies	Jul 08, 2015	3
		Securities & Futures Institute	M&A Resources for Enterprises	Dec 23, 2015	3

Title	Name	Organizers	Course Names	Date	Course Hours
Independent Director	LIN, HSIN-HUI	Securities & Futures Institute	Corporate Social Responsibility Report— Demonstrating the Value of Sustainable Management	Jan 22, 2015	3
		Association for Research & Development of Corporate Organization	Case Analysis on Obligations and Legal Liabilities of Information Disclosure	Oct 19, 2015	3
Independent Director	HWANG, JYH-DEAN	Taiwan Corporate Governance Association	Business Judgment of Companies' Directors, Supervisors and Managerial Personnel vs. Securities Fraud, False Information and Asset Misappropriation	Jan 27, 2015	3
		Association for Research & Development of Corporate Organization	Regulations Governing Prohibition of Insider Trading and How to Avoid Violating Such Regulations	Oct 30, 2015	3
		Taiwan Securities Association	Introduction on Regulations and Practices of Sub-brokerage and Code of Professional Ethics	Dec 10, 2015	3
Supervisor	ANGEL CHANG	Corporate Operation Association	Regulations Governing Prohibition of Insider Trading and How to Avoid Violating Such Regulations	Oct 30, 2015	3
		Taiwan Corporate Governance Association	International Summit on Corporate Governance	Nov 05, 2015	3
Supervisor	LIN, CHUN-YU	Taiwan Corporate Governance Association	Annual Act Amendments and Directions for Shareholders' Meeting	Feb 13, 2015	3
		Trust Association of R.O.C	Workshop on the "Auditing for Trust Enterprises for 2015"	Apr 08, 2015	3
		Securities & Futures Institute	Regulations and Case Study on Competitive Behaviors pertinent to Company's Operational Right	Dec 04, 2015	3
Supervisor	KUO, YUH-CHYI	Securities & Futures Institute	Corporate Social Responsibility Report— Demonstrating the Value of Sustainable Management	Jan 22, 2015	3
		Taiwan Corporate Governance Association	Workshop on "Creating a Shared Value for Enterprises and Society via CSR"	May 22, 2015	3
		Taiwan Stock Exchange	Business Ethics Leadership Forum for TWSE-Listed Companies	May 27, 2015	3
		Taiwan Stock Exchange	2015 Presentation on Legal Compliance in Stock Trading for Insiders of Public Companies	Jul 31, 2015	3
		Association for Research & Development of Corporate Organization	Case Analysis on Obligations and Legal Liabilities of Information Disclosure	Oct 19, 2015	3
		Association for Research & Development of Corporate Organization	Practices of Legal Compliance of Board of Directors and Legal Liabilities of Directors and Supervisors and Case Study	Oct 21, 2015	3
		Taiwan Corporate Governance Association	The 11th International Summit on Corporate Governance	Nov 05~ Nov 06, 2015	6

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3.3.15 Certification details of the Company's employees whose jobs are related to financial information transparency:

Certification	Number of Employees		
	Auditing Department (Total: 28 people)	Finance Department (Total: 41 people)	Risk Management Department (Total: 6 people)
Securities Specialist	9	11	1
Senior Securities Specialist	24	18	5
Margin Purchases and Short Sales of Securities	13	3	1
Futures Specialist	23	6	3
Securities Investment Trust and Consulting Professional	13	10	
Regulations on Investment Trust and Consulting (including Self-regulatory Guidelines)	1	1	
Bill Finance Specialist	3	1	
Life Insurance Representative	13	4	1
Investment-linked Insurance Product Representative	6		
Non-life Insurance Representative	10		
Qualification for Undertaking Foreign-currency Denominated Non-investment-linked Life Product Business	6	1	
Wealth Management Associated Person	18	2	
Wealth Management Other Personnel	2		
Stock Affair Specialist	2		
Bond Specialist	1		
Trust Business Personnel	14	5	1
Trust Managerial Personnel			1
Trust Laws and Regulations	1	2	
Financial Planner	2	1	1
Structured Notes Sale Representative	1		1
Certified Public Bookkeeper		3	
Financial Markets and Professional Ethics	11	6	3
Training for Newly-appointed Internal Auditor	7		
Bank Internal Controller and Internal Auditor	1		
Reporting Personnel of Securities Firms Subject to Advanced Calculation Method of Regulatory Capital Adequacy Ratio	11	22	6
Chartered Financial Analyst (CFA)			1
Financial Risk Manager (FRM)			4
45-hour Training for Derivative Foreign Exchange Products	2	4	1
Qualification for Spot Transaction Between Foreign Currencies in Connection with Securities Business		3	
Total	194	103	30

3.4 Independent Auditor Fee Information:

3.4.1 Independent Auditor Fee Information and Fee Table

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Dannie Lee, Charles Chen	From JAN 2014 to DEC 2015	
	Dannie Lee, Phoebe Chung	From JAN 2016 until now	CPA replacement was caused by KPMG's personnel adjustment

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NTD2,000K		V	
2	NTD2,000K (inclusive) ~ NTD4,000K			
3	NTD4,000K (inclusive) ~ NTD6,000K	V		V
4	NTD6,000K (inclusive) ~ NTD8,000K			
5	NTD8,000K (inclusive) ~ NTD10,000K			
6	Over NTD10,000K (inclusive)			

3.4.2 Disclosure of Non-audit Fees Paid to CPA, Independent Auditing Firm and Its Affiliates, if Said Fees Represent One Quarter or More of Audit Fees:

The non-audit fees paid by the Company to CPA, independent auditing firm and its affiliates for 2015 totaled to NTD40K (for treasury stock opinion), which was below one quarter of audit fees.

3.4.3 Replacement of Independent Auditing Firm and Reduction in Audit Fees Paid during the Year of Replacement Compared with the Previous Year: None

3.4.4 Reduction in Audit Fees by More than 15% Compared with the Previous Year: None

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3.5 Information on Replacement of CPA:

3.5.1 Regarding the Former CPA

Replacement Date	Mar 28, 2016		
Replacement Reasons and Explanations	Due to personnel adjustment at KMPG, the CPAs of the Company were changed.		
Explanation on Termination of Audit Services (Initiated by the Principal or by the CPA)	Status	Parties	The Principal
	Service Terminated by	CPA	V
	Service No Longer Accepted (Continued) by		
Reasons for Issuing Opinions Other than Unqualified Opinions within the Last Two Years	None		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	None	V	
Remarks:			
Other Disclosures (Disclosures Deemed Necessary under Article 10.5.1.4 of The Regulations Governing Information to be Published in Annual Report of Public Companies)	None		

3.5.2. Regarding the Successor CPA

Name of Accounting Firm	KMPG
Name of CPA	Dannie Lee and Phoebe Chung
Date of Appointment	Mar 28, 2016
Inquiries and Replies Related to the Accounting Practices or Principles of Certain Transactions, or Any Audit Opinions the Auditors Would Like to Issue on the Financial Reports prior to Appointment.	None
Written Dissenting Opinion from the Succeeding CPA against the Opinion Made by the Former CPA	None

3.5.3 Reply from the Former CPA regarding Matters Stated in Article 10.5.1 and 10.5.2.3 of The Regulations: None

3.6 Disclosure of the Name of Company's Chairman, President, and Managerial Personnel in charge of Finance and Accounting Who Was Hired by the Independent Auditing Firm or Its Affiliates over the Past Years and His/her Position and Employment Period in the Independent Auditing Firm or Its Affiliates: None

3.7 Change in Shares Held and Pledged by Directors, Supervisors, Managerial Personnel, and Major Shareholders

Unit: Shares

Title	Name	2015		As of Apr 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tai Chun Investment Co., Ltd.; representative: WANG, JIUNN-CHIH	0	0	0	0
Director	Tai Chun Investment Co., Ltd.; representative: LIU, CHING TSUN	0	0	0	0
Director	Tai Lien Investment Co., Ltd.; representative: CHANG, CHIH-MING	0	0	0	0
Director	Hung Chia Investment Co., Ltd.; representative: CHANG, CHANG-PANG	0	0	0	0
Director	Hung Chia Investment Co., Ltd.; representative: TSAI, I-CHING	0	0	0	0
Director	Kwang Hsing Co., Ltd.; representative: YANG, CHE-HUNG	0	0	0	0
Director	San River Industrial Co., Ltd.; representative: Lien-Li Tsai	0	0	0	0
Independent Director	LIN, HSIN-HUI	0	0	0	0
Independent Director	HWANG, JYH-DEAN	0	0	0	0
Supervisor	Yin Feng Enterprise Co., Ltd.; representative: KUO, YUH-CHYI	0	0	0	0
Supervisor	Yi Hsin Development Co., Ltd.; representative: Angel Chang	0	0	0	0
Chairman	WANG, JIUNN-CHIH	0	0	0	0
President	CHAO, YONG-FEI	0	0	0	0
Executive Vice President	YAO, ZHONG-ZHI	0	0	0	0
Executive Vice President	MA, JIA-HUAN	100,000	0	0	0
Executive Vice President	YANG, JIE-BIN	(235,000)	0	0	0
Executive Vice President	TAN, DE-CHENG	95,000	0	0	0
Executive Vice President	WENG, CHIN-NENG	0	0	0	0
Executive Vice President	GUO, MEI-LING	0	0	0	0
Executive Vice President	HUANG, QI-MING	0	0	0	0
Executive Vice President	ZHANG, PEI-WEN	0	0	0	0
Executive Vice President	LIN, YAN-FEN	0	0	0	0
Senior Vice Presiden	ZHENG, YU-LING	0	0	0	0

III Corporate Governance Report

Title	Name	2015		As of Apr 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	XIE, YU-LIN	0	0	0	0
Senior Vice President	ZHANG, DUN-FU	0	0	0	0
Senior Vice President	WENG, HE-MING	0	0	0	0
Senior Vice President	CHEN, PEI-QI	0	0	0	0
Senior Vice President	HUANG, YU-FAN	0	0	0	0
Senior Vice President	ZHOU, XIU-ZHEN	0	0	0	0
Senior Vice President	WANG, YA-FANG	0	0	0	0
Senior Vice President	HOU, LE-PING	0	0	0	0
Senior Vice President	HUANG, ZI-RONG	0	0	0	0
Senior Vice President	WU, JUN-MING	0	0	0	0
Senior Vice President	PAN, HUI-MEI	1,000	0	0	0
Senior Vice President	WENG, SHU-LING	0	0	0	0
Senior Vice President	LI, MU-XIAN	0	0	0	0
Senior Vice President	HUANG, DONG-HE	0	0	0	0
Senior Vice President	WANG, JUAN-HUI	0	0	0	0
Senior Vice President	QIU, JIAN-HUA	0	0	0	0
Senior Vice President	LIN, JING-HUA	0	0	0	0
Senior Vice President	ZHENG, SHU-FEN	0	0	0	0
Senior Vice President	XIE, XIU-YING	0	0	0	0
Senior Vice President	LAI, JUN-FU	0	0	0	0
Senior Vice President	LIN, SHU-JUAN	(60,000)	0	(50,000)	0
Senior Vice President	ZHAO, FENG-RONG	0	0	0	0
Senior Vice President	ZHONG, XUAN-FENG	0	0	0	0
Senior Vice President	LIN, BO-WEI	0	0	0	0
Senior Vice President	HUANG, ZHI-HUA	(8,000)	0	0	0
Senior Vice President	WU, YUN-WEN	0	0	0	0
Senior Vice President	CHEN, YI-RU	0	0	0	0
Senior Vice President	ZHANG, JIA-WEN	0	0	0	0
Senior Vice President	LIU, SHU-RU	0	0	0	0
Senior Vice President	FANG, ZHI-HONG	0	0	0	0
Senior Vice President	YAO, MING-QING	0	0	0	0
Senior Vice President	CHEN, YI-REN	0	0	0	0
Senior Vice President	YE, YI-LING	0	0	0	0
Senior Vice President	Hsu, Tsui Yun	0	0	0	0
Senior Vice President	Wu, Wei Chieh	0	0	0	0

Title	Name	2015		As of Apr 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Assistant Vice President	CHEN, LI-ZHUN	0	0	0	0
Assistant Vice President	CHEN, ZHI-ZHONG	0	0	0	0
Assistant Vice President	LI, DA-ZHONG	0	0	0	0
Assistant Vice President	TANG, WEN-JI	0	0	0	0
Assistant Vice President	LIU, JIAN-LIANG	0	0	0	0
Assistant Vice President	LIN, JING-WEN	0	0	0	0
Assistant Vice President	HUANG, QIU-HUANG	0	0	0	0
Assistant Vice President	KAI, SHI-HUA	0	0	0	0
Assistant Vice President	LIN, JIONG-GUANG	0	0	0	0
Assistant Vice President	WANG, JING-FEN	0	0	0	0
Assistant Vice President	HUANG, QING-YAN	0	0	0	0
Assistant Vice President	LIN, HUI-JING	0	0	0	0
Assistant Vice President	WANG, LU-CHENG	0	0	0	0
Assistant Vice President	YANG, ZHI-KAI	0	0	0	0
Assistant Vice President	XU, HONG-BO	0	0	0	0
Assistant Vice President	ZHANG, DONG-HAI	0	0	0	0
Assistant Vice President	HAI, YAN	0	0	0	0
Assistant Vice President	SU, RUI-YI	0	0	0	0
Assistant Vice President	PENG, GUI-CONG	0	0	0	0
Assistant Vice President	Huang, Mei-Zhu	0	0	0	0
Assistant Vice President	YU, XIAO-MEI	0	0	0	0
Assistant Vice President	XU, LI-FEN	0	0	0	0
Assistant Vice President	WU, HONG-ZH	0	0	0	0
Assistant Vice President	ZHENG, YU-CHANG	0	0	0	0
Assistant Vice President	ZHANG, TIAN-MU	0	0	0	0
Assistant Vice President	ZHAO, ZHI-MING	0	0	0	0
Assistant Vice President	WEI, WEN-JIN	0	0	0	0
Assistant Vice President	LI, XIANG-JUN	0	0	0	0
Assistant Vice President	ZHU, DE-REN	0	0	0	0
Assistant Vice President	CAO, HOU-SHENG	0	0	0	0
Assistant Vice President	TIAN, DA-ZHONG	0	0	0	0
Assistant Vice President	CHEN, BO-XUN	0	0	0	0
Assistant Vice President	LIN, LI-KAI	0	0	0	0
Assistant Vice President	ZHANG, XUE-HE	0	0	0	0
Assistant Vice President	CAI, QING-FEN	0	0	0	0

III Corporate Governance Report

Title	Name	2015		As of Apr 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Assistant Vice President	XU, JUN-YANG	0	0	0	0
Assistant Vice President	CHEN, XUAN-ZHI	0	0	0	0
Assistant Vice President	ZHENG, WEN-TAO	0	0	0	0
Assistant Vice President	XIE, JIA-JUN	0	0	0	0
Assistant Vice President	LIN, JIANG-HE	0	0	0	0
Assistant Vice President	YANG, YAN-QIU	0	0	0	0
Assistant Vice President	ZHANG, REN-FANG	0	0	0	0
Assistant Vice President	WANG, WAN-QI	0	0	0	0
Assistant Vice President	CHEN, ZHI-SHAN	0	0	0	0
Assistant Vice President	CHEN, MEI-RU	0	0	0	0
Assistant Vice President	CHEN, ZHENG-YANG	0	0	0	0
Assistant Vice President	HUANG, MIAO-YIN	0	0	0	0
Assistant Vice President	YANG, ZONG-MU	0	0	0	0
Assistant Vice President	LAI, AI-WEN	0	0	0	0
Assistant Vice President	ZHOU, DING-DUN	0	0	0	0
Assistant Vice President	DENG, XUE-REN	0	0	0	0
Assistant Vice President	YANG, KUN-LONG	0	0	0	0
Assistant Vice President	ZHANG, MING-YI	0	0	0	0
Assistant Vice President	XU, YONG-WEN	0	0	0	0
Assistant Vice President	MA, SHAO-HONG	0	0	0	0
Assistant Vice President	WEI, YU-MEI	0	0	0	0
Assistant Vice President	LIN, JING-ZHI	0	0	0	0
Assistant Vice President	WU, ZHENG-HAN	0	0	0	0
Assistant Vice President	HUANG, YI-LIAN	0	0	0	0
Assistant Vice President	Yan, Xiu-Rong	0	0	0	0
Assistant Vice President	Chou, Wu-Hung	0	0	0	0

Note 1: Shareholders holding >10% of the Company's outstanding shares should be specifically marked as major shareholders.

Note 2: Shares transferred or pledged with related parties should be disclosed in the following tables

3.8 Relationship among the Top Ten Shareholders

Name (see Note 1)	Current Shareholding		Spouse & Minor Children Shareholdings		Shareholding by Nominee Arrangement		Information on Related Parties, or Spousal Relationship or Relatives within Second Degree of Kinship, among Top Ten Shareholders, including Their Names and Relationships (see Note 3)		Remarks
	Shares	Percentage	Shares	Percentage	Shares	Percentage	Name	Relationship	
CTBC Bank Trust Account	123,811,510	5.46%	0	0.00%	0	0.00%	-	-	-
Hontai Life Insurance Co., Ltd. representative: LU, HUAN-YI	84,661,345	3.73%	0	0.00%	0	0.00%	-	-	-
Fu Ting Investment Co., Ltd. representative: LIAO, GAN-HONG	71,407,143	3.15%	0	0.00%	0	0.00%	-	-	-
Pao Tso Investment Co., Ltd. representative: ZHAN, DONG-XING	70,908,014	3.13%	0	0.00%	0	0.00%	-	-	-
Pao Sheng Investment Co., Ltd. representative: ZHANG, YAN-GENG	67,583,007	2.98%	0	0.00%	0	0.00%	-	-	-
Tai Shen Investment Co., Ltd. representative: YANG, SHU-HUI	66,780,216	2.94%	0	0.00%	0	0.00%	-	-	-
Kwang Yang Motor co., Ltd. representative: KE, SHENG-FENG	57,703,929	2.54%	0	0.00%	0	0.00%	-	-	-
Min Hui Enterprise Co., Ltd. representative: LI, HUI-ZHU	57,238,747	2.52%	0	0.00%	0	0.00%	-	-	-
Hung Chia Investment Co., Ltd. representative: CHEN, CHUAN-FU	57,027,023	2.51%	0	0.00%	0	0.00%	-	-	-
Pao Ching Investment Co., Ltd. representative: WANG, HUI-JIN	51,262,360	2.26%	0	0.00%	0	0.00%	-	-	-

Note 1: Names of the Company's top 10 shareholders must be listed; if the top 10 shareholders include institutional shareholders, names of the institutional shareholder and its representative should both be listed.

Note 2: Shareholding percentages are calculated based on the number of shares held by the top 10 shareholders, or by his/her spouse and minor children or by nominee arrangement.

Note 3: The aforementioned shareholders include juristic and natural persons; information on the relationship among the aforementioned shareholders shall be disclosed according to the Company's guideline in preparing financial statement.

3.9 Shares Held by the Company, Its Directors, Supervisors, Managerial Personnel or Business Units Directly/Indirectly Controlled by the Company in Invested Enterprises and Total Shareholding Ratio in Each Invested Enterprise:

Unit: shares; %
As of Mar 31, 2016

Invested Enterprises (Note)	Investment Made by the Company		Investment Made by Directors, Supervisors and Managerial Personnel or by Directly/Indirectly Controlled Business Units		Total Investment	
	Shares	%	Shares	%	Shares	%
Capital Investment Management Corp.	7,000,000	100.00%	—	—	7,000,000	100.00%
Capital Futures Corp.	72,227,136	59.01%	361,666	0.30%	72,588,802	59.31%
Capital Insurance Advisory Corp.	389,000	100.00%	—	—	389,000	100.00%
Capital Insurance Agency Corp.	740,000	100.00%	—	—	740,000	100.00%
CSC International Holdings Ltd.	45,000,000	100.00%	—	—	45,000,000	100.00%
Taiwan International Futures Corp.	11,999,721	99.99%	—	—	11,999,721	99.99%
Taiwan International Securities (BVI) Corp.	300	100.00%	—	—	300	100.00%
Taiwan International Securities Investment Consulting Corp.	999,200	99.92%	100	0.01%	999,300	99.93%
Taiwan Depository & Clearing Corp.	4,444,493	1.29%	—	—	4,444,493	1.29%
Taiwan Futures Exchange	3,937,894	1.33%	13,459	0.00%	3,951,353	1.33%
Taiwan Stock Exchange	371,306	0.06%	—	—	371,306	0.06%
Global Securities Finance Corp.	24,186,568	6.05%	—	—	24,186,568	6.05%
Chou Chin Industrial Co., Ltd.	28,708	0.05%	—	—	28,708	0.05%
Chung Yih Development Co., Ltd.	232,254	0.68%	—	—	232,254	0.68%
Reliance Securities Investment Trust Corp.	940,800	3.02%	—	—	940,800	3.02%
Top Taiwan III Venture Capital Co., Ltd.	4,900,000	7.00%	—	—	4,900,000	7.00%
Prudence Capital Management	2,012,040	1.50%	—	—	2,012,040	1.50%
CSC Venture Capital Corp.	100,000,000	100.00%	—	—	100,000,000	100.00%

Note: Investee enterprises are recognized as long-term investments for under equity method or financial assets measured at cost-non-current.

IV Financing Status

4.1 Capital and Shares

4.1.1 Source of Capital and Types of Stock

A. Source of capital

Unit: 1,000 shares/NTD thousands

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
APR 2010	10	3,000,000	30,000,000	1,879,658	18,796,582	Increasing capital by NTD2,688,722 by issuing new shares after merger	None	See Note 1
AUG 2010	10	3,000,000	30,000,000	2,037,549	20,375,495	Increasing capital by NTD1,578,913 out of earnings	None	See Note 2
NOV 2010	10	3,000,000	30,000,000	2,305,722	23,057,225	Increasing capital by NTD2,681,730 by issuing new shares through public tender offer	None	See Note 3
JUN 2011	10	3,000,000	30,000,000	2,334,062	23,340,621	Increasing capital by NTD283,395 by issuing new shares after merger	None	See Note 4
OCT 2011	10	3,000,000	30,000,000	2,369,073	23,690,730	Increasing capital by NTD283,395 by issuing new shares after merger	None	See Note 5
NOV 2015	10	3,000,000	30,000,000	2,319,073	23,190,730	Reducing capital by NTD500,000	None	See Note 6
FEB 2016	10	3,000,000	30,000,000	2,269,073	22,690,730	Reducing capital by NTD500,000	None	See Note 7

Note 1: Approval date and competent authority's order number: Jan 19, 2010, Order No. Financial-Supervisory-Securities-Firms-0980071352

Note 2: Approval date and competent authority's order number: Jul 05, 2010, Order No. Financial-Supervisory-Securities-Firms-0990034818

Note 3: Approval date and competent authority's order number: Oct 06, 2010, Order No. Financial-Supervisory-Securities-Firms-0990054420

Note 4: Approval date and competent authority's order number: Mar 18, 2011, Order No. Financial-Supervisory-Securities-Firms-1000009983

Note 5: Approval date and competent authority's order number: Jul 11, 2011, Order No. Financial-Supervisory-Securities-Firms-1000031788

Note 6: Approval date and competent authority's order number: Nov 10, 2015, Order No. Financial-Supervisory-Securities-Firms-1040045464

Note 7: Approval date and competent authority's order number: Jan 14, 2016, Order No. Financial-Supervisory-Securities-Firms-1050001350

B. Type of stock

Unit: 1,000 shares

Stock Type	Authorized Capital			Remarks
	Outstanding Shares (issued)	Un-issued Shares	Total Shares	
Registered common shares	2,269,073	730,927	3,000,000	-

C. Information for shelf registration system: Not applicable

IV Financing Status

4.1.2 Shareholder Structure

As of Apr 29, 2016

Shareholder Structure	Government Agencies	Financial Institutions	Other Institutional Investors	Domestic Natural Persons	Foreign Institutions & Individuals	Total
Quantity						
Number of Shareholders	3	30	200	84,373	250	84,856
Shares held	7,634,576	301,223,356	900,978,106	728,244,177	330,992,772	2,269,072,987
Percentage	0.34%	13.28%	39.71%	32.09%	14.58%	100.00%

Note: Primary exchange (or OTC) listed companies and emerging stock companies are required to disclose the shareholding ratio of mainland Chinese investors.

According to the Article 3 of Measures Governing Investment Permit to the People of Mainland Area, mainland Chinese investors include the individuals, juristic persons, organizations, other institutions from Mainland and the companies they invest into in a third area.

4.1.3 Shareholding Distribution Status

(Face value per share: NTD10) As of Apr 29, 2016

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shares Held	Percentage
1 ~ 999	42,173	9,270,118	0.41%
1,000 ~ 5,000	23,738	56,340,686	2.48%
5,001 ~ 10,000	7,710	55,717,742	2.46%
10,001 ~ 15,000	3,449	41,709,901	1.84%
15,001 ~ 20,000	1,765	31,703,224	1.40%
20,001 ~ 30,000	2,034	50,028,013	2.21%
30,001 ~ 40,000	1,007	34,859,152	1.54%
40,001 ~ 50,000	564	25,773,841	1.14%
50,001 ~ 100,000	1,240	87,602,599	3.86%
100,001 ~ 200,000	580	80,373,270	3.54%
200,001 ~ 400,000	284	79,490,990	3.50%
400,001 ~ 600,000	86	41,214,832	1.81%
600,001 ~ 800,000	44	30,477,331	1.34%
800,001 ~ 1,000,000	29	25,943,982	1.14%
1,000,001 or over (based on company's self-classification)	153	1,618,567,306	71.33%
Total	84,856	2,269,072,987	100.00%

4.1.4 List of Major Shareholders

Name of Major Shareholder	Shareholding	
	Shares	Percentage
CTBC Bank Trust Account	123,811,510	5.46%
Hontai Life Insurance Co., Ltd.	84,661,345	3.73%
Fu Ting Investment Co., Ltd.	71,407,143	3.15%
Pao Tso Investment Co., Ltd.	70,908,014	3.13%
Pao Sheng Investment Co., Ltd.	67,583,007	2.98%
Tai Shen Investment Co., Ltd.	66,780,216	2.94%
Kwang Yang Motor co., Ltd.	57,703,929	2.54%
Min Hui Enterprise Co., Ltd.	57,238,747	2.52%
Hung Chia Investment Co., Ltd.	57,027,023	2.51%
Pao Ching Investment Co., Ltd.	51,262,360	2.26%

4.1.5 Market Price, Net Worth, Earnings, Dividends per Share and Other Related Data during the Most Recent Two Years and the Period from Jan 01, 2016 to Mar 31, 2016

Item	Year	2014	2015	Jan 01, 2016~Mar 31, 2016 (Note 8)
Market Price per Share (Note 1)				
Highest Market Price		12.30	11.65	9.89
Lowest Market Price		9.46	7.51	8.30
Average Market Price		10.77	9.87	8.86
Net Worth per Share (Note 2)				
Before Distribution		13.13	12.85	-
After Distribution		12.53	-	-
Earnings per Share				
Weighted Average Shares (Unit: 1,000 shares)		2,369,073	2,357,324	2,269,073
Earnings Per Share (Note 3)		0.85	0.66	-
Dividends per Share				
Cash Dividends		0.60	-	-
Stock Dividends				
• Dividends from Retained Earnings		0	-	-
• Dividends from Capital Surplus		0	-	-
Accumulated Undistributed Dividends (Note 4)		0	-	-
ROI Analysis				
Price/Earnings Ratio (Note 5)		12.67	14.95	-
Price/Dividend Ratio (Note 6)		17.95	-	-
Cash Dividend Yield (Note 7)		5.57%	-	-

IV Financing Status

*If shares are distributed in connection with a capital increase out of earnings or capital surplus, further information on market prices and cash dividends retroactively adjusted based on the number of shares distributed shall be disclosed.

Note 1: Setting forth the highest and lowest market price per share of common stock for each year and calculating each year's average market price based on each year's transaction prices and volume

Note 2: Filling in the details based on the number of year-end outstanding issued shares and the resolution regarding distribution passed in the shareholders' meeting of the following year

Note 3: If it is necessary to make adjustments retroactively due to situations such as distribution of stock dividends, the earnings per share before and after the adjustments should both be listed.

Note 4: If conditions of equity issuance allow the undistributed dividends of the year to be accumulated and paid out in a later year when a company makes profit, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price to earnings ratio = current year's average closing price per share / earnings per share

Note 6: Price to dividend ratio = current year's average closing price per share / cash dividends per share

Note 7: Cash dividend yield = cash dividends per share / current year's average closing price per share

Note 8: Information on net worth per share and earnings per share was filled in based on the latest quarterly results audited by CPA prior to the date of publication of this annual report. Other information was filled in based on data as of the date of publication of this annual report.

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy specified in the Company's Articles of Incorporation

Based on the Company's Article of Incorporation, if there are earnings at the end of the fiscal year, 10% and 20% of such earnings shall be set aside as legal reserve and special reserve, respectively, in accordance with related laws after paying all taxes and offsetting losses from previous year(s). Part of the remaining distributable earnings can be appropriated, if necessary, according to the resolution made in the shareholders' meeting. The remaining balances will be distributed in the following manner:

1. 1%~4% as compensation for directors and supervisors;
2. 1%~3% as a bonus for employees;
3. The rest as a dividend for shareholders.

Based on the amendment to the Company Act introduced in MAY 2015, employee bonuses and compensation for directors and supervisors are no longer deduction items for distributable earnings. The Company will amend its Article of Incorporation prior to the deadline set by the competent authority.

In order to persistently expand its scale, improve profitability and maintain superior capital adequacy ratio, the Company adopts residual dividend policy. After setting aside a part of the distributable earnings, the remaining balances shall not be less than 10% of the distributable earnings. Regarding the types of dividend, based on the Company's capital budget plan, stock dividends are distributed for the purpose of reserving capital required for operation; other dividends can be distributed in cash, and cash dividends shall not be less than 10% of the total distributed dividends.

B. Dividends distribution proposed in the shareholders' meeting:

According to the Company's plan for distribution of 2015 earnings, the Company will distribute cash dividends of NTD1,111,845,764. Shareholders of record will receive a cash dividend of NTD0.49 per share (calculation is based on the number of shares registered in shareholders' roster on the ex-dividend record date minus the number of treasury shares). Upon the resolution of the shareholders' meeting, the board of directors will set the target date for dividend distribution.

4.1.7 The Effect of Dividend Distribution Proposed at the Shareholders' Meeting on the Company's Operating Performance and EPS: None

4.1.8 Employee Bonus and Directors' and Supervisors' Compensation

- A. Amounts or scope of employee bonus and compensation for directors and supervisors stated in the Company's Articles of Incorporation:
1%~4% of the distributable earnings is set aside as compensation for directors and supervisors; 1%~3% of the distributable earnings is for employee bonus.
- B. The estimating basis for employee bonus and compensation for directors and supervisors, and the calculation basis for the number of shares distributed as dividends, and the accounting treatment of the discrepancy, if any, between the actual distributed value and the estimated value for the current period:
- (1) The estimating basis for employee bonus and compensation for directors and supervisors, and the calculation basis for the number of shares distributed as dividends for the current period:
After setting aside 10% and 20% of the Company's 2015 net profit as legal reserve and special reserve, respectively, the Company shall allocate 0.6%~2% and less than 3% of the remaining earnings, if any, for employee compensation and directors/supervisors' compensation, respectively, in accordance with the Company's amended Article of Incorporation, which was passed by the Company's board of directors but is pending resolution from the Company's shareholders meeting. However, if there are accumulated losses, the remaining earnings shall be first kept for loss offsetting. Formula for estimating the Company's 2015 employee compensation and directors/supervisor' compensation is below: the Company's 2015 pre-tax profit (before the allocation of compensation to employees, directors and supervisors) multiply the allocation percentage of compensation to employees, directors and supervisors stipulated in the Company's Article of Incorporation. The calculation basis for the number of shares distributed as dividends is the closing price before the date of shareholders' resolution plus impact from ex-right and ex-dividend.
- (2) Accounting treatment of the discrepancy, if any, between the actual distributed value and the estimated value:
If a discrepancy is found after the authorization of the financial statements for issue in the next year, the discrepancy will be recorded as a change in accounting estimate. Impact from such change will be recognized as a gain or loss of the next year.
- C. Information on proposals such as distribution of employee bonus passed by the board of directors:
- (1)(a) On Mar 28, 2016, the Company's board of directors resolved to distribute employee bonus of NTD14,993,771 and directors/supervisors' compensation of NTD26,527,440.
- (b) If the distributed values (resolved by the board of directors) of employee bonus in form of cash or stocks and compensation for directors and supervisors are different from the estimated values of the fiscal year in which these expenses are recognized, the discrepancy, its cause and the status of treatment shall be disclosed:

IV Financing Status

Item (For 2015)	Proposed Distribution (Resolved by the BoD)	Estimated Value Recognized as Expense of the Fiscal Year	Discrepancy between Distributed and Estimated Values	Cause of the Discrepancy and Treatment Status
Employee Bonus in Stock	0	0	0	-
Employee Bonus in Cash	14,993,771	17,240,625	(2,246,854)	As the recognized expenses are un-audited, there may be a discrepancy. Such discrepancy is expected to be adjusted as a loss or gain for the year of 2016 in accordance with changes in accounting estimates
Compensation for Directors & Supervisors	26,527,440	28,734,375	(2,206,935)	

(2) Proposed distribution of stock bonus to employees and the ratio of the proposed employee stock bonus to the current-period net profit plus total bonus to employees: 0% (The Company's employee bonus is proposed to be distributed in cash)

(3) Estimated EPS after distribution of employee bonus and directors/supervisors' compensation: NTD0.66

D. Actual distribution of earnings from the previous year (2014) as employee bonus and directors/supervisors' compensation (including the number of shares distributed, value distributed and share price); if there is any discrepancy between the actual distributed values and recognized values of employee bonus and directors/supervisors' compensation, such discrepancy, its cause and the status of treatment shall be specified:

Item (For 2014)	Actual Distribution (Resolved by the Shareholders' Meeting)	Estimated Value Recognized as Expense of the Fiscal Year	Discrepancy between Distributed and Estimated Values	Cause of the Discrepancy and Treatment Status
Employee Bonus in Stock	0	0	0	-
Employee Bonus in Cash	22,210,059	23,487,000	(1,276,941)	As the recognized expenses were un-audited, there was a discrepancy. Such discrepancy was adjusted as a loss or gain for the year of 2015 in accordance with changes in accounting estimates
Compensation for Directors & Supervisors	37,016,765	39,144,000	(2,127,235)	

4.1.9 Buyback of Treasury Stock during the Most Recent Years:

As of Mar 31, 2016

Batch Order of Buyback	8th Batch	9th Batch
Purpose of Buyback	Maintain the Company's credit standing and shareholders' right	Maintain the Company's credit standing and shareholders' right
Timeframe of Buyback	Sep 22, 2015~Nov 21, 2015	Nov 12, 2015~Jan 11,2016
Price range of Buyback	NTD7~11	NTD8~12
Class and Quantity of Share Bought Back	50,000,000 common shares	50,000,000 common shares
Value of Share Bought Back	NTD470,413,633	NTD492,420,929
Number of Annulled and Transferred Shares	50,000,000 shares	50,000,000 shares
Accumulated Number of Company Shares Held	0 share	0 share
Ratio of Accumulated Number of Company Shares Held to Total Outstanding Shares (%)	0%	0%

4.2 Status of Issue and Private Placement of Corporate Bonds: None

4.3 Status of Issue and Private Placement of Preferred Shares: None

4.4 Status of Issue and Private Placement of Global Depositary Receipts: None

4.5 Status of Issue and Private Placement of Employee Stock Options: None

4.6 Status of Issue of New Restricted Employee Shares: None

4.7 Status of Mergers and Acquisitions and Issue of New Shares in Connection with Acquisition of Another Company's Share: None

4.8 Capital Allocation Plan and Implementation Status: Not applicable

5.1 Business Content

5.1.1 Scope of Business

A. Main business services

- (1) Securities underwriting
- (2) Proprietary trading of securities listed on Taiwan Stock Exchange (TWSE)
- (3) Brokerage of TWSE-listed securities
- (4) Proprietary trading of securities listed on Taipei Exchange (TPEX)
- (5) Brokerage of TPEX-listed securities
- (6) Conducting margin purchase and short sales of securities
- (7) Registrar and transfer agency
- (8) Brokerage of foreign securities
- (9) Short-term notes and bills
- (10) Introducing brokerage for futures trading
- (11) Borrowing and lending money in connection with securities business
- (12) Agency services commissioned by customers to invest their securities trading balances
- (13) Securities lending business (excluding book-entry central government bond)
- (14) Trust businesses
- (15) Offshore securities business
- (16) Other securities-related businesses approved by the competent authority

B. Revenue breakdown during the most recent three years

Unit: NTD thousands

Year	2013		2014		2015	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
Brokerage	3,568,202	73	4,036,081	71	3,456,022	69
Proprietary Trading	841,307	17	1,269,093	22	1,191,387	24
Underwriting	474,254	10	413,303	7	356,119	7
Total	4,883,763	100	5,718,477	100	5,003,528	100

C. Currently-offered products and services and their major purposes or functions

Business Unit	Major Purpose or Function
Brokerage Department	Engaged in securities brokerage, delivery, and margin purchase & short sales of securities
Wealth Management Department	Providing financial planning advice tailored to clients' demand, life plan and financial status; recommending financial products suitable for client's investment scheme
Investment Banking Department	Acting as an underwriter to assist companies in public offering, listing on TWSE, listing on TPEX, capital increase, issuing convertible bond, and other fundraising tasks; providing financial advice to companies
Proprietary Trading Department	Responsible for proprietary securities trading on TWSE, TPEX and foreign stock exchanges (approved by the competent authority); adjusting market supply/demand; playing the role of market creator in cooperation with underwriter
Fixed Income Department	Operating businesses related to bond, short-term financing, repurchase agreement/reverse repurchase agreement of bonds; providing consultancy service and swift and accurate information on bond investment for clients

Business Unit	Major Purpose or Function
Derivatives Department	Providing services related to investment in, consultation on and issuance of new derivatives products in domestic and foreign markets
Registrar Agency Department	Providing services related to share registrar and transfer for TWSE-listed and TPEX-listed companies

D. New products (services) to be developed

- Continuing to develop derivatives product in order to fulfill various investors' demands in the market
- Continuing to develop and improve the existing electronic trading system so as to provide clients with a more convenient and more powerful trading platform
- Aggressively developing wealth management business and providing more comprehensive services like asset allocation and financial planning to clients
- Providing more diversified financial products and services in response to the opening of offshore securities business and RMB-denominated products

5.1.2 Industry Overview

A. Industry overview and development:

Global economic growth forecast for 2015 was revised down as emerging markets decelerated their expansion pace. Affected by decelerated economy in China, sliding oil and raw material prices, and USD appreciation, manufacturing, energy and raw material industries all appeared lackluster. Accordingly, stock market also appeared sluggish. The overall securities market in 2015 is shown in the following table, from which we can see that only ETF turnover increased while turnovers of other securities, such as stocks and call (put) warrants, all declined compared to the previous year. 2015 turnover of TWSE decreased by 2.34% while 2015 turnover of TPEX edged up by 1.96% due to increased bond turnover. Overall speaking, total turnover of equity products in 2015 decreased by 4.09% YoY.

Turnovers of securities markets over the past three years

Unit: NTD1bn

Year	2013	2014	2015	Growth in 2015
TSE				
Stock	18,940.93	21,898.53	20,191.49	-1,707.04
ETF	282.35	433.26	1,634.42	1,201.16
Closed-end Fund	0.67	0.16	-	-0.16
Beneficiary Securities	11.62	9.91	12.01	2.10
Call (Put) Warrants	340.01	678.85	644.96	-33.89
TDR	27.75	22.57	22.22	-0.35
Subtotal	19,603.33	23,043.28	22,505.10	-538.18

V Operation Overview

Year	2013	2014	2015	Growth in 2015
OTC				
Stocks	4,030.90	6,355.90	5,689.20	-666.70
Call (Put) Warrants	68.80	162.30	156.60	-5.70
Bonds	51,895.00	50,450.40	52,239.00	1,788.60
Subtotal	55,994.70	56,968.60	58,084.80	1,116.20
Total	75,598.03	80,011.88	80,589.90	578.02
Total (excluding bonds)	23,703.03	29,561.48	28,350.90	-1,210.58

Source: TWSE; TPEX

Following market diversification and opening, financial products are evolving with new products being launched. Investors are gradually embracing the concept of multi-faceted approach to investment and financial management and are no longer confined to stock trading. Additionally, the competent authority has adopted numerous vital measures to assist and encourage Taiwan's financial industry in international development and to enhance the product innovation capability in the financial industry. Meanwhile, the competent authority requires the financial industry to strengthen corporate governance and risk management so as to help the financial industry place greater emphasis on consumer protection and consumer rights. The competent authority intends to create the mindset of "innovation and steadiness" in order to strengthen the health of financial institutions and improve the competitiveness of the securities industry. The securities industry is expected to utilize its business operating advantages or regional development niches to effectively exert the capabilities of asset allocation and risk management, aiming to gradually develop differential competitive edges and transform these edges into a profit-making operating model.

B. Relevance among the upstream, midstream and downstream players in the securities industry



C. Development trends and competition faced by each business segment

Major businesses operated by a securities firm are as follows: brokerage, underwriting, proprietary trading, fixed income, derivatives, wealth management, etc. Development trends and competition faced by brokerage business, investment banking business, derivatives business and wealth management business are stated below:

(1) Brokerage business:

Following arrival of the digital age, the popularity of Internet and improvement of transmission speed have changed investors' previous trading habits. Electronic trading has become a pivotal direction for

brokerage business development. Providing a trading platform which boasts integration of a variety of products (like stocks, futures and overseas investment) and tactical trading has become a standard equipment for securities firms. Securities firms compete with each other by rolling out more convenient trading platforms and marketing electronic trading programs that are more favorable to clients. Promoting electronic trading business has become an important tool in competing for higher brokerage market share.

(2) Underwriting business:

The total number of enterprises listed on TWSE and TPEX in 2015 was 1,586, representing an increase of 47 compared to 1,539 in 2014. The market capitalization of TWSE-listed and TPEX-listed companies decreased by NTD2.34trn from NTD29.57trn in 2014 to NTD27.23trn in 2015.

A total of 233 cases were underwritten in the domestic IPO/SPO markets in 2015, marking an increase of 1 case compared to 232 cases in 2014.

Stock market serves as an indicator of economy. Taiwan government provides several preferential measures in order to expand the capital market and encourage overseas companies, especially overseas Taiwanese-funded companies, to go public in Taiwan. In 2016, the government even established Go Incubation Board for Startup and Acceleration Firms (GISA) in a bid to bolster the growth of Taiwan's small-sized innovative companies, which may serve as the foundation of Taiwan's future economic development. In response to government's measures, the Company's underwriting segment will continue to play the role of enhancing the efficiency of direct financing.

(3) Derivatives business:

The warrant market was robust in 1H of 2015 but turned lethargic in 2H of 2015. In 1H of 2015, Taiwan and China's stock markets were bullish, leading to robust trading in the warrant market. In 2H of 2015, China's stock market tumbled; Taiwan's stock market was in turmoil in AUG15. Hence, trading volume in the warrant market dwindled significantly.

Looking forward to 2016, more stocks can be used as the underlying securities of warrants. Besides domestic stocks, indices and ETFs, warrant issuers can also use overseas products as the underlying securities. The aforementioned is expected to satisfy investors' diversified trading demands and may be a major incentive drawing investors to the warrant market. Facing such multiple catalysts, the Company may continue adjusting its warrant business strategy, aiming to maintain its leadership in the warrant market.

(4) Wealth management business:

As competent authority has allowed securities firms to conduct wealth management business since 2005, regulations on a variety of wealth-management products have been relaxed, and a wide array of wealth-management products have been introduced. In 2008, FSC allowed securities firms to be entrusted by clients to execute asset allocation through "segregated wealth management accounts". Since then, securities firms were no longer confined to "providing advices or planning to clients". In 2009, FSC further amended the Directions for the Conduct of Wealth Management Business by Securities Firms and allowed securities firms to be engaged in trust business.

After gradually obtaining the following licenses: a) non-discretionary individual-management money trust, b) securities trust, and c) NTD/foreign currency denominated non-discretionary individually-managed trust which involves foreign exchange operation of outward/inward fund remittances, the

Company started to conduct wealth management business through the means of trust. Based on clients' attributes and asset scale, the wealth management department provides diversified planning and wealth management allocation, aiming to assist clients in reaching the goals of asset management/allocation/distribution, risk management and pursuit of profits. Clients only need to open a general trust account to purchase financial products including overseas/domestic funds and stocks and to engage in securities lending trust business. With this account, clients' diverse investment/wealth management demands can be fulfilled.

The Company's vision in the wealth management business is to make Capital Securities as the top brand of wealth management. Additionally, the Company intends to become a multi-faceted securities firm which combines humanity with digital services. In terms of strategy, the Company is expected to focus on innovation in the three major areas: service, product and salesperson, so as to create a new wealth-management brand. Topped with product diversity, trading flexibility and strong support provided by the research team, a brand new business model for wealth management is expected to be created.

Innovative services to be provided include: a) detailed and exclusive counseling service, b) professional and timely investment advice and report, c) a comprehensive digital service system. With respect to product, the Company is expected to focus on diversification, multiplicity and professionalism in terms of development. Through providing products that are oriented and mapped according to clients' demand, the Company intends to help clients build a sense of trust in the wealth management services provided by securities firms. Furthermore, the Company aims to create an asset management model exclusive to securities firms by providing products suitable for clients based on our understanding of each client's asset, risk appetite and decision model. In terms of salesperson, the Company's wealth-management clients will be served not just by one "wealth management steward" (salesperson) but a think tank consisting of specialists of various fields. The Company will open the door to wealth for clients, grow with clients and help clients weather every financial crisis.

In order to become a multi-faceted securities firm focusing on wealth management, the Company is expected to adopt the following philosophy in serving wealth-management clients in 2016: A multi-faceted and professional wealth management team provides clients with diversified financial product investment service.

5.1.3 Overview of Technology, Research and Development

A. Research and development expenses in the most recent three years

Year	R&D Expenses (NTD 1,000)
2013	47,045
2014	48,167
2015	53,143

B. Research and development achievements during the most recent year

The value of warrants issued by the Company in 2015 hit NTD41.9bn, ranked as one of the top players in the sector. In terms of warrant issuance, the Company's market share was 10%, ranked No. 4 in the sector.

5.1.4 Long-term and Short-term Business Development Plans:

A. Short-term business development plans:

- (1) Rolling out new financial products at the suitable time to increase product lines based on government's deregulation pace
- (2) Continuing to enhance the functions and safety of the electronic trading platform and providing investors with comprehensive strategic trading to create the maximum investment gains for investors
- (3) Continuing to introduce new products to achieve product diversification and developing wealth management business
- (4) Promoting cross-industry strategic alliance and providing more diversified and meticulous financial services to clients
- (5) Aggressive deployment in China based on the deregulation situation

B. Long-term business development plans:

- (1) Becoming the top investment bank and wealth management institution in Asia
- (2) Becoming the most innovative and professional financial institution by cultivating the capability of developing new products and businesses
- (3) Aggressively evaluating the possibility of establishing overseas subsidiaries according to the economic development of overseas region

5.2 Market and Sales Overview

5.2.1 Market analysis

In 2015, the global economy reflected the saying of "One Earth, Two Worlds". The multiplier effect materialized in the US due to its strong innovation capability and three rounds of quantitative easing. Therefore, various segments in the US, such as biology, technology, internet and daily necessities, have grown in full swing. The current economic influence of the US has exceeded that of 2008.

Some US corporates have transformed into "global corporates", such as Facebook, Apple, Amazon, Tesla and Alphabet (formerly "Google"). They are more than technology companies in Silicon Valley; instead, they offer mega products/services. These companies affect the lifestyle and value around the globe. For example, electric car and autonomous car are not on the drawing board anymore; instead, they are part of the technology revolution.

On the other hand, Europe and Japan have been struggled with weak domestic demand, and the instrument of fiscal policy has taken limited effect. Thus, Europe and Japan followed the US and adopted the quantitative easing policies to stimulate economic growth via quantitative easing measures, such as interest rate/interest cut, currency depreciation, etc. Injecting liquidity into the financial market led to a short-term boom in the stock market. However, the side effect is that these countries need to continue maintaining the baseline of "quantitative easing". However, the financial market response has gradually become dull. For example, while Abe implemented the three-arrow policy, Japan's stock market boomed, following by a decline. As for fundamentals, Japan's quantitative easing policies did not benefit its economy much; therefore, the aforementioned casted uncertainty over the stability of the financial market in 2016.

Quantitative easing has extremely impacted the emerging markets. Despite the weakening economy, the capital markets appeared thriving in India, Brazil and Russia. In 2015, China came up with the groundbreaking plans, such as "One Belt, One Road" and "Asian Infrastructure Investment Bank". Thus, China's stock market was on steroids in a single quarter. However, all of the grand and ideal blueprints face harsh testing in reality. Starting from 3Q15, China's

stock market retreated to ground zero, once leading to rapid RMB depreciation.

Taiwan's economic features in 2015 were as follows:

1. The global market growth was stagnant. As an export-driven country, Taiwan was impacted significantly. Taiwan's GDP growth rate decreased significantly YoY from 3.92% to 0.85% in 2015. 1Q~4Q GDP YoY growths in 2015 were 4.04%, 0.57%, -0.63% and -0.28%, respectively. Taiwanese economic performance set a new low after the Financial Crisis in 2008.
2. Export growth was limited due to stiffer competition. China has actively promoted its technology and IC industries, and the "red supply chain" is a force to be reckoned with. Taiwanese corporates face destructive pricing competition, and the LED/LCD/solar energy industries face mounting pressure. In 4Q15, China's Tsinghua Unigroup progressively sought for M&A opportunities to acquire Taiwanese semiconductor companies, casting uncertainties over Taiwan's future economy and industry development.
3. Cross-strait policies in a standstill: Chinese tourist allocation to Taiwan increased, indicating more intimate interactions between Taiwan and China. However, Taiwan's domestic economy was catalyzed slightly. Furthermore, the Sunflower Student Movement strongly protested against the Cross-Strait Service Trade Agreement (CSSTA). Therefore, the political policies and judgements have been affecting economic policies in a more comprehensive way. Thus, the aforementioned is also one of the side effects that lead to the party alternation at the beginning of 2016 after the Presidential Election.
4. Real estate bubble burst: The Central Bank has actively adopted the selective credit control (SCC) method and integrated housing and land tax system in recent years to suppress real estate speculations. However, due to the housing price stickiness, real estate transaction volume fell in Taiwan, and the builders' residual units surged, weighing on realtors substantially. The industries related to domestic demand were also hit significantly. As a result, the construction-related stocks relatively underperformed in 2015.
5. Outperformers persist: Despite of Taiwan's poor economic performance, some corporates with global competitiveness still posted excellent earnings. For instance, TSMC posted 2015 net profit of NTD306.57bn or EPS of NTD11.82, setting a new high. Largan Precision reported 2015 net profit of NTD24.16bn, hitting EPS of NTD180. Their stock performances reflected their outstanding fundamentals: TSMC's market cap reached a value of NTD4trn with TAIEX stock weight of 15%. Largan Precision's stock price reached NTD3715, hitting an all-time high in TAIEX history in early JUL15.

In 2015, TAIEX dropped by 969 pts (-10.4%). It hit the annual peak of 10014 pts at the end of APR15 and the bottom of 7203 pts in AUG15. Due to FINI's hot money flow, TAIEX performances completely varied in 2Q15 and 3Q15. Significant GDP slump was also the main reason that caused significant market volatility. Besides, the capital gains tax on securities transactions, which affected TAIEX during the past years, has been revoked by the Legislative Yuan in NOV15. This was the fourth abolition of capital gains tax on securities transactions since 1965, 1976 and 1990. As capital gains tax on securities transactions is considered as a negative factor for TAIEX, and it may lead to capital outflow and major traders exiting the market. As a result, due to revoke of capital gains tax on securities transactions (planned for years), TAIEX opportunity emerges.

Looking forward to 2016, the four TAIEX factors are expected to be as follows:

1. Global interest rate outlook: Quantitative easing is implemented insanely in various countries. Due to crisis awareness and alert of inflation/stagflation, the FED has debated aggressively over proclaim, action and effect of interest hike. Japan's and Europe's central banks have tried to adopt the "negative interest rate" policy to stimulate consumption and investment growth. Alan Greenspan's low interest rate policy may

have led to the Financial Crisis in 2008; thus, this was a historical event to remember. In recent years, the extremely-low interest rate is like a destructive time bomb. Maintaining the inflation rate within a reasonable range is central banks' core policy in various countries. In particular, oil price is a key indicator that affects inflation.

2. China's 13th Five-Year Plan activated: China's ultimate goal is to double its 2010 GDP and average per capita income by 2020. In contrast to the 12th Five-Year Plan, targets of the 13th Five-Year Plan are as follows: (a) expanding cybereconomy; (b) constructing modern infrastructure networks; (c) full implementation of eliminating poverty; (d) enhancing education for all and health. The 13th Five-Year Plan affects China's economy and capital market via the following measures: (a) structural supply reforms, such as de-capacity, inventory reduction and SOE reform; (b) reaching urbanization rate of 60%; (c) promoting energy-saving and environmental-friendly industries. The 13th Five-Year Plan impacts Taiwan's economy and capital market, and there are pros and cons. As China has been supporting its IC industry, Taiwan's various sectors are expected to face competition against the "red supply chain". To elaborate, the aforementioned sectors are as follows: (a) AI (artificial intelligence); (b) smart hardware; (c) mobile smart terminal; (d) 5G; (e) advanced sensor; (f) wearables.
3. Policy execution of Taiwan's new government: After taking power, the new government is expected to maintain the current status between China and Taiwan. However, the risk is likely to arise from China's responses. The new government is expected to focus on issues, such as economy, resource distribution and long-term care. The policies of five major sectors include biotechnology medicine, Asia's Silicon Valley, precision machinery, green energy, aerospace defense technology, etc. Biotechnology, solar energy and aerospace defense related stocks are expected to be boosted by the policies the most.
4. Adjustment of corporates' operation strategies: Crisis consists of various risks, but it also brings opportunities. For example, due to decelerated growth in the communication industry, corporates' operation strategies switch to the emerging blue ocean of "connected cars". Apple's new models are expected to face challenges, affecting the related supply chains. Hon Hai acquired Japan's Sharp in order to obtain Apple's technology of next-generation iPad. In other words, key factors that may affect stock price are as follows: (a) individual corporate's development strategies; (b) operation performance; (c) corporate integrity. Business outlook and media hype might not affect stock price much. For instance, best and brightest companies in the next generation might come from biotechnology, internet service, cloud equipment, big data, Internet of Things (IoT), mobile-related business, new energy, autonomous car, advanced driver assistance systems (ADAS) and virtual reality (VR).

Furthermore, investors should pay attention to two factors that might affect TAIEX:

1. Lukewarm trading volume is expected to persist: After 2014, the average TAIEX trading volume has stabilized gradually. However, ETF market has grown rapidly in recent two years. If we deduct the ETF trading volume, which is non-relevant to TAIEX, Taiwanese stock market's 2015 turnover drops by ~10%. In addition, the number of newly-listed companies increases persistently every year. Nevertheless, the overall trading value does not grow simultaneously. If the corporates' stock trading volumes fall significantly in the market, their stock prices are unlikely to surge.
2. As the international financial market is highly-connected, the "Black Swan" is not uncommon anymore: For example, due to oil price slump, the Sovereign Wealth Fund (SWF) substantially sold off long-term core holdings in emerging markets. The stock market tumbled in 2015 mainly due to the aforementioned. On

the other hand, there are still some swing factors in 2016. For instance, issues, such as United Kingdom's EU membership referendum and Brazil's financial struggles, may impact the global capital market. As the investors' panic and optimistic sentiments appear regularly, their investment strategies, capital control and investment intelligence are being tested.

A. Sales (Service) Region

The Company's business scope includes stock brokerage, online trading service, proprietary trading, investment banking underwriting, registrar agency, fixed income, margin trading, warrant, etc. The Company's service outlets spread across Taiwan, and its clients include domestic/foreign institutional investors and individuals.

B. Market Share (%) of Major Product Categories in 2015

Ranking	Stock brokerage		Margin balance	
	Securities firm	Market share	Securities firm	Market share
1	Yuanta	11.98%	Yuanta	16.24%
2	KGI	8.23%	KGI	9.48%
3	Fubon	5.24%	Capital	7.05%
4	SinoPac	4.86%	SinoPac	6.61%
5	Capital	4.45%	Fubon	6.00%
6	Masterlink	3.84%	Masterlink	5.08%
7	Jih Sun	3.30%	Uni-President	5.06%
8	Uni-President	3.26%	Mega	4.94%
9	Mega	2.91%	Jih Sun	4.69%
10	HUA NAN	2.62%	Waterland	4.07%

Source: TWSE; TPEX; securities firms' unaudited financial reports

C. Market Analysis of Major Product Categories

(1) Demand:

In 2016, the global economy might recover, and the correlation between TAIEX and international financial market changes is expected to enhance. However, individual stock price mainly performs on company's fundamentals, sales and outlook. Demand for securities firm's trading mechanisms and recurrent investment services are expected to rise. In particular, due to global low interest rate, the stock market remains as the largest and most important investment channel.

The new President of the Executive Yuan announced that "in the foreseeable future, the government is unlikely to impose capital gains tax on securities transactions". Secondary, OTC and emerging stock markets are expected to remain on the growth track. FINI are in favor of mid/large-size blue-chip stocks, and domestic investors mainly focus on growth stocks and catalyst-driven stocks. Stable dividend yield rate is also one of the investment values of Taiwanese stocks.

(2) Supply:

The securities industry remains an oligopoly, and some large integrated securities firms dominate the industry environment in Taiwan. Deep discounts and online securities firms also erode the large securities firms' market share base. It is worth noted that due to the following: (a) the financial environment changes; (b) ups and downs of the emerging markets, some foreign-funded securities firms/banks exit Taiwanese market, affecting the FINI environment. In addition, hot money is expected to account for a larger proportion of FINI's TAIEX investments.

The Company focuses on diversification and internationalization persistently. It actively cooperates with foreign-funded/China-funded securities firms and funds companies to develop markets. Additionally, the Company seeks for M&A/growth opportunity to enhance its competitiveness and profitability.

D. Favorable and Unfavorable Factors in the Long Term

Favorable factors: (a) the Company's businesses have been developed in a balanced manner; the Company is a frontrunner in terms of brokerage, underwriting, new financial products, margin loan, etc.; (b) competitiveness of Taiwan's technology sector and the investment value of dividend yield significantly outperform other emerging markets. Unfavorable factors: (a) the competition in the securities industry is stiff; the Company pursues cost-effectiveness, weighing on its long-term development strategies and employee trainings persistently; (b) the Fin-tech trend aims to eliminate the "middleman"; therefore, the Company's added-value of securities brokerage service is limited.

Countermeasure:

Facing tremendous revolution in the financial environment, the Company actively seeks for growth opportunity in the field of Fin-tech. Furthermore, the Company's businesses are developed in a balanced manner. It is expected to strengthen and integrate its securities service system to meet its operation plan and growth target, increasing its profitability.

5.2.2 Production Procedures of Main Products

A. Major Products and Their Main Uses

Not applicable

B. Major Products and Their Production Processes

Not applicable

5.2.3 Supply Status of Main Materials

Not applicable

5.2.4 Major Suppliers and Clients

Not applicable

5.2.5 Production in the Last Two Years

Not applicable

5.2.6 Shipments and Sales in the Last Two Years

Not applicable

5.3 Human Resources

Year		2014	2015	Data as of Mar 31, 2016
Total Number of Employees		2,319	2,197	2,148
Average Age		43.17	43.86	44
Average Years of Service		11.4	12.14	12.34
Education	Ph.D.	0.09%	0.14%	0.14%
	Master	9.27%	9.06%	9.17%
	Bachelor's Degree	69.86%	70.45%	70.02%
	Senior High School	20.78%	20.35%	20.67%
	Below Senior High School	0%	0%	0%

5.4 Environmental Protection Expenditure

As a securities firm, the Company does not involve in any environmental issue.

5.5 Labor Relations

The Company's benefit measures, employee continuing education, trainings, pension system, labor-management agreement and status of various benefit measure implementations are as follows:

1. Employee benefit measures:

Regulated by laws, the Company registered an Employee Benefits Committee (hereafter "the Committee") in 1990 under the authority's guidance, and the Committee provides employees with various benefit measures, such as marriage subsidy, funeral subsidy, educational subsidy for offspring, club subsidy, travel subsidy, etc. Sources of the Committee's expense are as follows: (a) Employee Benefit Fund; (b) interests of Employee Benefit Fund; (c) 0.5% of employees' salaries; (d) 0.1% of revenue; (e) 1% of the Company's paid-in capital in 1990. Overall speaking, the Committee's fund is relatively abundant; therefore, all of the benefit measures are implemented as scheduled.

2. Employee continuing education and training:

In order to groom the employees and increase their performances of business and management, the Company has actively arranged various education training, including orientation for new employee, professional training, training to be a manager, and management training. The Company also invites experts and elites to hold financial lectures in the Company. Starting from 2007, the Company founded the "Capital Financial University" to nurture the middle management. In 2015, the Company's education spending totaled to NTD13,169K and the total number of trainees taking professional education or training courses outside of work reached 6,614 people/attendances. The average percentage of employee taking courses was 301%. Additionally, the Company arranged 102 internal trainings. In order to improve employees' professional qualities and expertise, the Company has held intensive trainings for salespersons via videoconferencing and broadcasting. Meanwhile, the Company has held multiple e-learning classes to strengthen employees' learning results. Its employees can learn and grow whenever and wherever via its e-learning systems.

3. Pension system:

In order to provide safeguards for employees after their retirement, the Company formulated the Pension Management Guidelines in 1989. Required by laws, the Company allocates and remits the labor pension reserve by month. Furthermore, to maintain a harmonious relationship with employees in the long run, the Company established the Pension Fund Supervisory Committee, which has already obtained approval from Taipei City Government's Department of Labor in NOV, 1994. In 1996, required by ROC GAAP No.18 and FSC's regulations, the Company has allocated and remitted the labor pension fund, which is based on actuarial valuation. Additionally, the Company has deposited the labor pension fund in an account set up in the name of Labor Pension Reserve Supervision Committee.

After the Labor Standards Act was enacted in April, 1998, the Company makes contributions to a designated pension account set up in the name of Labor Pension Fund Supervisory Committee at the Bank of Taiwan. Every employee who is applicable with the pension-related regulations may file for retirement. After the Labor Pension Act was enacted in JUL, 2005, the Company has adopted the New Labor Pension System, respecting employees' choices. Moreover, the Company is required to deposit 6% of a worker's monthly wages into an individual labor pension account.

4. Employee insurance:

Regulated by laws, the Company's employees are entitled to the coverage of Labor Insurance and National Health Insurance. In addition, employees are also entitled to the coverage of group insurances, which include group life insurance, group accident insurance, group accidental medical insurance, group occupational hazards insurance, etc. Moreover, to ensure employees' and their families' insurance benefits, the Company provides low-premium group insurances, such as term life insurance, accident insurance, medical insurance, anti-cancer insurance, etc. Premiums of group insurances are paid by employees.

5. The relationship between employees and employers has been harmonious. The Company cautiously abides by labor-related regulations and laws, and the Company is lenient with labor-management matters.

6. Protection of employee's benefits:

Required by laws, the Company has been protecting employees' benefits. Additionally, the Company has posted employee-related matters on its internal website. Regarding individual employee's benefits, the Company has reminded its employees via various means to actively protect their own benefits.

5.6 Important Contracts

None

5.7 The Company's Workplace Environment and Employee Safety Measures

The Company pays close attention to employee's safety and well-beings. The Company is devoted to offering a nice workplace environment, and the implementations of related protections and benefits are as follows:

Measure implementation	Item	Explanation
Employee's health	Insurance and benefit	<p>Regulated by laws:</p> <ol style="list-style-type: none"> 1. Labor Insurance and National Health Insurance 2. Established the "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" 3. Lactation rooms in the office 4. Perform employee health screening on a regular basis 5. Hire doctors on-site to perform a variety of consultation tasks, such as hosting employee health education seminars, promoting health awareness and promoting hygiene inspection, at headquarters on a regular basis <p>Further than laws:</p> <ol style="list-style-type: none"> 1. Employees are entitled to the coverage of group insurances, such as group life insurance, group accident insurance, group accidental medical insurance, group occupational hazards insurance, etc. 2. To provide safeguards for employees and their families, the Company also provides low-premium group insurances, such as term life insurance, accident insurance, medical insurance, anti-cancer insurance, etc. (Premiums of group insurances are paid by employees.) 3. Employees may enjoy complimentary massage at headquarters 4. The Company raises employee awareness of healthy diet and exercise via holding "Nutrition, diet and calories" lecture 5. Formulating the "Entertainment & charity club establishment and subsidy management regulations" to encourage the Company's employees fostering the habit of participating sports activities and charity events 6. Holding the "Healthy mountain hiking" activity; the Company's employees may enjoy hiking on the mountains with their families after working busily; in addition, employees may inhale phytoncide in the forest to strengthen their bodies and minds
	Environmental health	<p>Non-smoking environment</p> <ol style="list-style-type: none"> 1. Publicizing campaign of "Tobacco Hazards Prevention Act" on the Company's internal website 2. Publicizing "Ways to quit smoking" videos on the Company's internal website 3. Establishing the Company's "Tobacco Hazards Prevention Measure"
The working environment and employee safety protection	Safety certification	British Standards Institution (BSI) granted the ISO 22301 verification to the Company as a certification of business continuity management. The purposes of BSI are as follows: (a) the Company is capable of minimizing the damage when facing accidental events; (b) employee safety; law-compliance; clients' benefits; the Company's business reputation; security of the Company's assets; (c) the Company's important businesses are capable of resuming businesses gradually within the targeted time to sustain operations
	Personal information verification	Ahead of its peers, the Company is the first financial institution in Taiwan that obtained international personal information verifications of securities, futures and insurance brokerage/agency. The Company's internal Personal Information Management System (PIMS) ensures safety and protection of personal information. The Company follows personal information laws relevant requirements and actively protected rights of the involved parties. The Company lowers the impacts derived from any infringement of personal information. Moreover, the Company continues to operate and improve the personal information management system
	Labor safety	Regulated by the "Occupational Safety and Health Act", the Company assigns employees as occupational safety and health management staff and first aid personnel. In addition, according to the "Regulations for Labor Safety and Health Education and Training", the Company conducts various trainings

Measure implementation	Item	Explanation
The working environment and employee safety protection	Fire safety	1. Conduct fire drills on a regular basis 2. Regulated by National Fire Agency, Ministry of the Interior's regulations for fire prevent manager and professional institution setup, a fire prevent manager shall receive an updated training at least once every two years
	Insurance safety	The Company's places of business and subsidiaries are entitled to the insurance coverage of: 1. Commercial fire insurance. 2. Electronic equipment insurance. 3. Public liability insurance.

5.8 Code of Ethics and Business Conduct for Employee

Reporting to work, all of the employees should sign the "Code of Ethics and Business Conduct for Employees of Capital Securities" to execute their jobs in good faith. The highlights of the Code are as follows:

1. We offer products and services with high added-value. We form and maintain a long-term relationship with clients and help them achieving their goals.
2. An employee should maintain the highest moral standards and implement the safety operating procedure when dealing with client's trading or interacting with them. An employee shall strictly secure our clients' information to make sure all the information is used in a legal manner. Every client that an employee developed in the course of employment belongs to the Company. Up to and including termination of employment, an employee is prohibited from transferring clients to any other company.
3. We must avoid any chances or circumstances of a conflict of interest between employees and clients.
4. We are prohibited from disclosing information and data acquired at work to others. In addition, we are prohibited from owning or trading related securities either under our names or on behalf of others.
5. Up to and including termination of employment, an employee is prohibited from disclosing business secret, that he has knowledge or possession because of his position (including but not limited to technology, program system, client information, trading strategy, operation data, personnel/group information, financial accounting book, strategic planning and other information). An employee is prohibited from utilizing the aforementioned with the intention that such a thing be used by himself or by another and illegally utilizing non-public data, which is also called the "insider information". Additionally, an employee is prohibited from taking advantage of his position to pursue his or other's profits illegally.
6. We shall incorporate risk management, laws and regulations into our business process management system (BPM) and strictly implement it.
7. We ought to correctly and timely report our actual business condition and we are required to act in the Company's best interest.
8. We shall understand we are in dispose of and utilizing the shareholders' properties and we shall value and carefully dispose the Company's properties as if they were ours.
9. We shall not use the Company's internet and e-mail outside of work; for example, surfing, spreading, downloading pornographic article/photo and other slander article. We shall not discuss politics, spread propaganda and acquire personal entertainment, which are irrelevant with work, via the Company's internet.

10. We shall firmly abide by any relevant laws and regulations. We shall not use e-mail, digital board, internet system (including but not limited to personal blog and website forum) to undergo business activities through unjustified methods. We shall not involve with the following: (a) unfair fee competition; (b) judgement or recommendation of future trading price pertaining to any specific contract; (c) recommend trading strategies.
11. We shall keep the information, reports, records and data correct and intact. The aforementioned are owned, utilized and managed by the Company. Additionally, we shall not improperly hide or sent the Company's information, reports, records and data. Required by the "Personal Information Protection Act", we shall not search for unauthorized information and data. All of the Company's documents are for internal management only, and we are not allowed to remake the documents and go beyond the scope of previous purpose. Anyone who violates should undertake legal responsibilities regarding civil and criminal laws.
12. We are prohibited from speaking to the public, and only the delegated speaker can deliver messages to the media on behalf of the Company.
13. We shall not accept or agree any close family member to accept any gift, service, loan and any form of special treatment from anyone (including clients, suppliers, or others).
14. Anyone aware of a violation of any Company's working policy or legal requirement must promptly report that violation. In reporting suspected violations, the Company encourages an employee to immediately contact any proper personnel, such as the immediate supervisor, HR department, Auditing department, etc.

6.1 Summary of Five-Year Balance Sheets and Statements of Comprehensive Income

6.1.1 Condensed Balance Sheets – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)							
		Consolidated				Individual			
		2015	2014	2013	2012	2015	2014	2013	2012
Current Assets		79,591,301	69,531,529	63,088,970	54,990,271	58,594,636	52,867,228	50,687,555	42,116,586
Property and Equipment		5,177,406	5,390,207	6,266,465	6,367,500	4,535,525	4,770,367	5,643,817	5,718,992
Intangible assets		3,627,517	3,605,104	3,600,204	3,608,293	3,550,988	3,552,023	3,543,873	3,552,699
Other assets		4,914,967	5,161,503	4,981,412	4,922,907	8,510,170	8,521,678	7,748,766	7,751,259
Total assets		93,311,191	83,688,343	77,937,051	69,888,971	75,191,319	69,711,296	67,624,011	59,139,536
Current liabilities	Before distribution	59,982,074	49,996,260	44,403,427	37,737,285	43,403,662	37,422,576	35,206,511	28,018,668
	After distribution	(Note 2)	51,417,704	45,469,510	38,092,646	(Note 2)	38,844,020	36,272,594	28,374,029
Non-current liabilities		1,801,450	1,489,963	2,666,431	2,571,791	1,497,057	1,190,240	2,369,983	2,281,758
Total liabilities	Before distribution	61,783,524	51,486,223	47,069,858	40,309,076	44,900,719	38,612,816	37,576,494	30,300,426
	After distribution	(Note 2)	52,907,667	48,135,941	40,664,437	(Note 2)	40,034,260	38,642,577	30,655,787
Equity attributable to shareholders of the parent		30,290,600	31,098,480	30,047,517	28,839,110	-	-	-	-
Capital stock		23,190,730	23,690,730	23,690,730	23,690,730	23,190,730	23,690,730	23,690,730	23,690,730
Capital surplus		2,742,807	2,711,760	2,705,473	2,705,473	2,742,807	2,711,760	2,705,473	2,705,473
Retained earnings	Before distribution	4,697,083	4,598,641	3,658,236	2,532,304	4,697,083	4,598,641	3,658,236	2,532,304
	After distribution	(Note 2)	3,177,197	2,592,153	2,176,943	(Note 2)	3,177,197	2,592,153	2,176,943
Other equity interest		129,135	97,349	(6,922)	(89,397)	129,135	97,349	(6,922)	(89,397)
Treasury stock		(469,155)	-	-	-	(469,155)	-	-	-
Non-controlling interest		1,237,067	1,103,640	819,676	740,785	-	-	-	-
Total equity	Before distribution	31,527,667	32,202,120	30,867,193	29,579,895	30,290,600	31,098,480	30,047,517	28,839,110
	After distribution	(Note 2)	30,780,676	29,801,110	29,224,534	(Note 2)	29,677,036	28,981,434	28,483,749

Note 1 : The financial data have been audited and certified by the independent auditors.

Note 2 : Distribution of earnings in 2015 had not yet been resolved by the shareholders meeting 2016 up to the date of publication of the annual report.

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6.1.2 Condensed balance sheets – Based on ROC GAAP

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note)					
		Consolidated			Individual		
		2013~2015	2012	2011	2013~2015	2012	2011
Current assets			50,399,806	52,086,770		37,526,122	39,566,194
Funds & Long-term investments			1,008,272	1,302,971		3,768,089	4,233,712
Fixed assets			6,409,784	6,555,334		5,761,276	6,029,875
Intangible assets			3,581,950	3,562,650		3,535,752	3,541,347
Other assets			3,642,110	3,940,687		3,700,383	3,817,375
Total assets			65,153,746	67,816,656		54,403,446	57,556,747
Current liabilities	Before distribution		33,145,211	35,327,555		23,430,253	26,175,986
	After distribution		33,500,572	35,919,823		23,785,614	26,768,254
Long-term liabilities			1,443,522	2,116,897		1,443,522	2,116,897
Other liabilities			698,326	822,471		446,989	446,989
Total liabilities	Before distribution	N/A	35,287,059	38,266,923	N/A	25,276,745	28,739,872
	After distribution		35,642,420	38,859,191		25,632,106	29,332,140
Capital stock			23,690,730	23,690,730		23,690,730	23,690,730
Capital surplus			2,735,007	2,735,007		2,735,007	2,735,007
Retained earnings	Before distribution		2,874,278	2,428,078		2,874,278	2,428,078
	After distribution		2,518,917	1,835,810		2,518,917	1,835,810
Unrealized gain or loss on financial instruments			(32,759)	(3,093)		(32,759)	(3,093)
Cumulative translation adjustments			(56,638)	(183)		(56,638)	(183)
Net loss unrecognized as pension cost			(83,917)	(33,664)		(83,917)	(33,664)
Total equity	Before distribution		29,866,687	29,549,733		29,126,701	28,816,875
	After distribution		29,511,326	28,957,465		28,771,340	28,224,607

Note : Data from 2011 to 2012 have been audited and certified by the independent auditors.

6.1.3 Condensed Statements of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note)							
		Consolidated				Individual			
		2015	2014	2013	2012	2015	2014	2013	2012
Operating revenue		6,564,157	6,868,876	5,974,094	5,917,631	5,003,528	5,718,477	4,883,763	4,833,270
Gross profit		5,601,522	6,041,154	5,255,912	5,231,074	4,643,604	5,363,306	4,597,213	4,573,816
Income from operations		1,364,740	1,806,703	1,138,590	958,152	1,179,123	1,713,748	1,015,307	827,075
Non-operating income and expenses		669,295	625,998	655,287	496,132	605,223	551,555	632,740	483,424
Income before tax		2,034,035	2,432,701	1,793,877	1,454,284	1,784,346	2,265,303	1,648,047	1,310,499
Net income (Loss) from operations of continued segments		1,728,358	2,143,663	1,573,409	1,191,670	1,549,327	2,025,305	1,471,784	1,100,062
Net income (Loss) from discontinued operations		0	0	0	0	0	0	0	0
Net income (Loss)		1,728,358	2,143,663	1,573,409	1,191,670	1,549,327	2,025,305	1,471,784	1,100,062
Other comprehensive income (income after tax)		5,573	97,761	102,450	(123,352)	2,345	85,906	92,837	(122,438)
Total comprehensive income		1,733,931	2,241,424	1,675,859	1,068,318	1,551,672	2,111,211	1,564,621	977,624
Net income attributable to shareholders of the parent		1,549,327	2,025,305	1,471,784	1,100,062	-	-	-	-
Net income attributable to non-controlling interest		179,031	118,358	101,625	91,608	-	-	-	-
Comprehensive income attributable to Shareholders of the parent		1,551,672	2,111,211	1,564,621	977,624	-	-	-	-
Comprehensive income attributable to non-controlling interest		182,259	130,213	111,238	90,694	-	-	-	-
Earnings per share		0.66	0.85	0.62	0.46	0.66	0.85	0.62	0.46

Note : The financial data have been audited and certified by the independent auditors.

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6.1.4 Condensed Statements of Income – Based on ROC GAAP

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note)					
		Consolidated			Individual		
		2013~2015	2012	2011	2013~2015	2012	2011
Operating revenue			6,531,089	9,197,915		5,511,780	7,448,584
Gross profit			5,200,766	6,165,050		4,547,847	4,897,413
Income from operations			925,872	1,092,900		790,886	1,012,365
Non-operating income			508,599	418,320		493,038	298,969
Non-operating expenses			26,070	45,464		19,230	28,767
Income before tax			1,408,401	1,465,756		1,264,694	1,282,567
Income from operations of continued segments - after tax	N/A		1,145,787	890,987	N/A	1,054,257	814,398
Income from discontinued operations			-	-		-	-
Extraordinary gain or loss			-	-		-	-
Cumulative effect of accounting principle changes			-	-		-	-
Net income			1,145,787	890,987		1,054,257	814,398
Earnings per share			0.45	0.35		0.45	0.35

Note : Data from 2011 to 2012 have been audited and certified by the independent auditors.

6.1.5 Auditors' Opinions from 2011 to 2015

Year	CPA	Audit Opinion
2011	Phoebe Chung / Charles Chen	Unqualified Opinion
2012	Phoebe Chung / Charles Chen	Unqualified Opinion
2013	Phoebe Chung / Charles Chen	Unqualified Opinion
2014	Dannie Lee (Note) / Charles Chen	Unqualified Opinion
2015	Dannie Lee / Charles Chen	Unqualified Opinion

Note : Due to the internal reorganization of accounting firm.

6.2 Financial analysis for the most recent five years

6.2.1 Financial Analysis – Based on IFRS

Analysis Item		Financial Analysis for The Last Five Years (Note)							
		Consolidated				Individual			
		2015	2014	2013	2012	2015	2014	2013	2012
Financial structure (%)	Debt Ratio	66.21	61.52	60.39	57.68	59.72	55.39	55.57	51.24
	Ratio of long-term capital to property, plant and equipment	608.95	597.42	492.58	464.54	667.85	651.91	532.4	504.27
Solvency (%)	Current ratio	132.69	139.07	142.08	145.72	135.00	141.27	143.97	150.32
	Quick ratio	132.63	139.00	141.98	145.60	134.96	141.21	143.89	150.23
Profitability Analysis	Return on total assets (%)	1.95	2.65	2.13	1.68	2.14	2.95	2.32	1.82
	Return on stockholders' equity (%)	5.42	6.80	5.21	4.05	5.05	6.62	5.00	3.84
	Operating Income to Paid-in Capital Ratio (%)	5.88	7.63	4.81	4.04	5.08	7.23	4.29	3.49
	Pre-tax Income to Paid-in Capital Ratio (%)	8.77	10.27	7.57	6.14	7.69	9.56	6.96	5.53
	Profit ratio (%)	26.33	31.21	26.34	20.14	30.96	35.42	30.14	22.53
	Earnings per share (NT\$)	0.66	0.85	0.62	0.46	0.66	0.85	0.62	0.46
Cash flow (%)	Cash flow ratio	9.97	-	-	2.35	14.83	-	-	3.22
	Cash flow adequacy ratio	515.79	127.95	137.59	220.20	538.41	126.55	137.96	217.88
	Cash reinvestment ratio	13.00	-	-	0.63	15.28	-	-	0.95
Other Ratio (%)	Debt to Equity Ratio	195.97	159.88	152.49	136.27	148.23	124.16	125.06	105.07
	Ratio of fixed assets to total asset	6.85	8.13	9.91	11.15	7.42	8.64	10.36	11.86
	Total Underwriting to Quick Assets Ratio	0.48	0.60	3.08	0.66	0.62	0.76	3.71	0.81
	Total Margin Loan Balance to Equity Ratio	48.07	60.97	58.16	54.02	47.20	62.52	59.28	55.12
	Total Short Sales Amount to Equity Ratio	13.54	14.99	17.42	20.11	14.09	15.52	17.89	20.63

Analysis of financial ratio differences for the last two years (Not required if the difference does not exceed 20%) :

Analysis Item	The explanation of the change in financial ratios
Profitability Analysis	Return on total assets (%)
	Return on stockholders' equity (%)
	Operating Income to Paid-in Capital Ratio (%)
	Earnings per share (NT\$)
Cash flow (%)	Cash flow adequacy ratio
Other Ratio (%)	Debt to Equity Ratio
	Total Underwriting to Quick Assets Ratio
	Total Margin Loan Balance to Equity Ratio

Note : The financial data have been audited and certified by the independent auditors.

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6.2.2 Financial Analysis – Based on ROC GAAP

Analysis Item		Year	Financial Analysis for The Last Five Years (Note)		
			2013~2015	Individual	
				2012	2011
Financial structure (%)	Debt Ratio		46.46	49.93	
	Ratio of long-term capital to property, plant and equipment		530.62	513.01	
Solvency (%)	Current ratio		160.16	151.15	
	Quick ratio		160.05	151.04	
Profitability Analysis	Return on total assets (%)		1.88	1.36	
	Return on stockholders' equity (%)		3.64	2.87	
	Operating Income to Paid-in Capital Ratio (%)		3.34	4.27	
	Pre-tax Income to Paid-in Capital Ratio (%)		5.34	5.41	
	Profit ratio (%)	N/A	17.56	10.51	
	Earnings per share (NT\$)		0.45	0.35	
Cash flow (%)	Cash flow ratio		4.24	72.11	
	Cash flow adequacy ratio		218.18	214.39	
	Cash reinvestment ratio		1.40	63.23	
Other Ratio (%)	Debt to Equity Ratio		86.78	99.73	
	Ratio of fixed assets to total asset		12.97	12.69	
	Total Underwriting to Quick Assets Ratio		0.82	1.84	
	Total Margin Loan Balance to Equity Ratio		54.58	61.64	
	Total Short Sales Amount to Equity Ratio		20.43	20.76	

Note : The financial data have been audited and certified by the independent auditors.

6.3 Supervisors' /Audit Committee's Report for the Most Recent Years

To: The General Meeting of Shareholders as of Year 2015

The undersigned supervisors have duly audited the Operating Report, Schedule of Earnings Distribution and Financial Statements (including Consolidated Financial Statements) prepared and submitted by the Board of Directors for the year of 2015, and found the same to be true and correct. The financial statements have been reviewed and certified by KPMG that gave the audit report. Therefore, the Supervisors' Report is hereby issued in accordance with Article 219 of Company Law.

Capital Securities Corp.

Supervisor: Yi Hsin Development Co.,Ltd.

Representative: Angel Chang

Supervisor: JIN LONG Investment Co.,Ltd.

Representative: LIN,CHUN-YU

Supervisor: Yin Feng Enterprise Co.,Ltd.

Representative: KUO,YUH-CHYI

Date: Mar 28, 2016

- 6.4 Financial Statements for the Most Recent Years: Please refer to page 99~185**
- 6.5 Parent Company's Financial Statements Audited & Certified by Accountants in the Most Recent Years: Please refer to page 186~261**
- 6.6 The Company's & Affiliates' Financial Insolvency Incidents for the Most Recent Years & as of Annual Report Printing Time: None.**

Representation Letter

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements" endorsed by Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

We hereby certify that the above statement is true.

Company: Capital Securities Corporation

Chairman of the board: WANG Jiunn-Chih

Date: March 28, 2016

Independent Accountants' Audit Report

The Board of Directors Capital Securities Corporation

We have audited the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Group'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 Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 report referred to above present fairly, in all material respects, the financial position of Capital Securities Corporation as of December 31, 2015 and 2014, and the results of its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms.

We have audited the separate financial statements of Capital Securities Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified opinion thereon.

KPMG Certified Public Accountants
68F, Taipei 101 TOWER, No.7, Sec.5, Xinyi Road,
Taipei, 11049, Taiwan, R.O.C.
TEL:(02)8101-6666 FAX:(02)8101-6667

KPMG
Taipei, Taiwan, R.O.C.
March 28, 2016

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2015 and 2014

(Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2015		2014	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(21))	\$ 3,585,202	55	3,722,838	54
Revenues from securities business money lending	119	-	75	-
Revenue from securities lendings	38,789	1	46,225	1
Underwriting commissions (Note 6(21))	167,696	2	169,368	3
Commissions on wealth management business	63,025	1	45,947	1
Net gains on sale of trading securities (Note 6(21))	44,885	1	564,874	8
Securities management, distribution, and management fees	139,875	2	138,359	2
Interest revenue (Note 6(21))	1,430,410	22	1,447,536	21
Dividend revenue	146,717	2	252,244	4
Net losses on measurement of trading securities at fair value through profit or loss (Note 6(21))	(219,874)	(3)	(46,447)	(1)
Net losses on covering of borrowed securities and bonds with resale agreements	(46,842)	(1)	(73,360)	(1)
Net gains on measurement of borrowed securities and bonds with resale agreements	78,838	1	640	-
Net gains on stock warrants issued (Notes 6(21) and 6(23))	842,234	13	620,898	9
Futures commission revenues	123,498	2	84,256	1
Net gains (losses) on derivative instruments - futures (Note 6(23))	126,235	2	(123,687)	(2)
Net losses on derivative instruments - OTC (Note 6(23))	(54,270)	(1)	(45,491)	(1)
Management fee revenues	843	-	249	-
Advisory commissions	9,009	-	9,068	-
Other operating revenues	87,768	1	55,284	1
	<u>6,564,157</u>	<u>100</u>	<u>6,868,876</u>	<u>100</u>
Expenses:				
Brokerage fees	391,388	6	344,588	5
Financial assets measured at cost - non-current (Note 6(2))	22,995	-	23,377	-
Financial assets available for sale - non-current (Note 6(2))	3,116	-	1,977	-
Investments accounted for under equity method (Note 6(5))	2,866	-	3,954	-
Financial costs	209,012	3	178,760	3
Commission expense - futures	189,205	3	158,556	2
Clearing and settlement expenses	135,052	2	103,223	2
Other operating expenditure	9,001	-	13,287	-
Employee benefits expenses (Note 6(21))	2,467,074	38	2,588,102	38
Depreciation and amortization expenses (Note 6(21))	219,499	3	221,110	3
Other operating expenses (Note 6(21))	1,550,209	24	1,425,239	21
	<u>5,199,417</u>	<u>79</u>	<u>5,062,173</u>	<u>74</u>
Other income and expenses :				
Share of profits of associates and joint venture (Note 6(5))	74,775	1	63,728	1
Other gains and losses (Note 6(21))	594,520	9	562,270	8
	<u>669,295</u>	<u>10</u>	<u>625,998</u>	<u>9</u>
Net income before income tax	<u>2,034,035</u>	<u>31</u>	<u>2,432,701</u>	<u>35</u>
Income tax expense (Note 6(18))	<u>(305,677)</u>	<u>(4)</u>	<u>(289,038)</u>	<u>(4)</u>
Net income for the year	<u>1,728,358</u>	<u>27</u>	<u>2,143,663</u>	<u>31</u>
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement on defined benefit plan	(29,867)	-	(18,583)	-
Income tax related to the components of other comprehensive income	-	-	-	-
Subtotal of items that will not be reclassified subsequently to profit or loss	<u>(29,867)</u>	<u>-</u>	<u>(18,583)</u>	<u>-</u>
To be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	81,233	1	125,153	2
Unrealized gains (losses) on financial assets available for sale , net	(31,021)	(1)	14,020	-
Income tax related to components of other comprehensive income (Note 6(18))	(14,772)	-	(22,829)	-
Subtotal of items that may be subsequently reclassified into profit or loss	<u>35,440</u>	<u>-</u>	<u>116,344</u>	<u>2</u>
Other comprehensive income for the year, net of income tax	<u>5,573</u>	<u>-</u>	<u>97,761</u>	<u>2</u>
Total comprehensive income for the year	<u>\$ 1,733,931</u>	<u>27</u>	<u>2,241,424</u>	<u>33</u>
Net income attributable to				
Shareholders of the parent	\$ 1,549,327	24	2,025,305	29
Non-controlling interests	179,031	3	118,358	2
	<u>\$ 1,728,358</u>	<u>27</u>	<u>2,143,663</u>	<u>31</u>
Total comprehensive income attributable to:				
Shareholders of the parent	\$ 1,551,672	24	2,111,211	31
Non-controlling interests	182,259	3	130,213	2
	<u>\$ 1,733,931</u>	<u>27</u>	<u>2,241,424</u>	<u>33</u>
Basic earnings per share (Note 6(20))	<u>\$ 0.66</u>		<u>0.85</u>	
Dilutive earnings per share (Note 6(20))	<u>\$ 0.66</u>		<u>0.85</u>	

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2015 and 2014
(Expressed In Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the parent							Total		
	Retained earnings			Equity - other items						
	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets available for sale	Treasury stocks		Equity attributable to shareholders of the parent	Non-controlling interests
Beginning balance, January 1, 2014	23,690,730	605,958	1,628,318	1,423,960	(19,525)	12,603	-	30,047,517	819,676	30,867,193
Net income for the year ended December 31, 2014	-	-	-	2,025,305	-	-	-	2,025,305	118,358	2,143,663
Other comprehensive income for the year ended December 31, 2014	-	-	-	(18,365)	96,083	8,188	-	85,906	11,855	97,761
Total comprehensive income for the year ended December 31, 2014	-	-	-	2,006,940	96,083	8,188	-	2,111,211	130,213	2,241,424
Appropriation of earnings :										
Legal reserve	-	147,178	-	(147,178)	-	-	-	-	-	-
Special Reserve	-	-	294,357	(294,357)	-	-	-	-	-	-
Cash dividends	-	-	(166,392)	(1,066,083)	-	-	-	(1,066,083)	(73,438)	(1,139,521)
Reversal of special reserve for deduction of stockholders' equity disposed	-	-	-	166,392	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(452)	-	-	-	(452)	-	(452)
Change in the ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	6,287	-	-	-	-	-	6,287	-	6,287
Ending balance, December 31, 2014	23,690,730	753,136	1,756,283	2,089,222	76,558	20,791	-	31,098,480	1,103,640	32,202,120
Net income for the year ended December 31, 2015	-	-	-	1,549,327	-	-	-	1,549,327	179,031	1,728,358
Other comprehensive income for the year ended December 31, 2015	-	-	-	(29,441)	59,427	(27,641)	-	2,345	3,228	5,573
Total comprehensive income for the year ended December 31, 2015	-	-	-	1,519,886	59,427	(27,641)	-	1,551,672	182,259	1,733,931
Appropriation of earnings :										
Legal reserve	-	202,531	-	(202,531)	-	-	-	-	-	-
Special reserve	-	-	405,061	(405,061)	-	-	-	-	-	-
Cash dividends	-	-	(6,922)	(1,421,444)	-	-	-	(1,421,444)	(73,781)	(1,495,225)
Financial assets measured at cost - non-current (Note 6(2))	-	-	-	6,922	-	-	-	-	-	-
Financial assets available for sale - non-current (Note 6(2))	-	-	-	-	-	-	-	-	-	-
Investments accounted for under equity method (Note 6(5))	(500,000)	-	-	-	-	-	-	(939,569)	-	(939,569)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-	470,414	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	1,461	-	1,461
Ending balance, December 31, 2015	23,190,730	955,667	2,154,422	1,586,994	135,985	(6,850)	(469,155)	30,290,600	1,237,067	31,527,667

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015 and 2014
(Expressed In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities:		
Net income before tax	\$ 2,034,035	2,432,701
Adjustments for:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	179,376	181,418
Amortization expense	40,123	39,692
Net losses on financial assets or liabilities at fair value through profit or loss	219,874	46,447
Interest expense	209,012	178,760
Interest revenue (including financial income)	(1,599,893)	(1,573,548)
Dividend revenue	(179,431)	(457,622)
Cash dividend received from investments underequity method	57,053	49,950
Share of profits of associates and joint ventures	(74,775)	(63,728)
Gains on disposal and retirement of property and equipment	(58,484)	(2,996)
Losses on disposal and retirement of intangible assets	86	-
Gains on disposal of financial assets available for sale - non-current	(13,769)	-
Losses on non-operating financial instruments at fair value through profit or loss	9,258	36,056
Share-based payments	-	6,604
Net changes of income and expense items with no effect on cash flows	(1,211,570)	(1,558,967)
Net changes in assets from operating activities:		
Increase in financial assets at fair value through profit or loss - current	(1,140,884)	(5,180,538)
Increase in financial assets available for sale - current	(7,858,230)	-
Decrease in bonds purchased under resale agreements	-	558,394
Decrease (increase) in receivable for securities provided as collateral	4,414,245	(1,682,067)
Decrease in refinancing margin	6,443	174,587
Financial assets measured at cost - non-current (Note 6(2))	16,884	133,718
Financial assets available for sale - non-current (Note 6(2))	(4,460,313)	(4,198,994)
Investments accounted for under equity method (Note 6(5))	(900)	-
Increase in collateral for securities borrowed	(424,717)	(279,583)
Decrease (increase) in security borrowing margin	(866,722)	694,406
Decrease (increase) in notes receivable	(3,931)	4,532
Decrease in accounts receivable	1,738,439	1,169,681
Decrease in prepayments	2,895	5,867
Decrease (increase) in other receivables	5,660	(63,556)
Increase in restricted assets - current	(73,717)	-
Increase in current income tax assets	(23,924)	(13,352)
Decrease (increase) in other current assets	(1,170,561)	536,250
Decrease in guarantee deposited for business operations	264,513	26,864
Decrease (increase) in settlement fund	(1,583)	28,400
Decrease in refundable deposits	38,120	115,679
Decrease (increase) in other non-current assets	(65,504)	3,614
Total net changes in assets from operating activities:	(9,603,787)	(7,966,098)
Net changes in liabilities from operating activities:		
Increase in financial liabilities at fair value through profit or loss - current	1,045	1,250,313
Increase in bonds sold under repurchase agreements	8,966,061	1,494,923
Decrease in guaranty deposited for short sales	(206,979)	(134,757)
Decrease in proceeds payable from short sales	(351,293)	(414,943)
Increase (decrease) in securities lending refundable deposits	(631,827)	474,847
Increase in futures traders' equity	4,543,892	4,149,735
Increase (decrease) in notes payable	(300)	288
Decrease in accounts payable	(2,022,921)	(1,658,685)
Increase (decrease) in advance receipts	102	(131,072)
Increase (decrease) in receipts under custody	1,221,313	(437,215)
Increase (decrease) in other payables	(75,949)	59,591
Increase in other financial liabilities	1,823,036	565,012
Increase in customer equity of separate account ledger in settlement account	4,104	-
Increase (decrease) in other current liabilities	(4,583)	15,421
Increase (decrease) in provision - current	137	(107)
Decrease in other non-current liabilities	2,305	1,373
Total net changes in liabilities from operating activities	13,268,143	5,234,724
Total net changes in assets and liabilities from operating activities	3,664,356	(2,731,374)
Total Cash generated from adjustment items	2,452,786	(4,290,341)
Cash generated by operating activities	4,486,821	(1,857,640)
Interest received	1,633,353	1,498,820
Dividends received	178,746	457,506
Interest paid	(202,599)	(233,696)
Income tax paid	(117,480)	(76,492)
Net cash provided by (used in) operating activities	5,978,841	(211,502)
Cash flows from investing activities:		
Proceeds from disposal of financial assets available for sale	30,229	-
Proceeds from disposal of financial assets measured at cost	-	23,395
Increase of deferred debits	(3,329)	(3,069)
Increase of investments accounted for under equity method	(59,860)	-
Proceeds from capital reduction of financial assets measured at cost	8,750	223,791
Acquisitions of property and equipment	(198,281)	(103,880)
Proceeds from disposal of property and equipment	225,514	5,847
Acquisitions of intangible assets	(34,604)	(39,924)
Acquisitions of investment property	(260)	-
Net cash provided by (used in) investing activities	(31,841)	106,160
Cash flows from financing activities:		
Increase (decrease) in short-term borrowing	(865,839)	638,000
Increase (decrease) in long-term liabilities - current portion	(500,000)	500,000
Decrease in commercial paper payable	(1,749,717)	(549,865)
Acquisition of treasury stocks	(939,569)	-
Cash dividends	(1,495,225)	(1,139,521)
Issuance of common stock for cash of subsidiaries	-	226,014
Financial assets measured at cost - non-current (Note 6(2))	-	(24,348)
Financial assets available for sale - non-current (Note 6(2))	24,215	24,034
Investments accounted for under equity method (Note 6(5))	(5,526,135)	(325,686)
Effect of exchange rate changes on cash and cash equivalents	78,050	104,267
Increase (decrease) in cash and cash equivalents	498,915	(326,761)
Cash and cash equivalents, beginning of the year	4,227,583	4,554,344
Cash and cash equivalents, end of the year	\$ 4,726,498	4,227,583

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS UNLESS OTHERWISE STATED)

1. OVERVIEW

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 4 Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C. As of December 31, 2015, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of December 31, 2015, the Company has 63 branches nationwide.

The Company is authorized to conduct the following businesses:

- (1) Underwriting of marketable securities;
- (2) Trading of marketable securities on a proprietary basis on stock exchange;
- (3) Brokerage of marketable securities on stock exchange;
- (4) Trading of marketable securities at the Company’s branches;
- (5) Brokerage of marketable securities at the Company’s branches;
- (6) Margin loan, short sale and refinancing;
- (7) Securities registration agency services;
- (8) Dealership of foreign marketable securities;
- (9) Short-term bills service;
- (10) Accessory services of futures trading;
- (11) Futures trading on a proprietary basis;
- (12) Securities business money lending;
- (13) Managing the unexpended balance of clients' securities accounts within their authorization;
- (14) Trust business;
- (15) Offshore securities business; and;
- (16) Other relevant services as approved by the authority in charge.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL REPORT

The consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2016.

3. NEW STANDARDS AND INTERPRETATIONS

- (1) The impact of the adoption of the new standards, amendments and interpretations to International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commission (“FSC”).

The Group adopted the 2013 version of IFRSs (IFRS 9 Financial instruments is excluded) endorsed by the FSC from 2015 in preparing financial statements. The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

<u>Newly issued, Revised accounting standards and interpretations</u>	<u>Effective date per IASB</u>
• Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First - time Adopters	July 1, 2010
• Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters	July 1, 2011
• Amendments to IFRS 1 Government Loans	January 1, 2013
• Amendments to IFRS 7 Disclosure - Transfers of Financial Assets	July 1, 2011
• Amendments to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
• IFRS 10 Consolidated Financial Statements	January 1, 2013
	(Investment Entities amendments, effective January 1, 2014)
• IFRS 11 Joint Arrangements	January 1, 2013
• IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
• IFRS 13 Fair Value Measurement	January 1, 2013
• Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
• Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
• Revision to IAS 19 Employee Benefits	January 1, 2013
• Revision to IAS 27 Separate Financial Statements	January 1, 2013
• Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
• Interpretations to IFRS 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following items, the Group believes that the adoption of aforementioned 2013 IFRSs version may not have a significant effect on the consolidated financial statements.

A. Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 require the company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. A liability and expense for termination benefits is recognized not only when the company is demonstrably committed to terminating the employment of employees, but also at the earlier of the following dates when the company can no longer withdraw the offer or when the company recognizes costs for a restructuring. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Group has changed the accounting policy related to the measure and expression of net defined benefit assets, pension cost and actuarial gains or losses.

B. Amendments to IAS 1, “Presentation of Items of Other Comprehensive Income”

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Group will modify the presentation of statement of comprehensive income statement in accordance with the amendment.

C. IFRS 12, “Disclosure of Interests in Other Entities”

The Standard integrates and makes consistent the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will increase disclosures on the consolidated and unconsolidated entities in accordance with the standard.

D. IFRS 13, “Fair Value Measurement”

The Standard defines fair values, establishes a framework for measuring fair value and requires disclosures about fair value measurement. Under this standard, the Group has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13. Comparative information need not be disclosed for periods before initial application. Despite the postponing of the adoption of the standard, there is no significant impact on the fair value measurement of the Group’s assets and liabilities.

(2) The standards and interpretations new issued but not yet endorsed by the FSC

A summary of the new standards, amendments and interpretations issued by the IASB, but not yet endorsed by the FSC:

<u>Newly issued, Revised accounting standards and interpretations</u>	<u>Effective date per IASB</u>
• IFRS 9 Financial Instruments	January 1, 2018
• Amendment to IFRS 10 and IAS 28 “Sales or Contributions of Assets between an Investor and its Associate or Joint Venture”	Undecided
• Amendment to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
• Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
• IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
• IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
• IFRS 16 “Leases”	January 1, 2019
• Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
• Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
• Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
• Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
• Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plant”	January 1, 2016
• Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
• Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
• Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
• Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
• Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle	July 1, 2014
• Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
• Interpretations to IFRS 21 “Levies”	January 1, 2014

The Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the financial statements are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in the financial statements.

(1) Statement of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

(2) Basis of preparation

A. Basis of measurement

The financial report has been prepared on a historical cost basis except for the following material items of balance sheet:

- a. Financial instruments measured at fair value through profit or loss (including derivative instruments);
- b. Financial assets available for sale that are measured at fair value; and
- c. The defined benefit asset is recognized as plan assets, plus unrecognized actuarial loss, less unrecognized actuarial gain and the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial report is presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total profit or losses of subsidiaries applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

B. List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated report are as follows:

Name of the Investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			Dec 31, 2015	Dec 31, 2014	
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and securities consultancy	100.00%	100.00%	Established in February, 1990 with the paid-in capitals amounted to \$70,000.
"	CSC International Holdings Ltd.	Long-term equity investment business.	100.00%	100.00%	Established in March, 1996, with the paid-in capitals amounted to US\$45,000 thousand
"	Capital Futures Corp.	Engaged in domestic and foreign futures business.	59.01%	59.01%	Established in February, 1997 with the paid-in capitals amounted to \$1,223,979.
"	Taiwan International Futures Corp.	Management and consulting business	99.99%	99.99%	Liquidation in progress.
"	Taiwan International Securities (B.V.I) Corp.	Holding company for international securities business	100.00%	100.00%	The paid-in capitals amounted to US\$9,516 thousand.
"	Taiwan International Securities Investment Consulting Corp.	Management and consulting business	99.92%	99.92%	Liquidation in progress.
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business.	95.00%	100.00%	Established in December, 1998. Acquired 100% of the equity on November 1, 2012, disposed 5% on April 2, 2014 and reacquired 5% on December 23, 2014, then re-disposed 5% on April 30, 2015. As of December 31, 2015, the paid-in capitals amounted to HKD\$120,000 thousands.
"	Capital International Technology Corp.	Management, consulting and information service business	100.00%	100.00%	Established in December, 2014. As of December 31, 2015, the paid-in capitals amounted to \$50,000.
Capital International Technology Corp.	Capital True Partner Co., Ltd	Management, consulting and information service business.	51.00%	- %	Established on August 20, 2008. Acquired 51% of the equity on February 9, 2015 and held controlling interest. As of December 31, 2015, the paid-in capitals amounted to CNY\$1,000 thousands.
CSC International Holdings Ltd.	CSC Securities (HK) Limited	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	Established in May, 1994.
CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Long-term equity investment business.	100.00%	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012.

Name of the Investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			Dec 31, 2015	Dec 31, 2014	
CSC International Holdings Ltd.	CSC Finance Ltd.	Securities financing business	- %	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012. The liquidation was completed on November 19, 2015.
"	CSC Asia Ltd.	Provision of corporate advisory services		CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	The board of directors of the Company resolved to cease operation on October 30, 2012. The liquidation was completed on November 19, 2015.
Capital Securities (Hong Kong) Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 70% and 30% equity, respectively	Established in May, 1994.
"	CSC Asia Ltd.	Provision of corporate advisory services		CSC International Holdings Ltd. and Capital Securities (Hong Kong) Ltd. own 66.67% and 33.33% equity, respectively	The board of directors of the Company resolved to cease operation on October 30, 2012. The liquidation was completed on November 19, 2015.
"	CSC Financial Services Ltd.	Securities financing business	- %	100.00%	The board of directors of the Company resolved to cease operation on October 30, 2012. The liquidation was completed on November 19, 2015.
CSC Securities (HK) Ltd.	Capital Securities Nominee Ltd.	Agency service	100.00%	100.00%	Established in April, 1995. Acquired equity from Capital Securities (Hong Kong) Ltd. on January 17, 2013.
Taiwan International Securities (B.V.) Corp.	TIS Securities (HK) Limited	Long-term equity investment business.	100.00%	100.00%	Not complied with the requirement of Financial Resources Rules (the "FRR") of the Hong Kong Securities and Futures Commission, the operations remain stagnant currently.
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Direct investment	100.00%	100.00%	Not complied with the requirement of FRR of the Hong Kong Securities and Futures Commission, the operations remain stagnant currently.

C. Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			Dec 31, 2015	Dec 31, 2014	
The Company	Capital Insurance Agency Corp.	Manages personal insurance agent business.	100.00%	100.00%	Established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to \$7,400. As of December 31, 2015 and 2014, the total assets constituted 0.06%, 0.08% of the Group's total assets. For the year end December 31, 2015 and 2014, the operation revenue were merely 1.13% and 1.32% of the consolidated revenue which were so immaterial, thus they were excluded from the consolidated financial statement.
	Capital Insurance Advisory Corp.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	100.00%	100.00%	Established in November 2000. The Company acquired 100% of the equity and gained a controlling interest. The paid-in capitals amounted to \$3,890. As of December 31, 2015 and 2014, the total assets constituted 0.11% and 0.08% of the Group's total assets. For the year end December 31, 2015 and 2014, the operation revenue were merely 2.76% and 2.18% of the consolidated revenue which were so immaterial, thus they were excluded from the consolidated financial statement.

(4) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(5) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

- A. Assets arising from operating activities that are expected to be realized, or are intend to be sold or consumed within the normal operating cycle;
- B. Assets held primarily for the purpose of trading;
- C. Assets that are expected to be realized 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 settle liabilities more than twelve months after the balance sheet date.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- A. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising primarily for the purpose of trading;
- C. Liabilities that are to be settled 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 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.

An entity shall classify all other liabilities as non-current.

(6) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

The Group classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, held-to-maturity financial assets, financial assets available for sale, and loans and receivables.

a. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of disposal or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss is measured at fair value, and changes therein are recognized in profit or loss. A regular way of purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

b. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Financial assets available for sale are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

c. Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

d. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

e. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment 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 that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial assets carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment loss on financial assets available for sale is recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment loss recognized on an available-for-sale equity security is not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

f. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity- unrealized gain or loss on financial assets available for sale is recognized in profit or loss.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

B. Financial liabilities

a. Financial liabilities measured at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as measured at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

c. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

Derivatives are recognized initially at fair value and transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss

a. Interest rate swaps

Since there is no physical transfer of principal, only memo entries of notional principals are made of interest rate swaps. For non-trading swaps, differences in interest are included in current earnings. Trading swaps are recognized on the balance sheet in their fair value. Realized and unrealized changes in their fair value are included in current earnings at the time of occurrence.

b. Convertible bond asset- backed swaps

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The contract amount for the counter-parties receiving the convertible bond is the notional principal. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counter-parties. The Company also receives the right to call the convertible bond prior to the expiration of the contract.

The rights to call the convertible bond can be sold to third parties and counter-parties, are reflected under asset-backed options.

c. Structured products

The portfolio of structured products contract is fixed income products and financial derivatives instruments, including main-contract of non-derivatives and embedded derivatives, those shall be recognized separately. The principal value of structured products is the present value of fixed income products, measured at amortized cost, and recognized imputed interest with effective interest rate over the duration of contracts. Embedded derivatives are measured at fair value, and the changes in fair value are recognized through profit or loss.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities, respectively.

When hedging positions are securities held for trading (including stocks, bonds and warrants) or options contracts, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are futures contracts, the accounting policy is referred to futures hedging transactions.

d. Interest options

On the contract date, the premium received from the counterparty is recognized and gain or loss on interest options is valued using the fair value method.

e. Bond options

Over the duration of contracts, the notional principal can be executed is recorded as memo entry. Option contracts are valued at fair market value on the balance sheet date and current gain or loss is recorded. If the options are exercised and underlying bonds are been acquired or delivered, bond selling revenue or purchase costs are recorded at their fair market value. The exercise prices calculated in accordance with interest rate are recorded as receivables or payables.

f. Equity options

The buyer and seller of equity options recognized equity derivatives assets and liabilities at trading date according to fair value. Equity options are valued at fair value and the difference between book value and fair value are recognized through profit or loss over the duration of contracts.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities, respectively.

When hedging positions are stocks, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are stock index options or stock options, the accounting policy is referred to those hedging transactions.

g. Forward rate agreement

As there is no principal is transferred, forward rate agreement is only recorded as memo entry on the contract date. Forward rate agreement contract is valued at fair value and recognized the gain or loss on forward rate agreement.

h. Futures contracts and options

Margins are required when trading futures or options. Changes in the margin balance of futures and options due to daily valuation are reflected under “futures margin-proprietary trading” and “call options” or “put options.” When offsetting a futures or options position, the settlement difference is included in current earnings, and the difference between the settlement prices and average prices of open positions at the balance sheet date is also included in current earnings.

i. Stock warrants

Issuance of stock warrants by a securities firm should be recognized as a liability according to amounts actually received, and amounts paid in the repurchase of stock warrants previously issued should be listed as a deduction from liabilities.

(8) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Group and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Group operates margin loan business, if capital is insufficient, the Group can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Group operates short sale business, if securities are insufficient, the Group can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(9) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest expense. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

When bonds purchased under resell agreements are resold, the amounts are recognized under “bonds purchased under resell agreements-short sales”. Unrealized gain or loss arising from the valuation at the balance sheet date is recognized under “gain or loss on valuation of borrowed securities and bonds with resell agreements”. Gain or loss arising from covering at maturity is recognized under “gain or loss on covering of borrowed securities and bonds with resell agreements”.

(10) Customers’ margin accounts and futures customers’ equity

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers’ margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet. Margin deposits received from customers for futures transactions and futures customers’ equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures customers’ equity cannot be offset unless these accounts pertain to the same customers.

(11) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(12) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When the Group disposes associates and lose the significant influence over the associates, any remaining investments are measured at the fair value. The difference between the fair value of remaining investments in associates plus the proceeds from disposing associates and the carrying amount of remaining investment in associates when the Group loses its significant influence is recognized in profit or loss. The amount related to associates and recognized in other comprehensive income is reclassified as profit or loss from equity.

If the investments in associates become the investment in joint ventures, or vice versa, the Group is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Group does not subscribe the new issuance of capital based on holding percentage and result in a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments under equity method. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments under equity method is insufficient, the shortage is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(13) Property and equipment

A. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from disposal property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other income and expenses.

B. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

D. Depreciation

The depreciable amount of an asset is determined after deducting its residual values, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be companied in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- | | |
|---|------------|
| a. Buildings | 3~55 years |
| b. Transportation equipment | 5 years |
| b. Transportation equipment | 3~5 years |
| d. Miscellaneous equipment | 5~10 years |
| e. Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period. | |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(14) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, supply of services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost as well, the depreciation method, useful life and residual values are as same as the regulations of “property and equipment”. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(15) Intangible assets

A. Goodwill

a. Initial recognition

Goodwill resulted in acquisition of subsidiaries includes in intangible assets.

b. Subsequent measurement

Goodwill is measured in accordance with cost less accumulated impairment loss. Investments under Equity Method, the carrying amount of goodwill included in the carrying amount of investments and impairment loss of such investments are not allocated to goodwill and any assets, Equity Method as part of the carrying amount of the investment.

B. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Amortization

The amortizable amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- a. Customer relationships: 5 years
- b. Computer software cost and dial-up service charges: 3 years

The amortization method and period should be evaluated at least at each financial year-end. The changes of the amortization method and the period shall be accounted for as changes in accounting estimation.

(16) Leases

A. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

B. Lessee

Operating leases are not recognized in the Group's statement of balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in expenses on a straight-line basis over the term of the lease. Lease incentives received are recognized as deductions of the total lease expense, over the term of the lease. Lease payments under operating lease shall be recognized in rent expenses and disclosed in financial report.

(17) Non-financial assets impairment

The Group assesses whether there is any objective evidence of impairment for non-financial assets on each reporting date except for deferred tax assets and assets arising from employee benefits and estimates the recoverable amounts for any impaired assets. If it is not possible to determine the recoverable amount for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and recognized as impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

The recoverable amounts of intangible assets with indefinite useful lives shall be evaluated periodically. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(18) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are should be deducted. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement comprises (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retain earning.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

C. Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefit is expensed at the earlier of the date when the entity can no longer withdraw the offer of the termination benefits and the date when the entity recognizes related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

D. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(19) Revenue recognition

A. Brokerage commissions

Handling fee revenue from trade brokerage, security financing or securities lending is recognized on an accrual basis.

B. Underwriting commissions

Revenue from underwriting business is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

C. Interest revenue

Interest revenue arising from security financing, margin loans and other operation related interest is recognized on an accrual basis.

(20) Income tax

Income tax expenses include both current income taxes and deferred income taxes. Except for business combination, expenses recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the exceptions below:

- A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- C. Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- A. The entity has the legal right to settle tax assets and liabilities on a net basis; and
- B. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - a. levied by the same taxing authority; or
 - b. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for an unused tax loss carry-forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forwards can be utilized. The carrying amount of deferred income tax assets should be reviewed and adjusted at the end of each reporting period.

The Group's 10% surtax on unappropriated earnings is recorded as current expense after the date of the resolution of stockholders' meeting for declaring the distribution of earnings.

Income tax of overseas subsidiaries is estimated in accordance with local regulation. Income tax of the Group is the sum of the income tax of subsidiaries in the consolidated financial statements.

(21) Business combinations

The Group only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation

(22) Earnings per share (EPS)

The Group presents its basic and dilutive earnings per share attributable to the ordinary equity holders. The basic earnings per share of the Group is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Group, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Group include employee bonus and compensation.

(23) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(24) Treasury stocks

The Group acquires its outstanding shares is stated at cost and shown as a deduction in stockholders' equity. Upon disposal, the excess of sales price over carrying value is recognized as capital surplus – treasury stock transaction. Should sales price be lower than the carrying value, the difference is charged against capital surplus from treasury stocks in the same category, and any deficit is debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Group's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

5. MAJOR SOURCES OF ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms, IFRSs (approved by the FSC), and IFRIC requires management to make judgments, 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.

The preparation of the separate financial statements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

The impairment of goodwill: The Group performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Group chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

6. SUMMARY OF MAJOR ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash	\$ 3,140	3,113
Bank deposits		
Checking accounts	48,103	50,580
Demand deposits	177,236	187,026
Time deposits	1,768,772	1,854,383
Foreign currency deposits	1,111,031	1,369,921
Subtotal	<u>3,105,142</u>	<u>3,461,910</u>
Futures margin - excess margin	1,463,300	762,560
Commercial paper	154,916	-
Subtotal	<u>1,618,216</u>	<u>762,560</u>
Total	<u>\$ 4,726,498</u>	<u>4,227,583</u>

(2) Financial assets

A. Financial assets at fair value through profit or loss - current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	\$ 690,994	522,282
Valuation adjustment	10,561	10,569
Subtotal	<u>701,555</u>	<u>532,851</u>
Investment in securities		
Investment in securities	5,439	531,039
Valuation adjustment	(121)	8,010
Subtotal	<u>5,318</u>	<u>539,049</u>
Trading securities - proprietary trading		
Listed stocks	1,878,306	1,246,079
Listed funds	61,890	-
OTC stocks	156,121	231,959
Emerging market stocks	177,697	366,836
Convertible corporate bonds	345,901	511,164
Government bonds	2,823,467	1,203,375
Corporate bonds	11,245,486	9,832,713
Financial debentures	1,500,549	1,698,780
Foreign stocks	478,309	314,143
Overseas bonds	164,321	288,848
Emerging fund	7,424	7,452
Other	29,989	79,861
	<u>18,869,460</u>	<u>15,781,210</u>
Valuation adjustment	62,485	6,630
Subtotal	<u>18,931,945</u>	<u>15,787,840</u>
Trading securities - underwriting		
Listed stocks	42,209	2,730
OTC stocks	-	8,648
Convertible corporate bonds	51,400	106,300
	<u>93,609</u>	<u>117,678</u>
Valuation adjustment	1,223	(496)
Subtotal	<u>94,832</u>	<u>117,182</u>

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Trading securities - hedging		
Listed stocks	\$ 1,573,401	2,585,889
OTC stocks	470,773	923,311
Convertible corporate bonds	3,948,040	3,872,940
Foreign stocks	1,114	-
	<u>5,993,328</u>	<u>7,382,140</u>
Valuation adjustment	(105,180)	181,804
Subtotal	<u>5,888,148</u>	<u>7,563,944</u>
Derivatives		
Call options	50,244	263,894
Futures margin - proprietary fund	270,282	189,165
IRS asset swaps	22,878	25,952
Asset swap options - long position	11,940	9,881
Structured notes	-	76
Currency swaps	8,482	45,318
Subtotal	<u>363,826</u>	<u>534,286</u>
Total	<u>\$ 25,985,624</u>	<u>25,075,152</u>

As of December 31, 2015 and 2014, the par value of trading securities - bonds under repurchase agreement of the Group were \$23,993,535 and \$13,348,600, respectively (please refer to Note 6(12) for details).

B. Financial assets available for sale - current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Listed stocks	\$ 101,535	-
Overseas bonds	7,757,004	-
Valuation adjustment	(23,084)	-
Total	<u>\$ 7,835,455</u>	<u>-</u>

C. Financial assets at fair value through profit and loss - non-current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading:		
Government bonds	\$ 188,818	191,990
Valuation adjustment	1,736	(2,728)
Total	<u>\$ 190,554</u>	<u>189,262</u>

As of December 31, 2015 and 2014, the Group took advantage of government bonds as margin of bills business, interest rate swaps, structured notes and settlement fund guarantee deposits (please refer to Note 8 for details).

D. Financial asset available for sale - non-current:

<u>Name of investee</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Chicago Mercantile Exchange (CME)	\$ 33,733	50,193
Valuation adjustment	27,233	35,394
Total	<u>\$ 60,966</u>	<u>85,587</u>

The purpose for obtaining the stock of CME GROUP is to acquire the membership of foreign futures exchange. The Group disposed of 10,004 shares of stock of CME GROUP on December 29, 2015, which resulted in a gain on disposal of this investment of \$13,769.

For 2015 and 2014, due to changes in fair value, the Group had recognized \$5,530 and \$14,020 in other comprehensive income, respectively. The amount reclassified from equity to net income or loss is \$(13,691) and \$0, respectively.

E. Financial assets measured at cost - non-current:

Non-listed (or non-over-the-counter)	December 31, 2015	
	Ownership ratio	Amount
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	2.86%	58,126
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	71,008
Prudence Venture Investment Corp.	1.50%	37,377
Total		<u>\$ 411,231</u>

Non-listed (or non-over-the-counter)	December 31, 2014	
	Ownership ratio	Amount
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	2.86%	58,126
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	78,008
Prudence Venture Investment Corp.	1.50%	39,127
Total		<u>\$ 419,981</u>

On March 24, 2014, the investee Taiwan Integrated Shareholder's Service Corp. was merged by Taiwan Depository and Clearing Corporation. Taiwan Integrated Shareholder's Service Corporation dissolved and the Company received proceeds from the disposal which amounted to \$24,312. For year 2015 and 2014, Prudence Venture Investment Corp. refunded the proceeds of capital reduction amounted to \$1,750 and \$5,130, respectively. Top Taiwan III Venture Capital Co., Ltd. refunded the proceeds of capital reductions which both amounted to \$7,000 and Global Securities Finance Corporation refunded the proceeds of capital reduction which amounted to \$0 and \$211,661, respectively.

F. The Group uses Value at Risk (VAR) to monitor and measure the market risk of its investment in equity stocks. VAR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VAR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VAR will exceed the disclosed amounts due to the changes in market price. Year 2015 and 2014 VAR (99%, ten-day) of equity stocks are as follows:

Type of market risk	December 31, 2015	December 31, 2014	2015			2014		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	750,181	891,182	793,730	970,662	620,732	913,895	1,063,054	649,748

(3) Accounts Receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Receivable on securities purchased by customers	\$ 40,724	59,827
Settlement	50,397	1,513,355
Interests receivable	452,745	489,022
Receivables on securities sold	4,206,290	4,634,230
Others	238,944	66,477
Subtotal	<u>4,989,100</u>	<u>6,762,911</u>
Less: allowance for doubtful accounts	(4,123)	(3,029)
Total	<u><u>\$ 4,984,977</u></u>	<u><u>6,759,882</u></u>

(4) Customer margin account / Futures traders' equity

As of December 31, 2015 and 2014, a reconciliation of the customer margin account and the futures traders' equity was as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Customer margin account		
Cash in banks	\$ 12,530,482	8,784,390
Customer margin account - futures clearing house	1,280,830	2,068,662
Customer margin account - other futures commission merchants	2,492,357	989,449
Marketable securities	1,087	1,942
Total customer margin account	<u>16,304,756</u>	<u>11,844,443</u>
Adjustment :		
Commission revenue	(10,454)	(7,391)
Futures transaction tax	(792)	(725)
Interest revenues	(334)	(855)
Temporary receipts	(4,330)	(64,569)
Remittance amount of the customers after the market closed	(188)	(15,178)
Others	(1,346)	(12,305)
Futures traders' equity	<u><u>\$ 16,287,312</u></u>	<u><u>11,743,420</u></u>

(5) Investments under Equity Method

As of December 31, 2015 and 2014, investments under equity method consisted of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 72,720	45,245
Capital Insurance Agency Corp.	48,274	58,021
Subtotal	<u>120,994</u>	<u>103,266</u>
Associates		
True Partner Advisor Hong Kong Limited	\$ 36,681	-
Total	<u>\$ 157,675</u>	<u>103,266</u>

A. Subsidiaries:

Profit sharing of gain or loss from the subsidiaries based on audited invested financial statements or self-prepared financial statements for the year 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Based on the audited financial statements	<u>\$ 74,781</u>	<u>63,728</u>

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Total assets	<u>\$ 157,581</u>	<u>128,524</u>
Total liabilities	<u>\$ 36,587</u>	<u>25,258</u>

	<u>2015</u>	<u>2014</u>
Revenue	<u>\$ 256,723</u>	<u>241,955</u>
Net income	<u>\$ 74,781</u>	<u>63,728</u>

B. Associates:

The subsidiary Capital Futures Corporation has significant influence on True Partner Advisor Hong Kong Limited due to the acquisition of 49% shares with USD 1,123 thousands. The relevant information is as following:

<u>Name of associate</u>	<u>Nature between the Company</u>	<u>Primary business area and registered country</u>	<u>% of Ownership and Voting Rights December 31, 2015</u>
True Partner Advisor Hong Kong Limited	Engaged in asset management. The Company's strategic alliance in expansion of asset management.	Hong Kong	49.00%

Summarized financial information of associates accounted for under equity method that was not individually material to the Group was as follows:

	<u>December 31, 2015</u>
Total carrying amount of the associates that were not individually material	<u>\$ 36,681</u>
	<u>October 2, 2015 ~ December 31, 2015</u>
Attributable to the Group:	
Net loss from continuing operations	\$ (6)
Other comprehensive loss	(14)
Total comprehensive loss	<u>\$ (20)</u>

C. Collateral

As of December 31, 2015 and 2014, none of the investment accounted for under equity method of the Group were pledged for collateral.

(6) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2015	\$ 3,901,181	2,023,090	575,904	307,761	6,807,936
Effect of acquisition of subsidiary	-	-	6,472	150	6,622
Additions	-	255	165,958	32,068	198,281
Reclassified to investment property	(25,048)	(70,605)	-	-	(95,653)
Transferred from prepayment for equipment	-	-	4,830	2,680	7,510
Disposals	(166,451)	-	(131,457)	(245,079)	(542,987)
Effect of exchange rate changes	-	4,126	2,539	383	7,048
Balance at December 31, 2015	<u>\$ 3,709,682</u>	<u>1,956,866</u>	<u>624,246</u>	<u>97,963</u>	<u>6,388,757</u>
Balance at January 1, 2014	\$ 4,454,573	2,440,810	540,226	290,465	7,726,074
Additions	-	588	90,905	12,387	103,880
Reclassified to investment property	(552,211)	(423,465)	-	-	(975,676)
Reclassification	-	-	45,959	6,834	52,793
Transferred from prepayment for equipment	-	-	5,985	-	5,985
Disposals	(1,181)	(1,321)	(107,657)	(2,084)	(112,243)
Effect of exchange rate changes	-	6,478	486	159	7,123
Balance at December 31, 2014	<u>\$ 3,901,181</u>	<u>2,023,090</u>	<u>575,904</u>	<u>307,761</u>	<u>6,807,936</u>

	Land	Buildings	Equipment	Leasehold improvements	Total
Depreciation and impairment loss					
Balance at January 1, 2015	\$ -	766,342	382,074	269,313	1,417,729
Effect of acquisition of subsidiary	-	-	5,814	121	5,935
Depreciation	-	38,323	104,119	19,155	161,597
Reclassified to investment property	-	(1,872)	-	-	(1,872)
Disposals	-	-	(131,037)	(244,919)	(375,956)
Effect of exchange rate changes	-	1,448	2,159	311	3,918
Balance at December 31, 2015	\$ -	804,241	363,129	43,981	1,211,351
Balance at January 1, 2014	\$ -	874,473	340,087	245,049	1,459,609
Depreciation	-	44,548	102,744	19,254	166,546
Reclassified to investment property	-	(154,457)	-	-	(154,457)
Reclassification	-	-	45,959	6,832	52,791
Disposals	-	(368)	(107,135)	(1,889)	(109,392)
Effect of exchange rate changes	-	2,146	419	67	2,632
Balance at December 31, 2014	\$ -	766,342	382,074	269,313	1,417,729
Carrying amount:					
December 31, 2015	\$ 3,709,682	1,152,625	261,117	53,982	5,177,406
December 31, 2014	\$ 3,901,181	1,256,748	193,830	38,448	5,390,207

As of December 31, 2015 and 2014, the property and equipment which are provided as collateral or pledge, please refer to Note 8 for details.

(7) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost			
Balance at January 1, 2015	\$ 1,230,412	791,745	2,022,157
Additions	-	260	260
Transferred from property and equipment	25,048	70,605	95,653
Balance at December 31, 2015	\$ 1,255,460	862,610	2,118,070
Balance at January 1, 2014	\$ 678,201	368,280	1,046,481
Transferred from property and equipment	552,211	423,465	975,676
Balance at December 31, 2014	\$ 1,230,412	791,745	2,022,157
Depreciation and impairment loss			
Balance at January 1, 2015	\$ -	358,212	358,212
Depreciation	-	17,779	17,779
Transferred from property and equipment	-	1,872	1,872
Balance at December 31, 2015	\$ -	377,863	377,863
Balance at January 1, 2014	\$ -	188,883	188,883
Depreciation	-	14,872	14,872
Transferred from property and equipment	-	154,457	154,457
Balance at December 31, 2014	\$ -	358,212	358,212
Carrying amount:			
December 31, 2015	\$ 1,255,460	484,747	1,740,207
December 31, 2014	\$ 1,230,412	433,533	1,663,945
Fair value			
December 31, 2015			\$ 2,846,381
December 31, 2014			\$ 2,555,269

The Group elected to apply Cost Method to evaluate investment properties. The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

As of December 31, 2015 and 2014, the property and equipment were provided as collateral or pledge, please refer to Note 8 for details.

(8) Intangible assets

A. Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2015 and 2014, the book value was \$3,126,698 for both the year.

For the purpose of impairment test, goodwill was allocated to the operating segments of the Company. The operating segment is the lowest level at which the goodwill is monitored for internal management purposes, and should not be larger than the operating departments of the Company.

Goodwill is allocated to the operating segments as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	<u>\$ 3,126,698</u>	<u>3,126,698</u>

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 5% and 4.69% in year 2015 and 2014 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2015 and 2014 exceeded the carrying amount, no impairment occurred for both years.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Co., Ltd in order to expand operations. The Group recognized the differences between investment costs and identifiable assets as goodwill. As of December 31, 2015, the book value of goodwill is NT\$ 22,088 thousand.

B. Customer relationships

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized other intangible assets - customer relationships as \$17,082. As of December 31, 2015 and 2014, the amortized book value was \$1,139 and \$4,555 respectively.

C. Operation franchise

The Company acquired the operation of securities corporation operation franchise during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets,” the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2015 and 2014, the book value of the operation franchise was \$389,999 for both the year.

D. Other intangible assets – Corporate membership at international futures exchange

In order to expand operations, subsidiaries acquired corporate memberships at international futures exchanges, including NYMEX, COMEX, CBOT, and CME. According to IAS 38 “Intangible Assets”, which is approved by the FSC, corporate memberships are regarded as indefinite useful life intangible assets. As of December 31, 2015 and 2014, the book value of those memberships was \$46,427 and \$46,350, respectively.

E. Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2015 and 2014, the book value was \$41,166 and \$37,502 respectively.

(9) Short-term borrowings

Nature of borrowings	December 31, 2015	December 31, 2014
Collateralized loan	\$ 591,444	380,000
Credit loans	1,199,717	2,277,000
Total	\$ 1,791,161	2,657,000

Short-term borrowings were based on floating interest rates. As of December 31, 2015 and 2014, the loan interest rate range was 0.90%~3.06% and 0.90%~1.79% respectively.

As of December 31, 2015 and 2014, the Group had provided the land, buildings, and certificates of time deposits as collateral (please refer to Note 8 for details).

(10) Commercial paper payable

	December 31, 2015	December 31, 2014
Commercial paper payable	\$ -	1,750,000
Less: Unamortized discount	-	(283)
Net amount	\$ -	1,749,717

Commercial paper payables were based on floating interest rates. As of December 31, 2014, the interest rate was 0.858%~0.908%.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial liabilities held for trading :		
Liabilities on sale of borrowed securities	\$ 1,508,137	995,472
Redeem liabilities on sale of borrowed securities	(1,566)	-
Valuation adjustment	(30,461)	48,377
Subtotal	<u>1,476,110</u>	<u>1,043,849</u>
Settlement coverage bonds payable of short sale	300,550	99,749
Valuation adjustment	(1,146)	17
Subtotal	<u>299,404</u>	<u>99,766</u>
Stock warrants issued	10,530,591	8,277,524
Stock warrants repurchased	(10,170,444)	(7,644,334)
Subtotal	<u>360,147</u>	<u>633,190</u>
Put options	57,261	275,648
IRS asset swaps	5,398	249
Asset swap options - short position	193,888	348,450
Structured notes	12,243	3,085
Currency swaps	3,476	503
Interest rate swaps	1,528	3,670
Subtotal	<u>273,794</u>	<u>631,605</u>
Total	<u>\$ 2,409,455</u>	<u>2,408,410</u>

(12) Bonds sold under repurchase agreements

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bonds sold under repurchase agreements	<u>\$ 23,576,243</u>	<u>14,610,182</u>
Agreed-upon repurchase amounts	<u>\$ 23,598,443</u>	<u>14,621,088</u>
Interest rates	<u>0.30%~5.00%</u>	<u>0.45% ~ 3.89%</u>

(13) Customer equity of separate account ledger in settlement account

According to article 38, subparagraph 2 of the “Regulations Governing Securities Firms”, a securities firm may, with the consent of the customer, retain the customer's settlement funds in the securities firm's settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account. Also, according to article 22-4, paragraph 1, subparagraph 5 of the “Offshore Banking Act”, an offshore securities branch may conduct account custody business for natural persons, juristic persons, government agencies, or financial institutions within or outside the territory of the ROC. As of December 31, 2015, customers of offshore securities branches retain total settlement funds \$4,104 in the securities firm's settlement account.

(14) Accounts payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payable of securities sold by customers	\$ 34,151	51,767
Payable of securities	3,573,328	5,303,861
Others	240,285	514,893
Total	<u>\$ 3,847,764</u>	<u>5,870,521</u>

(15) Long-term borrowings

As of December 31, 2015 and 2014, the Group's long-term borrowings are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Long-term borrowings	\$ -	500,000
Less: Long-term liabilities - current portion	-	(500,000)
Non-current portion of long-term borrowings	<u>\$ -</u>	<u>-</u>
Collateral		Real estate
Interest rate range	- %	1.080%

Hua Nan Bank approved a three years long-term borrowing of \$4,000,000 to the Company. The credit line would not be diminished gradually, and would be assessed annually. The credit line bears a floating interest rate.

(16) Operating leases

A. Lessee

Non-cancellable operating lease payables are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 112,176	121,564
1-5 years	177,103	149,274
Over 5 years	1,710	-
	<u>\$ 290,989</u>	<u>270,838</u>

The Group rents several offices under operating lease, the lease terms are within 1 to 5 years and the Group has the preferential renewal options when the lease term expires. The rentals are adjusted yearly to reflect market condition. Some lease terms bear the additional rental payments depends on the fluctuations of a local price index.

For the year ended December 31, 2015 and 2014, the operating lease expenses recognized in profit or loss were \$195,265 and \$210,339 respectively.

B. Lessor

The Group leases investment property to other under operating lease agreements, please refer to Note 6(7) for details. The future lease receivables under non-cancellable leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 2,091	6,923
1-5 years	109,007	52,242
	<u>\$ 111,098</u>	<u>59,165</u>

The rental revenue from investment property for the year ended December 31, 2015 and 2014 amounted to \$48,538 and \$41,182 respectively.

(17) Employee benefit

A. Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ (1,069,335)	(1,056,772)
Fair value of plan assets	566,401	583,386
Recognized liabilities for defined benefit obligations	<u>\$ (502,934)</u>	<u>(473,386)</u>

The Group's employee benefits liabilities are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Liabilities for long service leave	\$ 47,546	46,793

Under the defined benefit plan, the Group deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

a. Composition of plan assets

The Group set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Group's labor pension preparatory special account in Bank of Taiwan amounted to \$270,404 and \$ 300,716 as of December 31, 2015 and 2014 respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

b. Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Defined benefit obligation on January 1	\$ 1,056,772	1,059,358
Current service costs and interest	27,540	27,993
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	21,656	(2,192)
-Experience adjustments	11,149	23,542
Benefits paid by the plan	(47,782)	(51,929)
Defined benefit obligation on December 31	<u><u>\$ 1,069,335</u></u>	<u><u>1,056,772</u></u>

c. Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Fair value of plan assets on January 1	\$ 583,386	604,271
Contributions made	18,542	19,291
Benefits paid from plan assets	(47,532)	(51,758)
Interest revenue	9,067	8,815
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	2,938	2,767
Fair value of plan assets on December 31	<u><u>\$ 566,401</u></u>	<u><u>583,386</u></u>

d. Expense recognized in profit or loss

The expenses recognized of the Group in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Current service cost	\$ 11,380	12,201
Net interest of net defined benefit liabilities (assets)	7,093	6,977
Current pension cost	<u><u>\$ 18,473</u></u>	<u><u>19,178</u></u>

- e. Remeasurement of net defined liabilities (assets) recognized in other comprehensive income

For the year ended December 31, 2015 and 2014, the remeasurement of net defined liabilities (assets) recognized accumulatively in other comprehensive income was as follows:

	<u>2015</u>	<u>2014</u>
Balance at January 1	\$ (47,003)	(28,420)
Recognized amount during the period	(29,867)	(18,583)
Balance at December 31	<u>\$ (76,870)</u>	<u>(47,003)</u>

- f. Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	1.22%~1.32%	1.53%~1.57%
Expected rate of return on plan assets	1.22%~1.32%	1.53%~1.57%
Future salary growth rate	2.00%~2.50%	2.00%~2.50%

The expected contribution to the defined benefit plan for the next year is \$15,782. The weighted average duration of the defined benefit obligation was 3~5 years.

- g. Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2015 and 2014, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<u>Effects to Defined Benefit Obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2015		
Discount rate	(31,780)	33,312
Future salary increases	27,510	(26,584)
December 31, 2014		
Discount rate	(32,921)	34,566
Future salary increases	28,912	(27,891)

The sensitivity analysis presented above is based on the condition that other variables are unchanged. In practice, the changes of many assumptions are correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net defined liabilities.

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

B. Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Group contributes 6% of the employee's monthly wages to the Bureau of the Labor Insurance. Therefore, the Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Group contributed \$86,323 and \$87,481 under defined contribution plan to the Bureau of the Labor Insurance in the year 2015 and 2014 respectively.

C. For the year ended December 31, 2015 and 2014, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$4,255 and \$2,298, respectively.

(18) Income tax

A. Income tax expense (benefit)

The amount of income tax expense (benefit) for the year 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Current income tax expense (benefit)		
Current year	\$ 70,491	57,044
Adjustment to the prior years' income tax	3,557	(37,025)
	<u>74,048</u>	<u>20,019</u>
Deferred income tax expense		
Unrealized gains (losses) on derivative financial instruments	33,675	(24,552)
Unrealized gains (losses) on foreign investments under Equity Method	(4,872)	1,637
Amortization of operation franchise	-	2,647
Amortization of goodwill	106,308	106,308
Decrease in tax loss carried forward	75,935	173,384
Adjustments of deferred income tax assets and liabilities	20,583	9,595
	<u>231,629</u>	<u>269,019</u>
Income tax expenses	<u>\$ 305,677</u>	<u>289,038</u>

The amount of income tax expense or benefit recognized in other comprehensive income in year 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Foreign exchange difference from translating financial statements of foreign operations	<u>\$ 14,772</u>	<u>22,829</u>

Reconciliation of income tax expense (benefit) and income before tax in year 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Net income before tax	\$ 2,034,035	2,432,701
Income tax using the Company's domestic tax rate	\$ 391,478	445,901
Tax-exempt income	(109,153)	(133,074)
10% surtax on undistributed earnings	73	8,399
Income tax difference of bonds purchased under resale agreements and income tax separately levied	(167)	(355)
Adjustments to prior years' income tax	2,756	(42,287)
Unrecognized temporary differences for prior years	20,581	9,595
Others	109	859
Total	<u>\$ 305,677</u>	<u>289,038</u>

B. Deferred income tax assets and liabilities

a. Recognized deferred income tax assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Tax loss carried forward	\$ 484,791	581,309
Foreign exchange difference from translating financial statements of foreign operations	6	-
Deferred income tax assets	<u>\$ 484,797</u>	<u>581,309</u>

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2015, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

<u>Loss Year</u>	<u>Amount</u>	<u>Expiration Year</u>
2011(Assessed)	<u>\$ 1,715,983</u>	2021

b. Recognized deferred income tax liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foreign exchange difference resulted from translation of financial statements of foreign operations	\$ 34,109	19,331
Unrealized gains on derivative financial instruments	46,672	12,997
Unrealized gains on foreign investments under Equity Method	4,281	9,153
Losses on intercompany transactions	1,639	1,639
Amortization of operation franchise	63,384	63,384
Amortization of goodwill	496,103	389,795
Land value incremental tax	47,691	47,691
Deferred income tax liabilities	<u>\$ 693,879</u>	<u>543,990</u>

c. Income tax assessment status

- (1) Except 2012, the Company's income tax returns through 2013 were assessed by the Tax Authority.
- (2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2014 were assessed by the Tax Authority.
- (3) Subsidiary - Capital Futures Corp.'s income tax returns through 2012 were assessed by the Tax Authority.
- (4) Subsidiary - Taiwan International Securities Investment Consulting Corp.'s income tax returns for the liquidation date as of June 30, 2012 were assessed by the Tax Authority.
- (5) Subsidiary - Taiwan International Futures Corp.'s income tax returns for the liquidation date as of September 18, 2008 were assessed by the Tax Authority.
- (6) The income tax returns of the merged entity, Taiwan International Securities Corp., have been assessed by the Tax Authority through 2010.

d. The information about imputation system was as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Undistributed earnings after 1998	<u>\$ 1,586,994</u>	<u>2,089,222</u>
Imputation credit account	<u>\$ 3,072,442</u>	<u>3,383,514</u>
	<u>2015 (Estimated)</u>	<u>2014 (Actual)</u>
Deductible ratio for earnings distributed to ROC residents	<u>23.91%</u>	<u>23.24%</u>

The above imputation information was calculated based on the Ruling No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

e. Income tax administrative relief

Since income tax of securities trading and amortization of intangible assets withheld from year 2008 to 2011 and 2013 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(19) Capital and other equity

A. Capital stock

As of December 31, 2015 and 2014, the Company had authorized capital of \$30,000,000 and issued common stock of \$2,319,073 thousand and \$2,369,073 thousand shares with \$10 dollars face value per share.

B. Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or to distribute cash dividend to shareholders in proportion to their share ownership, provided that the company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

C. Retained earnings

a. Legal reserve

In accordance with Company Act amended in January 2012, 10 percent of the current year's earnings after tax should be set aside as legal reserve, until the cumulative balance equals to the total amount of paid-in capital. If the Company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

b. Special reserve

In accordance with Article 41 of the Securities and Exchange Law, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, 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 stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

c. Unappropriated earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then 10% and 20% of the remainder should be appropriated as legal reserve and special reserve, respectively. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The rest may be distributed in the ratio specified below:

- (1) Remuneration to directors and supervisors: 1%~4%.
- (2) Employees bonuses: 1%~3%.
- (3) Dividends to stockholders: 93%~98%.

In accordance with the amended Company Act which was published in May 2015, employee bonuses and remuneration to directors and supervisors are no longer a part of the composition of appropriation and distribution of earnings. The Company will amend the articles of incorporation accordingly within the period prescribed by the authority.

To continue its expansion and increase profitability, and maintain its capital adequacy ratio, the Company adopts the residual dividend policy. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the budget plan, stock dividends are distributed to retain necessary funds first, and may then be paid as cash dividends subsequently. Cash dividends cannot be less than 10%.

According to the resolution of shareholders' meeting on June 22, 2015, the Company's 2014 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$22,210, \$37,017 and \$1,421,444, respectively. Due to the above changes, the difference between employee bonuses of \$23,487 and remuneration to directors and supervisors of \$39,144 for 2014 financial statements was \$3,404 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2015.

According to the resolution of shareholders' meeting on June 18, 2014, the Company's 2013 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$14,377, \$25,436 and \$1,066,083 respectively. Due to the above changes, the difference between employee bonuses of \$32,585 and remuneration to directors and supervisors of \$43,447 for 2013 financial statements was \$36,219 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2014.

The resolution of the board of directors and stockholders about earnings distribution can be found on the Market Observation Post System.

d. Treasury stocks

Pursuant to Article 28-2 of the Securities and Exchange Act, the Company repurchased 97,485 thousand share to maintain the Company's credit and shareholders' equity for the year 2015. As of December 31, 2015, a total 50,000 thousand shares were retired and the rest 47,485 thousand shares were not retired yet.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. On September 21, 2015, the Company's board meeting resolved a share buyback plan, the calculation of maximum repurchase amount \$6,809,506 was determined by the latest audited financial statement (as of June 30, 2015), the maximum number of 236,907 thousand shares was 10% of total shares issued then. On November 11, 2015, the Company's board meeting resolved a share buyback plan again, the calculation of maximum repurchase amount \$6,791,127 was determined by the latest reviewed financial statement (as of September 30, 2015), the maximum number of 236,907 thousand shares was 10% of total shares issued then. As of December 31, 2015, the maximum number of shares repurchased and held was 97,485 thousand shares and the repurchase amount was \$939,569, which fully complied with Securities and Exchange Act.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

(20) Earnings per share

The basic earnings per share and dilutive earnings per share of year 2015 and 2014 were calculated as follows:

	<u>2015</u>	<u>2014</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 1,549,327</u>	<u>2,025,305</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,357,324</u>	<u>2,369,073</u>
Basic earnings per share (dollar)	<u>\$ 0.66</u>	<u>0.85</u>
Dilutive potential ordinary shares (thousands of shares) (Note)	<u>1,740</u>	<u>2,248</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,359,064</u>	<u>2,371,321</u>
Dilutive earnings per share (dollar)	<u>\$ 0.66</u>	<u>0.85</u>

Note: The shares were calculated based on the closing price at the reporting date.

(21) Items of comprehensive income statement

A. Brokerage commissions

	<u>2015</u>	<u>2014</u>
Brokerage commission from TSE market	\$ 1,456,786	1,765,870
Brokerage commission from OTC market	576,174	705,017
Handling fee from security financing	56,824	74,946
Futures commission income - brokerage	1,340,284	1,021,592
Overseas subsidiaries	93,452	79,822
Others	61,682	75,591
	<u>\$ 3,585,202</u>	<u>3,722,838</u>

B. Underwriting commissions

	<u>2015</u>	<u>2014</u>
Revenue from underwriting securities on a firm commitment basis	\$ 46,428	57,040
Handling fee revenues from underwriting securities on best-efforts basis	1,548	1,001
Processing fee revenues from underwriting operations	54,436	25,732
Revenue from underwriting consultation	13,856	13,763
Others	51,428	71,832
	<u>\$ 167,696</u>	<u>169,368</u>

C. Net gains on sale of trading securities

	<u>2015</u>	<u>2014</u>
Revenue from securities sold - proprietary trading	\$330,665,618	370,992,832
Cost of securities sold - proprietary trading	(330,534,051)	(370,648,671)
Subtotal	<u>131,567</u>	<u>344,161</u>
Revenue from securities sold - underwriting	244,644	563,537
Cost of securities sold - underwriting	(228,856)	(486,710)
Subtotal	<u>15,788</u>	<u>76,827</u>
Revenue from securities sold - hedging	41,194,934	47,244,554
Cost of securities sold - hedging	(41,297,404)	(47,100,668)
Subtotal	<u>(102,470)</u>	<u>143,886</u>
Total	<u>\$ 44,885</u>	<u>564,874</u>

D. Interest revenue

	<u>2015</u>	<u>2014</u>
Interest revenue - margin loans	\$ 1,009,722	1,154,465
Interest revenue - bonds	323,029	192,090
Overseas subsidiaries	57,364	61,564
Others	40,295	39,417
	<u>\$ 1,430,410</u>	<u>1,447,536</u>

E. Net Losses on valuation of trading securities measured at fair value through profit or loss

	<u>2015</u>	<u>2014</u>
Trading securities - Proprietary	\$ 64,229	(9,252)
Trading securities - Underwriting	1,719	(3,145)
Trading securities - Hedging	(286,984)	(34,034)
Settlement coverage bonds payable of short sale	1,162	(16)
	<u>\$ (219,874)</u>	<u>(46,447)</u>

F. Net gains on stock warrants issued

	<u>2015</u>	<u>2014</u>
Gains on changes in fair value of stock warrants	\$ 30,567,126	12,887,698
Gains on exercise of stock warrants before maturity	9,065,630	14,580,391
Losses on changes in fair value of stock warrants repurchased	(38,715,506)	(26,762,513)
Gains on expiration of stock warrants	44,439	35,031
Stock warrants issuance expenses	(119,455)	(119,709)
	<u>\$ 842,234</u>	<u>620,898</u>

G. Employee benefits, depreciation and amortization expenses

	<u>2015</u>	<u>2014</u>
Employee benefit expenses		
Salary expense	\$ 2,123,293	2,240,790
Health and labor insurance expense	167,987	170,824
Pension expense	109,051	108,957
Others	66,743	67,531
Depreciation expense	179,376	181,418
Amortization expense	40,123	39,692
	<u>\$ 2,686,573</u>	<u>2,809,212</u>

H. Other operating expenses

	<u>2015</u>	<u>2014</u>
Rental expense	\$ 195,265	210,339
Taxes	388,094	418,358
Information technology expense	196,387	177,610
Postage expense	137,192	122,475
Professional service fee	65,184	27,667
Other expenses	568,087	468,790
	<u>\$ 1,550,209</u>	<u>1,425,239</u>

I. Other gains and losses

	<u>2015</u>	<u>2014</u>
Financial revenue	\$ 169,483	126,012
Exchange net losses	(90,586)	(46,649)
Net gains on disposal of investment	176,445	30,923
Net losses on measurement of non-operating instruments at fair value through profit or loss	(9,258)	(36,056)
Revenue from bank's allocation fee	149,594	151,312
Net gains on disposal of property and equipment	59,064	2,996
Lease revenue	49,537	41,182
Gains on reversal of prior year's liabilities	14,670	53,237
Dividend revenue	32,714	205,378
Others	42,857	33,935
	<u>\$ 594,520</u>	<u>562,270</u>

J. Remuneration to employees, directors and supervisors

The amendments to the Company's Articles of Incorporation was proposed by the Company's Board of Directors but not yet resolved by the shareholders' meeting, which stipulated to distribute employees' remuneration at the rates from 0.6% to 2% and remuneration to directors at the rate no higher than 3%, respectively, of net profit before tax. However, the Company's accumulated deficit should have been covered. The employees' remuneration distributed, in the form of shares or in cash, to the employees including the employees of subsidiaries meeting certain specific requirement.

For the year ended December 31, 2015, the estimated amounts of remuneration to employee and director and supervisor by the Company were \$17,241 and \$28,734, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and directors and supervisors multiple the earnings allocation percentage as stated under the Company's articles of incorporation. It is recognized as operating expense for the year ended December 31, 2015. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

The subsidiaries of the Group estimated their employees' remuneration to be \$6,842 and remuneration of directors and supervisors to be \$6,842.

(22) Financial instruments

A. Credit risk

a. Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2015 and 2014, the maximum credit exposure amounted to \$61,534,808 and \$58,415,368 respectively.

b. Impairment loss

The Group's ageing analysis of receivables at reporting date is as follows:

	December 31, 2015		December 31, 2014	
	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 20,230,707	2,646	26,478,290	65,924
Past due 0~30 days	336	336	117	117
Past due 31~120 days	234	234	209	209
Past due 121~360 days	1,714	1,714	113	113
Past due more than one year	15	15	688	688
	\$ 20,233,006	4,945	26,479,417	67,051

Allowance for doubtful debts under receivables is recorded for the debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2015 and 2014, the impairment losses of account receivables were recognized \$4,945 and \$67,051 respectively.

B. Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Group predicts the cash flow occurring point or the actual amount of this maturity analysis will not be significantly earlier or different.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2015							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,476,110	1,476,110	1,476,110	-	-	-	-
Settlement coverage bonds payable of short sale	299,404	299,404	299,404	-	-	-	-
Stock warrants issued	360,147	360,147	342,817	16,145	1,185	-	-
Put options - futures	57,261	57,261	57,261	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	10,402	10,402	5,568	(2,160)	5,867	1,127	-
Put options	193,888	193,888	6,017	34,126	100,470	53,275	-
Short-term borrowings	1,791,161	1,791,161	1,791,161	-	-	-	-
Bonds sold under repurchase agreements	23,576,243	23,598,443	23,598,443	-	-	-	-
Securities financing refundable deposits	2,025,011	2,025,011	2,025,011	-	-	-	-
Deposits payable for securities financing	2,242,680	2,242,680	2,242,680	-	-	-	-
Securities lending refundable deposits	1,622,937	1,622,937	1,622,937	-	-	-	-
Futures traders' equity	16,287,312	16,287,312	16,287,312	-	-	-	-
Notes payable and accounts payable	395,962	395,962	395,962	-	-	-	-
Receipts under custody	1,347,159	1,347,159	1,347,159	-	-	-	-
Other payables	765,523	765,523	762,505	3,018	-	-	-
Structured notes	4,088,809	4,088,809	3,798,140	48,678	180,348	61,643	-
	\$ 56,540,009	56,562,209	56,058,487	99,807	287,870	116,045	-
December 31, 2014							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,043,849	1,043,849	1,043,849	-	-	-	-
Settlement coverage bonds payable of short sale	99,766	99,766	99,766	-	-	-	-
Stock warrants issued	633,190	633,190	560,487	72,703	-	-	-
Put options - futures	275,648	275,648	275,648	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	4,422	4,422	(353)	396	639	3,740	-
Put options	348,450	348,450	38,817	54,326	192,673	62,634	-
Short-term borrowings	2,657,000	2,657,000	2,657,000	-	-	-	-
Commercial paper payable	1,749,717	1,750,000	1,750,000	-	-	-	-
Bonds sold under repurchase agreements	14,610,182	14,621,088	14,621,088	-	-	-	-
Securities financing refundable deposits	2,231,990	2,231,990	2,231,990	-	-	-	-
Deposits payable for securities financing	2,593,973	2,593,973	2,593,973	-	-	-	-
Securities lending refundable deposits	2,254,764	2,254,764	2,254,764	-	-	-	-
Futures traders' equity	11,743,420	11,743,420	11,743,420	-	-	-	-
Notes payable and accounts payable	532,062	532,062	532,062	-	-	-	-
Receipts under custody	125,703	125,703	125,703	-	-	-	-
Other payables	827,935	827,935	824,756	3,179	-	-	-
Long term liabilities - current portion	500,000	500,000	500,000	-	-	-	-
Structured notes	2,256,615	2,256,615	2,030,527	113,523	95,377	17,188	-
	\$ 44,488,686	44,499,875	43,883,497	244,127	288,689	83,562	-

C. Currency risk

a. Currency risk exposure

The Group's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

		December 31, 2015		
		Foreign Currency	Exchange Rate	Amount
Financial assets				
<u>Monetary Item</u>				
USD	\$	251,046	32.83	8,241,840
HKD		12,826	4.24	54,382
EUR		2,341	35.88	83,995
JPY		875,334	0.2727	238,704
GBP		312	48.67	15,185
AUD		1,525	23.99	36,585
SGD		1,131	23.25	26,296
CNY		66,619	4.995	332,762
KRW		2,970,021	0.0281	83,458
THB		745	0.9146	681
CHF		57	33.190	1,892
MYR		117	7.3425	859
<u>Non-Monetary Item</u>				
USD		204,035	32.83	6,698,469
HKD		55,140	4.24	233,794
EUR		343	35.88	12,307
AUD		58,860	23.99	1,412,051
CNY		233,206	4.995	1,164,864
<u>investments at equity</u>				
HKD		3,109	4.24	13,167
		December 31, 2015		
		Foreign Currency	Exchange Rate	Amount
Financial liabilities				
<u>Monetary Item</u>				
USD	\$	466,601	32.83	15,318,511
HKD		90,440	4.24	383,466
CNY		133,647	4.995	667,567
CHF		57	33.19	1,892
JPY		873,290	0.2727	238,146
GBP		312	48.67	15,185
AUD		50,411	23.99	1,209,360
EUR		1,986	35.88	71,258
SGD		896	23.25	20,832
THB		629	0.9146	575
MYR		45	7.3425	330
KRW		2,807,367	0.0281	78,887

		December 31, 2014		
		Foreign Currency	Exchange Rate	Amount
Financial assets				
<u>Monetary Item</u>				
USD	\$	132,108	31.65	4,181,218
HKD		110,316	4.08	450,089
EUR		1,689	38.47	64,976
JPY		212,151	0.2646	56,135
GBP		514	49.27	25,325
AUD		122	25.91	3,161
SGD		330	23.94	7,900
CNY		91,417	5.092	465,495
KRW		716,514	0.029	20,779
CAD		6	27.27	164
CHF		1	31.98	32
ZAR		7	2.74	19
THB		74	0.97	72
<u>Non-Monetary Item</u>				
USD		11,729	31.65	371,223
HKD		73,465	4.08	299,737
CNY		338,838	5.092	1,725,363
Financial liabilities				
<u>Monetary Item</u>				
USD		203,653	31.65	6,445,617
HKD		89,121	4.08	363,614
EUR		1,551	38.47	59,667
JPY		207,167	0.2646	54,816
GBP		506	49.27	24,931
KRW		666,162	0.029	19,319
SGD		(48)	23.94	(1,149)
CNY		188,071	5.092	957,658
AUD		98	25.91	2,539

Because there are a variety of functional currencies, the Group discloses a summary of its information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$90,586 and \$46,649 for the year ended December 31, 2015 and 2014, respectively.

b. Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets measured at fair value through profit or loss and securities lending refundable deposits, which are denominated in foreign currencies. Foreign exchange gain or loss occurs when translating the foreign currency assets to NTD assets. For the year ended December 31, 2015 and 2014, given other factors remain the same, if NTD increase or decrease 5% contrary to other currencies, the income after tax will increase or decrease by \$295,061 and \$10,596, and the other comprehensive income will increase or decrease by \$321,841 and \$0, respectively.

D. Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The variable rate is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates. This is mainly attributable to the Company’s exposure to floating rates on its bond position.

market risk type	December 31, 2015	December 31, 2014	2015			2014		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
interest risk	1,201,645	756,972	1,003,569	1,250,286	734,670	704,565	756,972	636,871

E. Fair value and hierarchy information

a. Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Group determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

(2) Definition of fair value hierarchy

A) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. Taiwan government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market possessed by the Group belong to Level 1.

B) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments

without public quotes in an active market and most of the derivative financial instruments of the Group belong to Level 2.

C) Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.

b. Not based on fair value measurement

As of December 31, 2015 and 2014, the fair value information of the financial assets and financial liabilities of the Group was as follows:

(1) Fair value information

	December 31, 2015		December 31, 2014	
	Book value	Fair value	Book value	Fair value
Financial assets :				
Cash and cash equivalents	\$ 4,726,498	4,726,498	4,227,583	4,227,583
Accrued receivable	22,848,006	22,848,006	27,735,151	27,735,151
Customer margin deposit	16,304,756	16,304,756	11,844,443	11,844,443
Restricted assets-current	570,321	570,321	471,000	471,000
Financial assets measured at cost-non-current	411,231	411,231	419,981	419,981
Investments under equity method	157,675	157,675	103,266	103,266
Other assets-non-current	1,836,443	1,836,443	2,091,837	2,091,837
Financial liabilities :				
Short-term borrowings	\$ 1,791,161	1,791,161	2,657,000	2,657,000
Commercial paper payable	-	-	1,749,717	1,749,717
Bonds sold under repurchase	23,576,243	23,576,243	14,610,182	14,610,182
Accrued payable	10,663,564	10,663,564	13,978,460	13,978,460
Futures traders' equity	16,287,312	16,287,312	11,743,420	11,743,420
Other financial liabilities - current	3,834,575	3,834,575	2,140,965	2,140,965
Long-term liabilities - current portion	-	-	500,000	500,000
Other financial liabilities - non-current	241,991	241,991	112,565	112,565
Other liabilities - non-current	337,611	337,611	337,611	337,611

(2) Hierarchy information of fair value

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Investment property	\$ 2,846,381	-	-	2,846,381

(3) Valuation techniques used in estimating the fair values of financial instruments

- A) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, other current assets, other assets - non-current, short term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, other financial liabilities - current, other financial liabilities - non-current, and other liabilities - non-current.

- B) Financial assets measured at cost and equity investments in unlisted stocks do not have the quoted market prices in an active market and the variability in the range of reasonable fair values is significant or the probabilities of the various estimates within the range cannot be reasonably assessed, so the fair value is unable to be reliably measured. Therefore, the Group considers the book value as a reasonable approximation of fair value.
- C) The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

c. Based on fair value measurement

(1) Hierarchy information of fair value

The Group's financial instruments measured at fair value are evaluated on a recurring basis.

The financial assets and liabilities measured at fair value as of December 31, 2015 and 2014 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2015				
Financial assets at fair value through profit or loss	\$ 8,557,048	17,255,304	-	25,812,352
Financial assets available for sale	154,449	7,741,972	-	7,896,421
Derivative financial assets	320,526	43,300	-	363,826
	<u>\$ 9,032,023</u>	<u>25,040,576</u>	<u>-</u>	<u>34,072,599</u>
Financial liabilities at fair value through profit or loss	\$ 2,135,661	-	-	2,135,661
Derivative financial liabilities	57,261	216,533	-	273,794
	<u>\$ 2,192,922</u>	<u>216,533</u>	<u>-</u>	<u>2,409,455</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2014				
Financial assets at fair value through profit or loss	\$ 10,719,554	14,010,574	-	24,730,128
Financial assets available for sale	85,587	-	-	85,587
Derivative financial assets	453,059	81,227	-	534,286
	<u>\$ 11,258,200</u>	<u>14,091,801</u>	<u>-</u>	<u>25,350,001</u>
Financial liabilities at fair value through profit or loss	\$ 1,776,805	-	-	1,776,805
Derivative financial liabilities	275,648	355,957	-	631,605
	<u>\$ 2,052,453</u>	<u>355,957</u>	<u>-</u>	<u>2,408,410</u>

(2) Valuation techniques

A) Non-derivative financial instruments

Financial instruments are initially recognized at fair value. For active markets, fair value is measured according to quoted prices. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market

quotes as the basis of fair value.

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Excluding the above-mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilizes the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest et cetera).

B) Derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

d. Transfer between Level 1 and Level 2

There is no significant transfer between Level 1 and Level 2 f for the year ended December 31, 2015 and 2014.

e. Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

F. Transfer of financial assets

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchased agreements or equity securities under securities lending agreement. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

December 31, 2015					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 23,740,296	23,576,243	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS 7 pg.42 D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

G. Offsetting financial assets and financial liabilities

The Group did not hold any financial instruments contracts which meet Section 42 of the FSC endorsed by IAS 32 therefore, the financial assets and financial liabilities will be offset on the balance sheet.

The Group has transactions, such as repurchase and resell agreements, that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party defaults, the other party can choose to use net settlement.

The offsetting of financial assets and liabilities information is as below:

December 31, 2015						
	Financial assets under offsetting or general agreement of net amount settlement or similar norms			Related amount not offset in the balance sheet (d)		
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Financial instruments	Cash received as collaterals	Net amount
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial assets	\$ 43,300	-	43,300	-	-	43,300

December 31, 2015						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash received as collaterals	
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial liabilities	\$ 216,533	-	216,533	-	-	216,533
Under repurchase agreements	23,576,243	-	23,576,243	23,576,243	-	-
Total	<u>\$ 23,792,776</u>	<u>-</u>	<u>23,792,776</u>	<u>23,576,243</u>	<u>-</u>	<u>216,533</u>
December 31, 2014						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash received as collaterals	
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial assets	\$ 81,227	-	81,227	-	-	81,227
December 31, 2014						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
				Financial instruments	Cash received as collaterals	
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial liabilities	\$ 355,957	-	355,957	-	-	355,957
Under repurchase agreements	14,610,182	-	14,610,182	14,610,182	-	-
Total	<u>\$ 14,966,139</u>	<u>-</u>	<u>14,966,139</u>	<u>14,610,182</u>	<u>-</u>	<u>355,957</u>

Note: Including netting settlement agreement and non-cash financial collaterals.

(23) Financial risk management

A. Brief

The Group is exposed to the following risks due to the usage of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note describes the Group's information concerning risk exposure, and the Group's targets, policies and procedures to measure and manage the risks. The further detail of the quantitative result please refers to each note.

B. Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

C. Credit risk

Credit risk refers to the risk of financial losses to the Group arising from default by the clients or counterparties of financial instruments on the contract obligation.

The Group sets up the credit limits for issuers and counterparties according to the credit information requirements of the authorities and the credit rating information release by credit rating agencies. The credit limit of securities margin transactions is subject to the requirements of the competent authority. The derivatives' credit exposure of counterparty shall be measured on a daily basis. If the limits are exceeded, to increase of collateral or lower transaction position is required. The bonds can be invested only its credit rating is above a prescribed level. And monitor the material information disclosed, information on capital raising activities and operation status of counterparty as a reference for measuring the possibility of credit default. The bond position should be disposed if the credit rating is lower than required.

D. Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Group has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc to address the liquidity risk of each holding position. Moreover, the Group operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

E. Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Group's revenue or the value of its holdings of financial instruments.

The Group has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and

maximum loss limit to be controlled. The different risk factors that the Group uses to measure the market risk are as follows:

- a. Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- b. Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- c. Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- d. Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Group can utilizes approved financial hedging instruments (such as Futures, Options, Swap and etc) to adjust the risk level to improve the risk management system implemented.

F. Hedging strategies (financial hedging)

The Group's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Group also formulates principal to conduct over or under limitations with hedging position.

a. Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

b. Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

c. Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

d. Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group establishes related hedged position to hedge the stock price and the volatility risk.

e. Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Group manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

G. Financial risk information of derivative financial instruments

As of December 31, 2015 and 2014, the related financial risk and the presentation of the Group's financial derivatives were as follows:

Stock warrants

a. Notional principal (nominal amount) and credit risk

<u>Financial Instruments</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:				
Stock warrants issued	\$ 10,260,292	-	33,477,191	-

The Group collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

b. Market risk

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand.

The Group establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for

changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

d. Type, purpose, and strategy of financial derivatives held

The Group's strategy is to avoid most of the market risk. Non-trading marketable securities hedging positions are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

e. Presentation of financial derivatives

Relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

In 2015 and 2014:

(1) Gains (losses) on valuation

	<u>2015</u>	<u>2014</u>	<u>Account</u>
Stock warrants issued	\$ 11,070,099	4,095,759	Gains (losses) on stock warrants issued
Stock warrants repurchased	(10,814,221)	(3,851,835)	Gains (losses) on stock warrants issued

(2) Gains (losses) on sale

	<u>2015</u>	<u>2014</u>	<u>Account</u>
Security borrowing	\$ (45,496)	(68,812)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(366,765)	(89,159)	Gains (losses) on sale of trading securities
Futures	(5,348)	(90,195)	Gains (losses) on derivative financial instruments - futures

(3) Gains (losses) on maturity

	<u>2015</u>	<u>2014</u>	<u>Account</u>
Stock warrants issued	\$ 28,607,096	23,407,361	Gains (losses) on stock warrants issued
Stock warrants repurchased	(27,901,285)	(22,910,678)	Gains (losses) on stock warrants issued

Futures

a. Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Taiex Futures	\$ 716,991	-	1,869,019	-
HSI Future	-	-	14,383	-
Mini-Taiex Futures	-	-	168,381	-
Electronic Sector Index Futures	27,203	-	14,672	-
Finance Sector Index Futures	18,764	-	54,853	-
Non-Finance Non-Electronics Sub-Index Futures	8,083	-	42,206	-
Stock Futures	228,537	-	37,077	-
Mini DJ index Futures	-	-	16,945	-
Wheat Futures	-	-	4,004	-
Soy bean Futures	5,699	-	6,604	-
Coffee Futures	3,013	-	-	-
LME Copper Futures	-	-	4,516	-
Crude oil Futures	16,659	-	5,097	-
Gold Futures	-	-	15,036	-
FTSE China A50 Index Futures	13,141	-	16,106	-
Euro Bund	455,705	-	-	-
S&P Futures	16,827	-	143,280	-
JPY dollar Futures	-	-	3,318	-
AUD dollar Futures	-	-	5,153	-
Natural gas Futures	-	-	1,931	-
Platinum Futures	2,926	-	-	-
CHF dollars Futures	-	-	4,039	-
Sugar No.11 Futures	2,787	-	1,044	-
U.S. 30-Year T-Note Futures	15,187	-	-	-
Taiex Options	103,725	-	174,945	-
Stock Options	4,758	-	302,876	-
Taiex Weekly Options	4,416	-	6,182	-
Electronic Sector Index Options	5,593	-	1,936	-
Finance Sector Index Options	2,949	-	2,659	-
S&P Sector Index Options	3,512	-	18,737	-
Gold Options	230	-	295	-
For non-trading purpose:				
Taiex Futures	197,542	-	194,735	-
Stock Futures	320,278	-	900,101	-
H stocks Index Futures	35,626	-	-	-
HSI Futures	9,336	-	-	-
Mini H stocks Index Futures	838	-	-	-
Mini-HSI Futures	16,805	-	-	-
Taiex Options	18,390	-	2,062	-
Stock Options	355	-	19	-

Should counterparties to futures and options default, the associated loss is borne by the futures commission merchants. Hence, the Group is subject to insignificant credit risk.

b. Market risk

Market risk resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the Group can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gain or loss from the fluctuations of index tends to offset gain and loss of the hedged items. Hence, there is no significant market risk.

- c. Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand

The open positions of futures and options held by the Group can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Stock index futures and government bond futures are considered margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Group. For margin calls, the Group has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Group has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

- d. Presentation of financial derivatives

In 2015 and 2014, gains (losses) on futures and options transactions amounted to \$126,235 and (\$123,687), respectively, and were reflected as gains or losses on derivatives - futures. As of December 31, 2015 and 2014, futures margin - proprietary fund amounted to \$270,282 and \$189,165, respectively, and were reflected as financial assets at fair value through profit or loss - current.

In 2015 and 2014, the balance of call options which recognized as financial assets at fair value through profit or loss - current amounted to \$50,244 and \$263,894, respectively, put options which recognized as financial liabilities at fair value through profit or loss - current amounted to \$57,261 and \$275,648, respectively.

Derivative financial instruments - OTC

- a. Interest rate financial derivatives

- (1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 55,700,000	-	53,440,000	-

Counterparties to interest rate swaps are banks with good credit ratings. The Group pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

(2) Market risk

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gain or loss from the fluctuations of interest rate tends to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, Stop-loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Group's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

(4) Type, purpose, and strategy of financial derivatives held

The Group entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Group's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Group engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

b. Structured notes

(1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 2,000	-	16,000	-
Principal guaranteed notes	3,761,609	-	1,932,968	-
Credit-linked notes	317,200	-	304,800	-

The Group collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

(2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Group collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

c. Convertible bond asset-backed swaps

(1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset-backed swaps	\$ 1,304,600	-	1,038,100	-
Convertible bond options	2,947,200	-	2,875,700	-

Counterparties to convertible bond asset-backed swaps are institutions with good credit ratings. The Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Group maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Group collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

(2) Market risk

For convertible bond asset-backed swaps, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Group swaps

a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Group also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

The underlying assets of Convertible bond option transaction in which the Group engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Group has collected premium or margins from investors; therefore there is no significant liquidity risk.

d. Presentation of derivative financial instruments - OTC

As of December 31, 2015 and 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps were presented on the balance sheets as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 22,878	25,952
Currency swaps	8,482	45,318
Asset swap options - long position	11,940	9,881
Structured notes	-	76
Total	<u>\$ 43,300</u>	<u>81,227</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial liabilities at fair value through profit or loss - current		
Asset swap options - short position	\$ 193,888	348,450
IRS asset swaps	5,398	249
Structured notes	12,243	3,085
Currency swaps	3,476	503
Interest rate swaps	1,528	3,670
Total	<u>\$ 216,533</u>	<u>355,957</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 3,834,575</u>	<u>2,140,965</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 241,991</u>	<u>112,565</u>

In year 2015 and 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps are presented on statements of income as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ (830)	(1,528)	(8,589)	(3,670)
Equity derivatives	245	-	1,497	-
Structured notes	(48,375)	(8,003)	(25,572)	(2,915)
IRS asset swaps	511	527	784	299
Asset swap options	(41,617)	158,261	(122,864)	(37,422)
Currency swaps	35,796	5,005	109,253	44,815
Total	<u>\$ (54,270)</u>	<u>154,262</u>	<u>(45,491)</u>	<u>1,107</u>

(24) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Group has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

As of December 31, 2015, the Group maintains no change of its capital management.

7. RELATED PARTY TRANSACTIONS

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the consolidated Company.

(2) Key management personnel transactions

A. Key management personnel compensation:

	<u>2015</u>	<u>2014</u>
Short-term employee benefits	\$ 155,674	158,504
Post-employment benefits	1,806	1,923
Termination benefits	1,056	-
Share-based payments	-	2,773
Total	<u>\$ 158,536</u>	<u>163,200</u>

B. Bond transactions

Bonds sold under repurchase agreements between key management personnel in year 2015 and 2014 are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	<u>\$ 50,500</u>	<u>50,691</u>	<u>56,400</u>	<u>60,914</u>

	<u>2015</u>	<u>2014</u>
Total financial expenses		
Key management personnel	<u>\$ 415</u>	<u>438</u>

C. Structured notes transactions

The Group engages in structured notes transactions with key management personnel. As of December 31, 2015 and 2014, the balances of structured notes transactions were \$17,600 and \$22,200 respectively.

(3) Significant transactions with related parties

A. Bond transactions

Bonds sold under repurchase agreements in year 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ 13,500	13,535	12,500	13,089
Affiliates	13,400	13,400	11,000	11,300
Total	\$ 26,900	26,935	23,500	24,389

	2015	2014
	Total financial expense	Total financial expense
Subsidiaries	\$ 148	103
Affiliates	67	141
Total	\$ 215	244

Transaction terms are the same as those with general clients.

B. Lease agreements

a. Lease revenue

	2015	2014
Subsidiaries	\$ 1,036	1,036

b. Guarantee deposits received

	December 31,	December 31,
Subsidiaries	\$ 200	200

C. Insurance commission income

The Group assists subsidiaries to recruit insurance contracts and charge commission income. The details are as follows:

a. Commission revenues

	2015	2014
Subsidiaries	\$ 10,304	13,812

b. Accounts receivable

	2015	2014
Subsidiaries	\$ 1,200	311

D. Brokerage commissions

The investors of CSC Securities (HK) Ltd. traded of market securities with the Company through the trust account named “Capital Securities Nominee Limited.” In year 2015 and 2014, the brokerage commissions were \$7,406 and \$8,362 respectively.

E. The Company issued Letter of Comfort to the banks which loaned to subsidiaries.

8. PLEDGED ASSETS

The following assets were pledged as collateral or restricted in use on December 31, 2015 and 2014:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>The collateral use</u>
Restricted assets - current	\$ 570,321	471,000	Bank borrowings, commercial paper, accounts settled, money trust (Annotation 1) and guaranty deposited for business operations (Annotation 2)
Restricted assets - non - current	178,353	184,508	Trust to a impartial third party (Note 12(4)) and the amount of provisional seizure (Note 9(12))
Trading securities and bonds purchased under resale agreements (par value)	23,993,535	13,348,600	Repurchase agreement - Investments in Bonds with Resale Agreements - RS
Property and equipment	4,074,595	4,178,183	Bank borrowings
Financial assets at fair value through profit or loss - non-current	190,554	189,262	Guaranty deposited for bills, interest rate swaps business, structured notes business and settlement fund
Investment property	890,116	825,570	Bank borrowings
Total	<u>\$ 29,897,474</u>	<u>19,197,123</u>	

Annotation 1 : Money trust received from the client by the subsidiary TIS Securities (HK) limited.

Annotation 2 : According to the request of Financial Supervisory Commission No. 09600744341, the guaranty deposit for business operations which Taiwan International Futures Corp. deposited can't be transferred to the its own working capital temporarily for protecting creditors.

9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

- (1) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

	December 31, 2015		December 31, 2014	
	Shares		Shares	
	(in thousands)	Par value	(in thousands)	Par value
Securities procured through margin purchase	826,231	\$ 8,262,310	1,058,730	10,587,300
Collateral for margin purchase	33,476	334,760	5,985	59,850
Collateral for short sales	13,332	133,320	7,293	72,930
Lending securities to customers through short sales	44,174	441,740	49,606	496,060

- (2) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

	December 31, 2015		December 31, 2014	
	Shares		Shares	
	(in thousands)	Par value	(in thousands)	Par value
Securities borrowed from securities finance companies	217	\$ 2,170	573	5,730
Collateral for refinancing margin	-	-	217	2,170

- (3) Information of issuing promissory notes in connection with guaranty for segregated error accounts, debt, and issuance of commercial paper are as follows:

	December 31, 2015		December 31, 2014	
Promissory notes	\$	21,850,000		20,820,000
Promissory notes	USD	80,000		80,000

- (4) The Company designated Mr. Liu as a consultant to assist expanding brokerage business and entered into a non-competition agreement with him. The Company paid the consulting fee according to the actual operating performance. During March, 2011, Mr. Liu and the Company re-signed a supplementary to replace the old agreement and the major difference is the annual consulting fee is fixed for \$16,000. The effective period is from January 1, 2011 to March 31, 2016. The payment should be done by the end of March every year. The Company already recognized \$16,000 both as miscellaneous expense for the year ended December 31, 2015 and 2014.

- (5) Securities and Futures Investors Protection Center claims against the Company for compensation of \$2,004; due to the fact that the Company, being the underwriter of client's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The case is under the trial of Taiwan Shilin District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.

- (6) The client, Mr. Wu, declared that a resigned employee of Tung-Hu branch stole and sold off his stocks and withdrew his deposit illegally. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of \$36,000 with additional interests. Based on Year 2008 Chung Su No.684 verdict, the Taiwan Taipei District Court ruled

in favor of the Company. Mr. Wu was unwilling accept the result and appealed to the high court. This case is currently under the review of the Taiwan High Court. According to the opinion from the attorney of the Company, the case is a personal financial dispute between customer and the former employee and had no impact to the Company.

- (7) The client, Mr. Chen, declared that Entie Securities Finance Ltd. (the Company's merged entity) did not return the remaining amount of the transaction and requested the Company to reimburse \$1,826 and related interests. Based on recent verdict, the Taiwan High Court ruled against the Company. The Company was not willing to accept the verdict and filed an appeal. It is currently under the review of the Supreme Court.
- (8) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the Regulations Governing Securities Firms due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. However, relevant evidence is still under inspection and the legal responsibilities are pending clarification. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$8,734,798 dollars (including claim amount US\$354,006 dollars towards Taiwan International Securities Investment Consulting Corp.). As of December 31, 2015, the damages claimed for amounted to US\$2,930,000 dollars which is favorable to the Company instead of US\$5,026,873 dollars; that the investors reached compromises to waive off the appeal rights. Since the case is currently on trial, the possible loss remains uncertain at the moment according to the opinion from the attorney of the Company. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities.
- (9) Ding-Li Assets Management Co., Ltd. (hereinafter known as "Ding-Li") acquired the financing creditor's right of Mr. Huang and two other person and claimed that employees of Chang-Li Securities Corp. and Da-Yong Securities Corp. opened these three people's accounts without their consent. Since Chang-Li Securities Corp. and Da-Yong Securities Corp. were acquired by the Company, Ding-Li filed a lawsuit to claim against the Company; amounting to \$1,800. Taiwan Taipei District Court ruled in favor of the Company and the case is currently under the review of the Taiwan High Court.
- (10) The original shareholder of Taiwan International Securities Corporation (hereinafter known as "TISC"), China Development Financial Holdings (hereinafter known as "CDFH"), possessed a different point of view towards the election motion of 2009 shareholder's meeting and instituted a proceeding in terms of the existence of fiduciary relation toward the TISC. On June 4, 2010, Taiwan Taipei District Court ruled that the fiduciary relation between TISC and aforementioned board of directors and supervisors was not existed based on Year 2009 No. 1086 verdict. The CDFH and TISC both appealed to the verdict. On July 12, 2011, Taiwan High Court ruled that the CDFH has no legal interests in demanding such judgment after the Company merged the TISC and reversed the original judgment and dismissed all the related appeals based on Year 2010 No. 507 verdict. The CDFH appealed to the Supreme Court. The Supreme Court reversed the case to Taiwan High Court based on July 19, Year 2012 No 1093

verdict that the original verdict was in contravention of the laws because the distributing method of the remuneration for directors and supervisors was not explained.

- (11) The Company provided the Letter of Comfort for its subsidiary CSC International Holdings Ltd. and CSC securities (HK) Ltd.
- (12) In October 2005, the former account executive of the Company’s subsidiary - Taiwan International Futures Corporation (hereinafter known as “TIFC”) was suspected for deceiving futures investors and causing a material loss. Several investors institute proceedings towards TIFC and claim joint responsibility of compensation for damages. After viewing by TIFC and its attorney, those litigations were classified by actual situations and relevant matters, thereon adopted different solutions. As of December 31, 2015, sixteen litigations with civic claim were filed (including seven cases with ancillary civil action transferred from Taiwan Taipei District Court Criminal Division to Taiwan Taipei District Court Civic Division). Two litigations had been settled and dismissed. Eleven litigations were ruled in favor of TIFC by Taiwan Supreme Court, Taiwan High Court and Taiwan Taipei District Court, respectively. Two litigations were ruled by Supreme Court that the resigned-employee and TIFC should be jointly responsible for the compensation for damages, and TIFC had indemnified \$52,701 for the investor. One litigation was ruled against TIFC by Taiwan High Court on November 30, 2015 and TIFC has filed an appeal to The Supreme Court. As of December 31, 2015, TIFC has paid \$162,812 for compensation and the estimated losses amounted to \$254,389 in other liabilities – non-current.

The alleged damages amounted to \$72,416 for only one litigation are still on trial. In addition, the plaintiffs of those four cases applied to the court for provisional seizure and the amount of provisional seizure and execution fees were \$222,991.

As of December 31, 2015, the objects of provisional seizure are as follows:

	<u>Provisional Seizure Amount</u>
Bank deposit	\$ 88,821
Clearing and Settlement fund	15,121
Accounts receivable and Other accounts receivable	13
	<u>\$ 103,955</u>

The Financial Supervisory Commission Executive Yuan voided TIFC’s business license on December 27, 2007. Thus, the shareholders’ special meeting of TIFC decided to dissolve the company on September 18, 2008. Mr. Kuo, a certified public accountant, and Mr. Liu, a lawyer were designated as liquidators. TIFC is still in the process of liquidation.

(13) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and list of trust properties of trust accounts were declared as follows:

a. Balance sheet of trust accounts

Balance Sheet of Trust Accounts					
December 31, 2015 and 2014					
Trust Assets	December 31, 2015	December 31, 2014	Trust Liabilities	December 31, 2015	December 31, 2014
Bank deposits	\$ 801,071	813,907	Accounts payable	\$ 723	337
Short-term investment			Trust capital	7,995,479	10,996,632
Funds	5,844,770	9,459,615	Accumulated earnings or deficit	(273,608)	311,901
Stocks	428,052	724,537			
Securities lent	345,528	278,386			
Bond investment under agreements to repurchase	266,975	-			
Structured notes	5,400	-			
Accounts receivable	30,798	32,425			
Total Assets	\$ 7,722,594	11,308,870	Total Liabilities	\$ 7,722,594	11,308,870

b. Income statement of trust accounts

Income Statement of Trust Accounts		
Year Ended December 31, 2015 and 2014		
	2015	2014
Revenue		
Interest revenue	\$ 5,580	2,885
Cash dividends revenue	90,984	48,544
Rental revenue	7,912	8,926
Realized investment gain	239,909	167,345
Unrealized investment gain	71,832	276,388
Unrealized foreign exchange gain	218,494	137,477
Foreign exchange gain	76,773	31,639
Subtotal	711,484	673,204
Expense		
Administrative fee	1,464	1,578
Commission expenses	54,058	35,111
Realized investment loss	235,269	93,780
Unrealized investment loss	601,332	163,815
Unrealized foreign exchange loss	32,758	8,982
Foreign exchange loss	29,403	12,371
Supplementary insurance premium	226	293
Subtotal	954,510	315,930
Net income (loss) before tax	(243,026)	357,274
Income tax expense	(464)	(283)
Net income (loss) after income tax	\$ (243,490)	356,991

c. List of trust properties

**List of Trust Properties
December 31, 2015 and 2014**

Investment items	December 31, 2015	December 31, 2014
Bank deposits	\$ 801,071	813,907
Short-term investment		
Stocks	428,052	724,537
Securities lent	345,528	278,386
Bond investments under agreement to repurchase	266,975	-
Structured notes	5,400	-
Funds	5,844,770	9,459,615
Total	\$ 7,691,796	11,276,445

10. SIGNIFICANT CATASTROPHIC LOSS : NONE

11. SIGNIFICANT SUBSEQUENT EVENTS :

The Board of Directors resolved to establish the venture capital company with investment \$1,000,000 on May 11, 2015 and got the approval by the FSC No. 1040034071 on September 8, 2015, and the incorporation registration is approved by Ministry of Economic Affairs on January 12, 2016.

12. OTHERS

(1) As of December 31, 2015 and 2014, the open positions of futures and option contracts were as follows:

A. December 31, 2015

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	Taix Futures	Long	70	\$ 118,276	117,949	
	Taix Futures	Short	479	(796,257)	(792,419)	
	Electronic Futures	Short	21	(27,203)	(27,392)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	8	8,083	8,240	
	Stock Futures	Long	1,363	260,472	255,395	
	Stock Futures	Short	2,698	(288,343)	(287,868)	
	Finance Sector Index Futures	Long	19	18,764	18,586	
	H stocks Index Futures	Short	17	(35,626)	(34,936)	
	Mini H stocks Index Futures	Short	2	(838)	(822)	
	HSI Futures	Short	2	(9,336)	(9,379)	
	Mini HSI Futures	Short	18	(16,805)	(16,702)	
	Sugar No.11 Futures	Long	5	2,787	2,801	
	Gold Futures	Short	5	(17,276)	(17,401)	
	Coffee Futures	Long	2	3,013	3,119	
	Soy bean Futures	Short	4	(5,699)	(5,674)	
	Crude oil Futures	Long	14	16,659	17,022	
	S&P Futures	Long	5	16,827	16,583	
	FTSE China A50 Index Futures	Long	12	4,209	4,124	
	FTSE China A50 Index Futures	Short	26	(8,932)	(8,871)	
	U.S. 30-Year T-Note Futures	Short	3	(15,187)	(15,141)	
	Platinum Futures	Short	2	2,926	2,932	
	Subtotal			(769,486)		
Options contract :						
	Taix Options (Call)	Long	11,356	\$ 25,752	20,111	
	Taix Options (Put)	Long	13,664	23,550	18,065	
	Taix Options (Call)	Short	6,444	(24,127)	(13,828)	
	Taix Options (Put)	Short	11,120	(48,686)	(36,903)	
	Stock Options (Call)	Long	1,221	1,958	2,492	
	Stock Options (Put)	Long	1,262	2,352	2,350	
	Stock Options (Call)	Short	209	(375)	(224)	
	Stock Options (Put)	Short	172	(428)	(414)	
	Taix Weekly Options (Call)	Long	871	728	787	
	Taix Weekly Options (Put)	Long	1,607	1,843	1,775	
	Taix Weekly Options (Call)	Short	214	(881)	(919)	
	Taix Weekly Options (Put)	Short	160	(964)	(899)	
	Gold Option (Call)	Long	12	190	150	
	Gold Option (Put)	Long	1	1	1	
	Gold Option (Call)	Short	12	(10)	(4)	
	Gold Option (Put)	Short	12	(29)	(31)	
	Electronic Sector Index Options (Call)	Long	574	3,135	2,536	
	Electronic Sector Index Options (Put)	Long	269	1,195	1,143	
	Electronic Sector Index Options (Call)	Short	140	(434)	(194)	
	Electronic Sector Index Options (Put)	Short	58	(829)	(637)	
	Finance Sector Index Options (Call)	Long	174	371	178	
	Finance Sector Index Options (Put)	Long	187	863	656	
	Finance Sector Index Options (Call)	Short	475	(935)	(362)	
	Finance Sector Index Options (Put)	Short	190	(780)	(740)	
	S&P Sector Index Options (Call)	Short	24	(1,685)	(1,324)	
	S&P Sector Index Options (Put)	Short	34	(1,827)	(782)	
	Subtotal			(20,052)		
Total				\$ (789,538)		

B. December 31, 2014

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	Taix Futures	Long	62	\$ 228,649	229,455	
	Taix Futures	Short	964	(1,835,105)	(1,835,101)	
	Mini-Taix Futures	Long	365	168,381	169,378	
	Electronic Sector Index Futures	Long	10	14,672	14,792	
	Finance Sector Index Futures	Short	51	(54,853)	(55,192)	
	Non-Finance Non-Electronics Sub-Index Futures	Long	37	42,206	42,162	
	Stock Futures	Long	1,276	194,200	197,026	
	Stock Futures	Short	3,998	(742,978)	(759,364)	
	HSI Futures	Long	3	14,383	14,473	
	Mini DJ index futures	Short	6	(16,945)	(16,856)	
	Wheat Futures	Short	4	(4,004)	(3,733)	
	Soy bean Futures	Short	4	(6,604)	(6,479)	
	Copper Futures	Short	2	(4,516)	(4,471)	
	Gold Futures	Short	4	(15,036)	(14,991)	
	Crude oil Futures	Short	3	(5,097)	(5,058)	
	AUD dollars Futures	Short	2	(5,153)	(5,141)	
	JPY dollars Futures	Long	1	3,318	3,303	
	CHF dollars Futures	Short	1	(4,039)	(3,986)	
	Sugar No.11 Futures	Long	2	1,044	1,029	
	Natural gas Futures	Short	2	(1,931)	(1,829)	
	A50 Index Futures	Short	46	(16,106)	(16,832)	
	S&P Futures	Long	44	143,280	141,280	
	Subtotal			(1,902,234)		
Options contract :						
	Taix Options (Call)	Long	16,832	\$ 37,986	79,495	
	Taix Options (Put)	Long	10,509	25,936	11,831	
	Taix Options (Call)	Short	3,087	(48,673)	(67,453)	
	Taix Options (Put)	Short	12,706	(64,411)	(35,779)	
	Stock Options (Call)	Long	19,875	74,565	110,259	
	Stock Options (Put)	Long	57,443	96,330	54,772	
	Stock Options (Call)	Short	26,307	(71,790)	(123,807)	
	Stock Options (Put)	Short	8,044	(60,210)	(26,400)	
	Taix Weekly Options (Call)	Long	51	7	8	
	Taix Weekly Options (Put)	Long	1,474	231	252	
	Taix Weekly Options (Call)	Short	1,711	(2,714)	(2,755)	
	Taix Weekly Options (Put)	Short	2,009	(3,230)	(2,776)	
	Electronic Sector Index Options (Call)	Long	280	360	605	
	Electronic Sector Index Options (Put)	Long	301	1,143	320	
	Electronic Sector Index Options (Call)	Short	66	(297)	(496)	
	Electronic Sector Index Options (Put)	Short	32	(136)	(54)	
	Finance Sector Index Options (Call)	Long	493	1,418	2,974	
	Finance Sector Index Options (Put)	Long	586	1,088	372	
	Finance Sector Index Options (Call)	Short	118	(153)	(62)	
	S&P Sector Index Options (Call)	Long	34	685	758	
	S&P Sector Index Options (Put)	Long	65	658	2,124	
	S&P Sector Index Options (Call)	Short	53	(5,540)	(11,994)	
	S&P Sector Index Options (Put)	Short	155	(11,854)	(3,982)	
	Gold option (Call)	Long	24	48	58	
	Gold option (Put)	Long	20	80	66	
	Gold option (Call)	Short	1	(1)	(1)	
	Gold option (Put)	Short	169	(166)	(89)	
	Subtotal			(28,640)		
Total				\$ (1,930,874)		

- (2) Restrictions and enforcement of the Company's various financial ratios under futures trading law

Subsidiary - Capital Futures Corp.'s the restrictions and enforcement of each financial ratio was calculated in accordance with Regulations Governing Futures Commission Merchants as follow:

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	2,951,929	9.11	2,692,432	9.89	≥ 1	Satisfactory to requirement
	(Total liabilities –futures traders' equity)	323,878		272,351			
17	Current Assets	18,986,411	1.12	13,727,540	1.14	≥ 1	"
	Current Liabilities	16,992,319		11,991,516			
22	Stockholders' equity	2,951,929	264.75%	2,692,432	376.56%	≥ 60%	"
	Minimum paid-in capital	1,115,000		715,000		≥ 40%	
22	Post-adjustment net capital	2,064,456	88.31%	1,860,730	83.48%	≥ 20%	"
	Total customer margin deposits required for open positions of customers	2,337,827		2,228,913		≥ 15%	

- (3) Unique risks to specific futures commission merchant services

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the futures firm needs sufficient liquidity to cover the transactions and suffer the loss may occur.

- (4) Taiwan International Securities Corp. (hereinafter known as "TISC"), the Company's merged entity, entrusted \$182,000 to an impartial third party on the merging date with First Securities Co., Ltd. and Far East Securities Co., Ltd. In relations to the agreement of indemnification to the stockholders with aforementioned companies arising from the fraud matter of Taiwan International Futures Corporation (hereinafter known as "TIFC"). Such deposit shall be allocated by the trustee to the stockholders who are merged in proportion of their shareholdings in TISC, after being decided by the court or accommodated by the investors of TIFC.

As of December 31, 2015, TIFC had reached partial consensus with its investors, and the accumulated amount of compensation was \$162,812. According to the indemnification to the former stockholders of First Securities Co., Ltd. and Far Eastern Securities Co., Ltd, the Company needs to pay all of the compensation to the company participating in the merger. As of December 31, 2015, the trust amount of the impartial third party is \$130,586 and the accumulated compensation expense is \$51,414.

13. DISCLOSURES REQUIRED

(1) Information on significant transaction:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to others: Exhibit 1.
- B. Endorsements and guarantee for others: None.
- C. Acquisition of real estate over \$100 millions or 20% of paid-in capital: None.
- D. Disposal of real estate over \$100 millions or 20% of paid-in capital: None.
- E. Discount on commissions of transactions with related parties over \$5 millions: None.
- F. Receivables from related parties over \$100 millions or 20% of paid-in capital: None.
- G. Details of material transactions between parent company and subsidiaries: Exhibit 2.

(2) Information on reinvestment business: Exhibit 3.

(3) Information on investments in China:

A. Investment in Mainland China and related information :

Unit: NT\$ thousands

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2015	Remittance or recoverable investment this period		Accumulated remittance as of December 31, 2015	Net gains or losses of investee	Direct or indirect shareholdings (%) by the company	Highest shareholding or capital contributed within the period	Investment gains and losses recognized during this period (Note 2)	Ending balance of investment	Investment income remitted back as of December 31, 2015
					Remittance amount	Recoverable amount							
Capital True Partner Co., Ltd.	Management, consulting & information service	5,013	C	-	24,372	-	24,372	3,414	30.10%	- %	716 B (2)	15,077	-

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a company in Mainland China.
- B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
 - (1) The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - (2) The financial statements that are audited and attested by R.O.C. parent company’s CPA.
 - (3) The financial statements that are provided by the investee without audited by CPA.

B. Quota for investment in China:

Unit: NT\$ thousands

Company Name	Accumulative remittance from Taiwan to Mainland China as of December 31, 2015	Amount of investment approved by Investment Commission, Ministry of Economic Affairs (MOEA)	Limit on the amount of investment in Mainland China by MOEA
Capital International Technology Corp.	24,372	24,372	30,810

(4) Disclosures required for securities firm investing in countries or regions without securities authority:

According to article 4, no. 5 of the letter no. 10300375782 issued by Financial Supervisory Commission on October 3, 2014, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2015 are as follows:

A. Balance sheet and income statement:

a. Balance sheet

Nature	Company CSC International Holdings Ltd. December 31, 2015	Taiwan International Securities (B.V.I) Corp. December 31, 2015
Current assets	12,010	24
Long-term investments	22,256	-
Property and premises	2,333	-
Other assets	19,395	3,380
Total assets	55,994	3,404
Current liabilities	535	-
Other liabilities	92	3,384
Total liabilities	627	3,384
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	10,385	(9,411)
Cumulative translation adjustments	(18)	(85)
Total stockholders' equity	55,367	20
Total liabilities and stockholders' equity	55,994	3,404

b. Income statement

Nature	Company CSC International Holdings Ltd. 2015	Taiwan International Securities (B.V.I) Corp. 2015
Operating revenue	(20)	-
Operating expense	(1,132)	(26)
Non-operating revenue	675	-
Non-operating expense	(386)	-
Income (loss) before tax	(863)	(26)
Net income (loss)	(863)	(26)

B. Marketable securities held as of December 31, 2015

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2015	
			Shares	Book value
CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Long-term investments	4,864,400	\$ 6,987
	CSC Securities (HK) Ltd.	Long-term investments	89,600,000	15,269
	Total			\$ 22,256
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other	265,000,000	\$ (3,384)

C. Transactions of financial derivatives: None.

D. Revenue on advisory and consulting service and related lawsuit: None

14. SEGMENT INFORMATION:

(1) Operating segment information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group's operating segments are classified into brokerage, underwriting, dealing, derivative instrument and reinvestment according to the sources of revenue. The remaining operating results which have not reached the threshold requirements are consolidated in 'other operating segments'. Sources of income from products and services rendered by each segment are as follows:

- A. Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.
- B. Underwriting segment: Engaged in providing advisory on initial public offering or to register on the emerging or listed market, securities underwriting and sales, corporate finance, mergers and acquisitions.
- C. Dealing segment: Engaged in trading securities and related listed stock instruments on a proprietary basis.
- D. Derivative instrument segment: Engaged in the investment, consultancy and issuance of derivative instruments.
- E. Capital Futures Corporation: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(2) Measurement of segmental information

All of the Group's operating segments' accounting policies are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax of various operating segments. Income and expense attributable to each operating segment are directly attributed to the profits and losses of

the corresponding operating segment. Indirect expenses and expenses from logistic support segment that cannot be directly attributed are listed under 'other segments'.

(3) Information about segments' gains or losses, assets and liabilities

		2015							
		Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue		\$ 3,456,022	356,119	733,039	458,348	263,495	1,551,837	(254,703)	6,564,157
Income		\$ 1,176,082	142,036	423,378	234,775	(199,171)	502,424	(245,489)	2,034,035

		2014							
		Brokerage business	Underwriting business	Dealing business	Derivative instrument business	Others	Capital Futures Corp.	Adjustment and elimination	Total
Revenue		\$ 4,036,081	413,303	643,779	625,314	258,233	1,120,838	(228,672)	6,868,876
Income		\$ 1,557,196	153,950	478,510	397,781	(290,673)	338,805	(202,868)	2,432,701

Note 1: Internal segment revenues are eliminated on consolidation.

Note 2: The Group's segment assets and liabilities are not provided to the chief operating decision maker, so such items are not required to be disclosed.

(4) Information about products and services

The Group identified the reportable segments based on the type of products and service provided and the general information is already to be disclosed. Thus, no additional disclosure is required.

(5) Information about geographical areas

The Group received revenue from any single foreign customer is insignificant and there is no need to disclose the information.

(6) Information about major customers

The Group does not receive revenue from any single customer which exceeds 10% or more of operating income and there is no need to disclose the information.

Independent Accountants' Audit Report

The Board of Directors Capital Securities Corporation

We have audited the accompanying balance sheets of Capital Securities Corporation as of December 31, 2015 and 2014 and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. The financial report is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial report based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and 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, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial report referred to above present fairly, in all material respects, the financial position of Capital Securities Corporation as of December 31, 2015 and 2014, and the results of its financial performance and its cash flows for the years ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms.

KPMG Certified Public Accountants
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KPMG
Taipei, Taiwan, R.O.C.
March 28, 2016

CAPITAL SECURITIES CORPORATION
Balance Sheets
December 31, 2015 and 2014
(New Taiwan Dollars in Thousands)

	December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
Current Assets								
Cash and cash equivalents (Note 6(1))	\$ 1,968,456	3	1,196,603	2	\$ 1,579,717	2	2,657,000	4
Financial assets at fair value through profit or loss - current (Notes 6(2) and 8)	25,608,050	34	24,074,134	35	-	-	1,749,717	3
Financial assets available for sale - current (Note 6(2))	7,835,455	11	-	-	2,314,275	3	2,133,183	3
Receivable for securities provided as collateral	14,297,162	19	19,378,280	27	24,014,573	32	14,725,686	21
Refinancing margin	9,084	-	15,527	-	2,025,011	3	2,231,990	3
Receivable on refinancing collateral	7,550	-	24,434	-	2,242,680	3	2,593,973	4
Collateral for securities borrowed	1,074,130	1	649,413	1	1,622,937	2	2,254,764	3
Security borrowing margin	1,383,304	2	593,827	1	4,104	-	-	-
Notes receivable	7,955	-	4,024	-	-	-	-	-
Accounts receivable (Note 6(3))	4,615,233	6	6,287,042	9	846	-	1,146	-
Prepayments	16,979	-	21,823	-	3,636,218	5	5,382,632	8
Other receivables	10,825	-	56,181	-	17,279	-	17,526	-
Current income tax assets	59,512	-	35,560	-	1,344,056	2	123,215	-
Other current assets	1,700,941	2	530,380	1	607,492	1	700,167	1
	<u>58,594,636</u>	<u>78</u>	<u>52,867,228</u>	<u>76</u>	<u>3,834,575</u>	<u>5</u>	<u>2,140,965</u>	<u>3</u>
Non-current Assets								
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	190,554	-	189,262	-	116,967	-	167,818	-
Financial assets measured at cost - non-current (Note 6(2))	380,603	-	389,353	1	42,929	-	42,792	-
Investments for under equity method (Note 6(4))	3,796,871	5	3,588,515	5	3	-	500,000	1
Property and equipment (Notes 6(5) and 8)	4,535,525	6	4,770,367	7	-	-	-	-
Investment property (Notes 6(6) and 8)	2,270,768	3	2,172,137	3	241,991	-	112,565	-
Intangible assets (Note 6(7))	3,550,988	5	3,552,023	5	687,483	1	540,340	1
Deferred income tax assets (Note 6(17))	484,791	1	581,309	1	567,583	1	537,335	1
Other non-current assets	1,386,583	2	1,601,102	2	1,497,057	2	1,190,240	2
	<u>16,596,683</u>	<u>22</u>	<u>16,844,068</u>	<u>24</u>	<u>44,900,719</u>	<u>60</u>	<u>38,612,816</u>	<u>56</u>
TOTAL ASSETS	<u>\$ 75,191,319</u>	<u>100</u>	<u>\$ 69,711,296</u>	<u>100</u>	<u>\$ 75,191,319</u>	<u>100</u>	<u>\$ 69,711,296</u>	<u>100</u>
LIABILITIES AND EQUITY								
Current Liabilities								
Short-term borrowings (Note 6(8))	-	-	-	-	-	-	-	-
Commercial paper payable (Note 6(9))	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 6(10))	-	-	-	-	-	-	-	-
Bonds sold under repurchase agreements (Note 6(11))	-	-	-	-	24,014,573	32	14,725,686	21
Guarantee deposited for short sales	-	-	-	-	2,025,011	3	2,231,990	3
Proceeds payable from short sales	-	-	-	-	2,242,680	3	2,593,973	4
Securities lending refundable deposits	-	-	-	-	1,622,937	2	2,254,764	3
Customer equity of separate account ledger in settlement account (Note 6(12))	-	-	-	-	4,104	-	-	-
Notes payable	-	-	-	-	846	-	1,146	-
Accounts payable (Note 6(13))	-	-	-	-	3,636,218	5	5,382,632	8
Advance receipts	-	-	-	-	17,279	-	17,526	-
Receipts under custody	-	-	-	-	1,344,056	2	123,215	-
Other payables	-	-	-	-	607,492	1	700,167	1
Other financial liabilities - current (Note 6(22))	-	-	-	-	3,834,575	5	2,140,965	3
Current income tax liabilities	-	-	-	-	116,967	-	167,818	-
Provisions - current (Note 6(16))	-	-	-	-	42,929	-	42,792	-
Long-term liabilities - current portion (Note 6(14))	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	3	-	2	-
	<u>43,403,662</u>	<u>58</u>	<u>37,422,576</u>	<u>54</u>	<u>43,403,662</u>	<u>58</u>	<u>37,422,576</u>	<u>54</u>
Non-current Liabilities								
Other financial liabilities - non-current (Note 6(22))	-	-	-	-	-	-	-	-
Deferred income tax liabilities (Note 6(17))	-	-	-	-	241,991	-	112,565	-
Other non-current liabilities	-	-	-	-	687,483	1	540,340	1
	<u>1,497,057</u>	<u>2</u>	<u>1,190,240</u>	<u>2</u>	<u>567,583</u>	<u>1</u>	<u>537,335</u>	<u>1</u>
Total Liabilities	<u>44,900,719</u>	<u>60</u>	<u>38,612,816</u>	<u>56</u>	<u>44,900,719</u>	<u>60</u>	<u>38,612,816</u>	<u>56</u>
Equity								
Common stock (Note 6(18))	23,190,730	31	23,690,730	33	23,190,730	31	23,690,730	33
Capital surplus	-	-	-	-	-	-	-	-
Premium from stock issuance	1,899,259	3	1,940,208	3	1,899,259	3	1,940,208	3
Treasury stock transactions	191,489	-	107,031	-	191,489	-	107,031	-
Paid-in capital from merger	644,342	1	658,234	1	644,342	1	658,234	1
Difference between consideration and carrying amount of subsidiaries acquired and disposed	1,430	-	-	-	1,430	-	-	-
Changes in ownership interests in subsidiaries	6,287	-	-	-	6,287	-	6,287	-
Retained earnings	-	-	-	-	-	-	-	-
Legal reserve	955,667	1	753,136	1	955,667	1	753,136	1
Special reserve	2,154,422	3	1,756,283	3	2,154,422	3	1,756,283	3
Unappropriated earnings (Note 6(17))	1,586,994	2	2,089,222	3	1,586,994	2	2,089,222	3
Exchange differences on translation of foreign operations	135,985	-	76,558	-	135,985	-	76,558	-
Unrealized gains (losses) on financial assets available for sale (6,850)	(6,850)	-	20,791	-	(6,850)	-	20,791	-
Treasury stocks (Note 6(18))	(469,155)	(1)	-	-	(469,155)	(1)	-	-
Total Equity	30,290,600	40	31,098,480	44	30,290,600	40	31,098,480	44
TOTAL LIABILITIES AND EQUITY	<u>\$ 75,191,319</u>	<u>100</u>	<u>\$ 69,711,296</u>	<u>100</u>	<u>\$ 75,191,319</u>	<u>100</u>	<u>\$ 69,711,296</u>	<u>100</u>

CAPITAL SECURITIES CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
Years Ended December 31, 2015 and 2014
(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	2015		2014	
	Amount	%	Amount	%
Income:				
Brokerage commissions (Note 6(20))	\$ 2,151,679	43	2,623,586	46
Revenues from securities business money lending	119	-	75	-
Revenue from securities lendings	38,789	1	46,224	1
Underwriting commissions (Note 6(20))	167,696	3	169,368	3
Commissions on wealth management business	63,025	1	45,947	1
Net gains on sale of trading securities (Note 6(20))	44,569	1	559,012	10
Securities management, distribution, and management fees	140,302	3	138,790	2
Interest revenue (Note 6(20))	1,373,471	27	1,386,150	24
Dividend revenue	146,637	3	252,244	4
Net losses on measurement of trading securities at fair value through profit or loss (Note 6(20))	(218,690)	(4)	(48,522)	(1)
Net losses on covering of borrowed securities and bonds with resale agreements	(46,174)	(1)	(73,360)	(1)
Net gains on measurement of borrowed securities and bonds with resale agreements	79,336	1	640	-
Net gains on stock warrants issued (Notes 6(20) and 6(22))	842,234	17	620,898	11
Futures commission revenues	146,813	3	120,735	2
Net gains (losses) on derivative instruments - futures (Note 6(22))	80,915	2	(117,058)	(2)
Net losses on derivative instruments - OTC (Note 6(22))	(54,270)	(1)	(45,491)	(1)
Other operating revenues	47,077	1	39,239	1
	5,003,528	100	5,718,477	100
Expenses:				
Brokerage fees	135,717	3	160,247	3
Brokerage and clearing fees - proprietary trading	12,206	-	13,063	-
Clearing and exchange fees - refinancing	3,116	-	1,977	-
Clearing and exchange fees - underwriting	2,866	-	3,954	-
Financial costs	193,683	4	159,610	3
Securities commission expenses - introducing brokers	3,610	-	3,033	-
Other operating expenditure	8,726	-	13,287	-
Employee benefits expenses (Note 6(20))	2,017,271	40	2,204,432	39
Depreciation and amortization expenses (Note 6(20))	187,976	4	186,522	3
Other operating expenses (Note 6(20))	1,259,234	25	1,258,604	22
	3,824,405	76	4,004,729	70
Other income and expenses :				
Share of profits of associates and joint venture (Note 6(4))	314,198	6	261,631	4
Other gains and losses (Note 6(20))	291,025	6	289,924	5
	605,223	12	551,555	9
Net income before income tax	1,784,346	36	2,265,303	39
Income tax expense (Note 6(17))	(235,019)	(5)	(239,998)	(4)
Net income for the year	1,549,327	31	2,025,305	35
Other comprehensive income :				
Items that will not be reclassified to profit or loss				
Remeasurement on defined benefit plan	(28,828)	(1)	(18,051)	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	(613)	-	(314)	-
Income tax related to the components of other comprehensive income	-	-	-	-
Total items that will not be reclassified subsequently to profit or loss	(29,441)	(1)	(18,365)	-
Items that may be reclassified to profit or loss in subsequent periods				
Exchange differences on translating financial statements of foreign operations	63,567	1	106,622	2
Unrealized losses on financial assets available for sale, net	(22,775)	-	-	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for under equity method	3,026	-	17,328	-
Income tax related to the components of other comprehensive income	(12,032)	-	(19,679)	-
Other comprehensive income for the year, net of income tax	31,786	1	104,271	2
Total items that will be reclassified to profit or loss in subsequent periods	2,345	-	85,906	2
Total comprehensive income for the year	\$ 1,551,672	31	2,111,211	37
Basic earnings per share (Note 6(19))	\$	0.66	\$	0.85
Dilutive earnings per share (Note 6(19))	\$	0.66	\$	0.85

CAPITAL SECURITIES CORPORATION
STATEMENT OF CHANGES IN EQUITY
 Years Ended December 31, 2015 and 2014
 (New Taiwan Dollars in Thousands)

	Retained earnings			Equity - other items			Total
	Capital surplus	Legal reserve	Special reserve	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets available for sale	Treasury stocks	
Beginning balance, January 1, 2014							
Net income for the year ended December 31, 2014	2,705,473	605,958	1,628,318	1,423,960	12,603	-	30,047,517
Other comprehensive income for the year ended December 31, 2014	-	-	-	2,025,305	-	-	2,025,305
Total comprehensive income for the year ended December 31, 2014	-	-	-	(18,365)	8,188	-	85,906
Appropriation of earnings (Note) :	-	-	-	2,006,940	8,188	-	2,111,211
Legal reserve	-	147,178	-	(147,178)	-	-	-
Special reserve	-	-	294,357	(294,357)	-	-	-
Cash dividends	-	-	-	(1,066,083)	-	-	(1,066,083)
Reversal of special reserve for deduction of stockholders' equity	-	-	(166,392)	166,392	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(452)	-	-	(452)
Change in the ownership interest of subsidiaries	6,287	-	-	-	-	-	6,287
Ending balance, December 31, 2014	2,711,760	753,136	1,756,283	2,089,222	20,791	-	31,098,480
Net income for the year ended December 31, 2015	-	-	-	1,549,327	-	-	1,549,327
Other comprehensive income for the year ended December 31, 2015	-	-	-	(29,441)	(27,641)	-	2,345
Total comprehensive income for the year ended December 31, 2015	-	-	-	1,519,886	(27,641)	-	1,551,672
Appropriation of earnings :	-	-	-	-	-	-	-
Legal reserve	-	202,531	-	(202,531)	-	-	-
Special reserve	-	-	405,061	(405,061)	-	-	-
Cash dividends	-	-	-	(1,421,444)	-	-	(1,421,444)
Reversal of special reserve for deduction of stockholders' equity	-	-	(6,922)	6,922	-	-	-
Purchase of treasury stocks	-	-	-	-	-	(939,569)	(939,569)
Retirement of treasury stocks	(500,000)	29,586	-	-	-	470,414	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-
Ending balance, December 31, 2015	2,742,807	955,667	2,154,422	1,586,994	(6,850)	(469,155)	30,290,600

Note : The remuneration to directors and supervisors and the employee bonuses were \$25,436 and \$14,377 which were deducted from the statement of comprehensive income, respectively.

CAPITAL SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
Years Ended December 31, 2015 and 2014
(New Taiwan Dollars in Thousands)

	2015	2014
Cash flows from operating activities:		
Net income before tax	1,784,346	2,265,303
Adjustments for:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	153,519	154,648
Amortization expense	34,457	31,874
Net losses on financial assets at fair value through profit or loss	218,690	48,522
Interest expense	193,683	159,610
Gains (losses) on non-operating financial instruments at fair value through profit or loss	267	(5,123)
Interest revenue (including financial income)	(1,375,641)	(1,388,769)
Dividend revenue	(167,239)	(273,822)
Cash dividend received from investments under equity method	175,869	163,371
Share of profits of associates and joint ventures	(314,198)	(261,631)
Gains on disposal and retirement of property and equipment	(58,484)	(3,169)
Losses on disposal and retirement of intangible assets	86	-
Net changes of income and expense items with no effect on cash flows	<u>(1,138,991)</u>	<u>(1,374,489)</u>
Changes in assets and liabilities from operating activities:		
Net changes in assets from operating activities:		
Increase in financial assets at fair value through profit or loss - current	(1,754,165)	(4,578,711)
Increase in financial assets available for sale - current	(7,858,230)	-
Decrease in bonds purchased under resale agreements	-	558,394
Decrease (increase) in receivable for securities provided as collateral	5,081,118	(1,630,344)
Decrease in refinancing margin	6,443	174,587
Decrease in receivable on refinancing collateral	16,884	133,718
Increase in collateral for securities borrowed	(424,717)	(279,583)
Decrease (increase) in security borrowing margin	(789,477)	694,406
Decrease (increase) in notes receivable	(3,931)	4,532
Decrease in accounts receivable	1,636,216	1,491,727
Decrease in prepayments	4,844	6,243
Decrease (increase) in other receivables	45,356	(28,137)
Increase in current tax assets	(23,952)	(13,471)
Decrease (increase) in other current assets	(1,170,561)	524,333
Decrease in guarantee deposited for business operations	274,128	28,470
Increase in settlement fund	(1,437)	(5,360)
Increase in other non-current assets	(65,504)	(2,435)
Total net changes in assets from operating activities:	<u>(5,026,985)</u>	<u>(2,921,631)</u>
Net changes in liabilities from operating activities:		
Increase in current financial liabilities at fair value through profit or loss - current	181,092	790,072
Increase in bonds sold under repurchase agreements	9,288,887	1,610,427
Decrease in guaranty deposited for short sales	(206,979)	(134,757)
Decrease in proceeds payable from short sales	(351,293)	(414,943)
Increase (decrease) in securities lending refundable deposits	(631,827)	474,847
Increase in customer equity of separate account ledger in settlement account	4,104	-
Increase (decrease) in notes payable	(300)	288
Decrease in accounts payable	(1,746,414)	(1,870,555)
Decrease in advance receipts	(247)	(130,761)
Increase (decrease) in receipts under custody	1,220,841	(437,425)
Increase (decrease) in other payables	(98,823)	19,897
Increase in other financial liabilities	1,823,036	565,012
Increase in other current liabilities	1	2
Increase (decrease) in provision - current	137	(29)
Increase in other non-current liabilities	1,420	1,782
Total net changes in liabilities from operating activities:	<u>9,483,635</u>	<u>473,857</u>
Total net changes in assets and liabilities from operating activities	<u>4,456,650</u>	<u>(2,447,774)</u>
Total Cash generated from adjustment items	<u>3,317,659</u>	<u>(3,822,263)</u>
Cash generated by operations activities	5,102,005	(1,556,960)
Interest received	1,411,918	1,317,215
Dividends received	166,554	273,707
Interest paid	(187,535)	(214,521)
Income tax paid	(54,241)	(43,504)
Net cash provided by (used in) operating activities	<u>6,438,701</u>	<u>(224,063)</u>
Cash flows from investing activities:		
Proceeds from disposal of financial assets measured at cost	-	23,395
Proceeds from capital reduction of financial assets measured at cost	8,750	223,791
Acquisition of investments under equity method	-	(236,566)
Increase of deferred debits	(3,175)	(2,832)
Acquisitions of property and equipment	(176,568)	(85,489)
Proceeds from disposal of property and equipment	225,514	5,499
Acquisitions of intangible assets	(30,510)	(35,563)
Acquisition of investment properties	(260)	-
Net cash provided by (used in) investing activities	<u>23,751</u>	<u>(107,765)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowing	(1,077,283)	638,000
Increase (decrease) in long-term liabilities - current portion	(500,000)	500,000
Decrease in commercial paper payable	(1,749,717)	(549,865)
Cash dividends	(1,421,444)	(1,066,083)
Acquisition of treasury stocks	(939,569)	-
Net cash used in financing activities	<u>(5,688,013)</u>	<u>(477,948)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,586)	-
Increase (decrease) in cash and cash equivalents	771,853	(809,776)
Cash and cash equivalents, beginning of the year	1,196,603	2,006,379
Cash and cash equivalents, end of the year	<u>\$ 1,968,456</u>	<u>1,196,603</u>

(ENGLISH TRANSLATION)
CAPITAL SECURITIES CORPORATION
NOTES TO FINANCIAL REPORT
DECEMBER 31, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS UNLESS OTHERWISE STATED)

1. OVERVIEW

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 4 Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C. As of December 31, 2015, the Company has 63 branches nationwide.

The Company is authorized to conduct the following businesses:

- (1) Underwriting of marketable securities;
- (2) Trading of marketable securities on a proprietary basis on stock exchange;
- (3) Brokerage of marketable securities on stock exchange;
- (4) Trading of marketable securities at the Company’s branches;
- (5) Brokerage of marketable securities at the Company’s branches;
- (6) Margin loan, short sale and refinancing;
- (7) Securities registration agency services;
- (8) Dealership of foreign marketable securities;
- (9) Short-term bills service;
- (10) Accessory services of futures trading;
- (11) Futures trading on a proprietary basis;
- (12) Securities business money lending;
- (13) Managing the unexpended balance of clients' securities accounts within their authorization;
- (14) Trust business;
- (15) Offshore securities business; and;
- (16) Other relevant services as approved by the authority in charge.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL REPORT

The financial report was authorized for issuance by the board of directors on March 28, 2016.

3. NEW STANDARDS AND INTERPRETATIONS

- (1) The impact of the adoption of the new standards, amendments and interpretations to International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commission (“FSC”).

The Company adopted the 2013 version of IFRSs (IFRS 9 Financial instruments is excluded) endorsed by the FSC from 2015 in preparing financial statements. The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

<u>Newly issued, Revised accounting standards and Interpretations</u>	<u>Effective date per IASB</u>
• Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First - time Adopters	July 1, 2010
• Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters	July 1, 2011
• Amendments to IFRS 1 Government Loans	January 1, 2013
• Amendments to IFRS 7 Disclosure - Transfers of Financial Assets	July 1, 2011
• Amendments to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
• IFRS 10 Consolidated Financial Statements	January 1, 2013
	(Investment Entities amendments, effective January 1, 2014)
• IFRS 11 Joint Arrangements	January 1, 2013
• IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
• IFRS 13 Fair Value Measurement	January 1, 2013
• Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
• Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
• Revision to IAS 19 Employee Benefits	January 1, 2013
• Revision to IAS 27 Separate Financial Statements	January 1, 2013
• Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
• Interpretations to IFRS 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following items, the Company believes that the adoption of aforementioned 2013 IFRSs version may not have a significant effect on the Company’s financial statements.

A. Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 require the Company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. A liability and expense for termination benefits is recognized not only when the Company is demonstrably committed to terminating the employment of employees, but also at the earlier of the following dates when the Company can no longer withdraw the offer or when the Company recognizes costs for a restructuring. The Company is not expecting the standard to have significant impact on the financial position and the results of operations. Moreover, the amendments also require a broader disclosure for defined benefit plans.

The Company has changed the accounting policy related to the measure and expression of net defined benefit assets, pension cost and actuarial gains or losses.

B. Amendments to IAS 1, “Presentation of Items of Other Comprehensive Income”

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Company has modified the presentation of statement of comprehensive income statement in accordance with the amendment.

C. IFRS 12, “Disclosure of Interests in Other Entities”

The Company will increase disclosures on the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company will increase disclosures on the consolidated and unconsolidated entities in accordance with the standard.

D. IFRS 13, “Fair Value Measurement”

The Standard defines fair values, establishes a framework for measuring fair value and requires disclosures about fair value measurement. Under this standard, the Company has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13. Comparative information need not be disclosed for periods before initial application. Despite the postponing of the adoption of the standard, there is no significant impact on the fair value measurement of the Company’s assets and liabilities.

(2) The standards and interpretations new issued but not yet endorsed by the FSC

A summary of the new standards, amendments and interpretations issued by the IASB, but not yet endorsed by the FSC:

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
• IFRS 9 Financial Instruments	January 1, 2018
• Amendment to IFRS 10 and IAS 28 “Sales or Contributions of Assets between an Investor and its Associate or Joint Venture”	Undecided
• Amendment to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
• Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
• IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
• IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
• IFRS 16 “Leases”	January 1, 2019
• Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
• Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
• Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
• Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
• Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plant”	January 1, 2016
• Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
• Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
• Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
• Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
• Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle	July 1, 2014
• Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
• Interpretations to IFRS 21 “Levies”	January 1, 2014

The Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the financial report are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in the financial report.

(1) Statement of compliance

The separate financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

(2) Basis of preparation

A. Basis of measurement

The financial report has been prepared on a historical cost basis except for the following material items of balance sheet:

- a. Financial instruments measured at fair value through profit or loss (including derivative instruments);
- b. Available-for-sale financial assets that are measured at fair value; and
- c. The defined benefit asset is recognized as plan assets, plus unrecognized actuarial loss, less unrecognized actuarial gain and the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial report is presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(4) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

- A. Assets arising from operating activities that are expected to be realized, or are intend to be sold or consumed within the normal operating cycle;
- B. Assets held primarily for the purpose of trading;
- C. Assets that are expected to be realized 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 settle liabilities more than twelve months after the balance sheet date.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- A. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

- B. Liabilities arising primarily for the purpose of trading;
- C. Liabilities that are to be settled 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 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.

An entity shall classify all other liability as non-current.

(5) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the instruments.

A. Financial assets

The company classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and financial assets available for sale.

a. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of disposal or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss is measured at fair value, and changes therein are recognized in profit or loss. A regular way of purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

b. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Financial assets available for sale are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

c. Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

d. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

e. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment 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 that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company

would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment loss on financial assets available for sale is recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment loss recognized on an available-for-sale equity security is not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

f. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity- unrealized gain or loss on available-for-sale financial assets is recognized in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

B. Financial liabilities

a. Financial liabilities measured at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as measured at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

c. Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

Derivatives are recognized initially at fair value and transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss

a. Interest rate swaps

Since there is no physical transfer of principal, only memo entries of notional principals are made of interest rate swaps. For non-trading swaps, differences in interest are included in current earnings. Trading swaps are recognized on the balance sheet in their fair value. Realized and unrealized changes in their fair value are included in current earnings at the time of occurrence.

b. Convertible bond asset- backed swaps

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The contract amount for the counter-parties receiving the convertible bond is the notional principal. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counter-parties. The Company also receives the right to call the convertible bond prior to the expiration of the contract.

The rights to call the convertible bond can be sold to third parties and counter-parties, are reflected under asset-backed options.

c. Structured products

The portfolio of structured products contract is fixed income products and financial derivatives instruments, including main-contract of non-derivatives and embedded derivatives, those shall be recognized separately. The principal value of structured products is the present value of fixed income products, measured at amortized cost, and recognized imputed interest with effective interest rate over the duration of contracts. Embedded derivatives are measured at fair value, and the changes in fair value are recognized through profit or loss.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities, respectively.

When hedging positions are securities held for trading (including stocks, bonds and warrants) or options contracts, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are futures contracts, the accounting policy is referred to futures hedging transactions.

d. Interest options

On the contract date, the premium received from the counterparty is recognized and gain or loss on interest options is valued using the fair value method.

e. Bond options

Over the duration of contracts, the notional principal can be executed is recorded as memo entry. Option contracts are valued at fair market value on the balance sheet date and current gain or loss is recorded. If the options are exercised and underlying bonds are been acquired or delivered, bond selling revenue or purchase costs are recorded at their fair market value. The exercise prices calculated in accordance with interest rate are recorded as receivables or payables.

f. Equity options

The buyer and seller of equity options recognized equity derivatives assets and liabilities at trading date according to fair value. Equity options are valued at fair value and the difference between book value and fair value are recognized through profit or loss over the duration of contracts.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities, respectively.

When hedging positions are stocks, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are stock index options or stock options, the accounting policy is referred to those hedging transactions.

g. Forward rate agreement

As there is no principal is transferred, forward rate agreement is only recorded as memo entry on the contract date. Forward rate agreement contract is valued at fair value and recognized the gain or loss on forward rate agreement.

h. Futures contracts and options

Margins are required when trading futures or options. Changes in the margin balance of futures and options due to daily valuation are reflected under “futures margin-proprietary trading” and “call options” or “put options.” When offsetting a futures or options position, the settlement difference is included in current earnings, and the difference between the settlement prices and average prices of open positions at the balance sheet date is also included in current earnings.

i. Warrants

Issuance of stock warrants by a securities firm should be recognized as a liability according to amounts actually received, and amounts paid in the repurchase of stock warrants previously issued should be listed as a deduction from liabilities.

(7) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(8) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest expense. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

When bonds purchased under resell agreements are resold, the amounts are recognized under “bonds purchased under resell agreements-short sales”. Unrealized gain or loss arising from the valuation at the balance sheet date is recognized under “gain or loss on valuation of borrowed securities and bonds with resell agreements”. Gain or loss arising from covering at maturity is recognized under “gain or loss on covering of borrowed securities and bonds with resell agreements”.

(9) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(10) Investments in subsidiaries

When preparing parent-company-only financial statement, the Company uses Equity Method in evaluating the control of an investee. Under Equity Method, the net income or loss for the period of individual financial statement and other comprehensive income of parent-company-only financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the individual financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(11) Property and equipment

A. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from disposal property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other income and expenses.

B. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

D. Depreciation

The depreciable amount of an asset is determined after deducting its residual values, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be companied in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

a. Buildings	3~55 years
b. Transportation equipment	5 years
c. Office equipment and computer facilities	3~5 years
d. Miscellaneous equipment	5~10 years
e. Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period.	

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(12) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, supply of services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost as well, the depreciation method, useful life and residual values are as same as the regulations of “property and equipment”. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(13) Intangible assets

A. Goodwill

a. Initial recognition

Goodwill resulted in acquisition of subsidiaries includes in intangible assets.

b. Subsequent measurement

Goodwill is measured in accordance with cost less accumulated impairment loss. Investments under Equity Method, the carrying amount of goodwill included in the carrying amount of investments and impairment loss of such investments are not allocated to goodwill and any assets, Equity Method as part of the carrying amount of the investment.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Amortization

The amortizable amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- a. Customer relationships: 5 years
- b. Computer software cost and dial-up service charges: 3 years

The amortization method and period should be evaluated at least at each financial year-end. The changes of the amortization method and the period shall be accounted for as changes in accounting estimation.

(14) Leases

A. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

B. Lessee

Operating leases are not recognized in the Company's statement of balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in expenses on a straight-line basis over the term of the lease. Lease incentives received are recognized as deductions of the total lease expense, over the term of the lease. Lease payments under operating lease shall be recognized in rent expenses and disclosed in financial report.

(15) Non-financial assets impairment

The Company assesses whether there is any objective evidence of impairment for non-financial assets on each reporting date except for deferred tax assets and assets arising from employee benefits and estimates the recoverable amounts for any impaired assets. If it is not possible to determine the recoverable amount for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and recognized as impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets should be deducted. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurement comprises (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retain earning.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, and any change in the present value of the defined benefit obligation.

C. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefit is expensed at the earlier of the date when the entity can no longer withdraw the offer of the termination benefits and the date when the entity recognizes related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

D. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(17) Revenue recognition

A. Brokerage commissions

Handling fee revenue from trade brokerage, security financing or securities lending is recognized on an accrual basis.

B. Underwriting commissions

Revenue from underwriting business is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

C. Interest revenue

Interest revenue arising from security financing, margin loans and other operation related interest is recognized on an accrual basis.

(18) Income tax

Income tax expenses include both current income taxes and deferred income taxes. Except for business combination, expenses recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the exceptions below:

- A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- C. Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- A. The entity has the legal right to settle tax assets and liabilities on a net basis; and
- B. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - a. levied by the same taxing authority; or
 - b. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for an unused tax loss carry-forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forwards can be utilized. The carrying amount of deferred income tax assets should be reviewed and adjusted at the end of each reporting period.

The Company's 10% surtax on unappropriated earnings is recorded as current expense after the date of the resolution of stockholders' meeting for declaring the distribution of earnings.

(19) Business combinations

The Company only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(20) Earnings per share (EPS)

The Company presents its basic and dilutive earnings per share attributable to the ordinary equity holders. The basic earnings per share of the Company is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company include employee bonus and compensation.

(21) Segment information

The Company has disclosed the segment information on the consolidated financial report, thus, the Company does not disclose it on this financial report.

(22) Treasury stocks

The Company acquires its outstanding shares is stated at cost and shown as a deduction in stockholders' equity. Upon disposal, the excess of sales price over carrying value is recognized as capital surplus – treasury stock transaction. Should sales price be lower than the carrying value, the difference is charged against capital surplus from treasury stocks in the same category, and any deficit is debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

5. MAJOR SOURCES OF ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the separate financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms requires management to make judgments, 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.

The preparation of the separate financial statements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

The impairment of goodwill: The Company performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

6. SUMMARY OF MAJOR ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash	\$ 2,900	2,900
Bank deposits		
Checking accounts	46,959	44,229
Demand deposits	101,864	58,834
Time deposits	764,272	690,603
Foreign currency deposits	256,852	141,592
Subtotal	<u>1,169,947</u>	<u>935,258</u>
Futures margin - excess margin	795,609	258,445
Subtotal	<u>795,609</u>	<u>258,445</u>
Total	<u>\$ 1,968,456</u>	<u>1,196,603</u>

(2) Financial assets

A. Financial assets at fair value through profit or loss - current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Open-ended funds and money - market instruments		
Open-ended funds and money - market instruments	\$ 582,589	438,691
Valuation adjustment	11,069	11,336
Subtotal	<u>593,658</u>	<u>450,027</u>

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Trading securities - proprietary trading:		
Listed stocks	1,840,054	1,246,079
Listed funds	61,890	-
OTC stocks	156,121	231,959
Emerging market stocks	177,697	366,836
Emerging fund	7,424	7,452
Convertible corporate bonds	345,901	511,164
Government bonds	2,823,467	1,203,375
Corporate bonds	11,245,486	9,832,713
Financial debentures	1,500,549	1,698,780
Foreign stocks	478,081	314,143
Overseas bonds	164,321	252,928
Other	29,989	79,861
	<u>18,830,980</u>	<u>15,745,290</u>
Valuation adjustment	62,843	4,889
Subtotal	<u>18,893,823</u>	<u>15,750,179</u>
Trading securities - underwriting:		
Listed stocks	42,209	2,730
OTC stocks	-	8,648
Convertible corporate bonds	51,400	106,300
	<u>93,609</u>	<u>117,678</u>
Valuation adjustment	1,223	(496)
Subtotal	<u>94,832</u>	<u>117,182</u>
Trading securities - hedging		
Listed stocks	1,573,401	2,585,889
OTC stocks	470,773	923,311
Convertible corporate bonds	3,948,040	3,872,940
Foreign stocks	1,114	-
	<u>5,993,328</u>	<u>7,382,140</u>
Valuation adjustment	(105,180)	181,804
Subtotal	<u>5,888,148</u>	<u>7,563,944</u>
Derivatives		
Call options	641	1,123
Futures margin - proprietary fund	93,648	110,452
IRS asset swaps	22,878	25,952
Asset swap options - long position	11,940	9,881
Structured notes	-	76
Currency swaps	8,482	45,318
Subtotal	<u>137,589</u>	<u>192,802</u>
Total	<u>\$ 25,608,050</u>	<u>24,074,134</u>

As of December 31, 2015 and 2014, the par value of trading securities - bonds under repurchase agreement of the Company were \$24,431,835 and \$13,462,900, respectively (please refer to Note 6(11) and 8 for details).

B. Financial assets available for sale - current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Listed stocks	\$ 101,535	-
Overseas bonds	7,757,004	-
Valuation adjustment	(23,084)	-
Total	<u>\$ 7,835,455</u>	<u>-</u>

C. Financial assets at fair value through profit and loss - non-current:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading:		
Government bonds	\$ 188,818	191,990
Valuation adjustment	<u>1,736</u>	<u>(2,728)</u>
Total	<u><u>\$ 190,554</u></u>	<u><u>189,262</u></u>

As of December 31, 2015 and 2014, the Company took advantage of government bonds as margin of bills business, interest rate swaps, structured notes and settlement fund guarantee deposits (please refer to Note 8 for details).

D. Financial assets measured at cost - non-current:

<u>Non-listed (or non-over-the-counter)</u>	<u>December 31, 2015</u>	
	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	1.33%	27,498
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	71,008
Prudence Venture Investment Corp.	1.50%	37,377
Total		<u><u>\$ 380,603</u></u>

<u>Non-listed (or non-over-the-counter)</u>	<u>December 31, 2014</u>	
	<u>Ownership ratio</u>	<u>Amount</u>
Taiwan Depository & Clearing Corp.	1.29%	\$ 18,661
Taiwan Futures Exchange Corp.	1.33%	27,498
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan III Venture Capital Co., Ltd.	7.00%	78,008
Prudence Venture Investment Corp.	1.50%	39,127
Total		<u><u>\$ 389,353</u></u>

On March 24, 2014, the investee Taiwan Integrated Shareholder's Service Corp. was merged by Taiwan Depository and Clearing Corporation. Taiwan Integrated Shareholder's Service Corporation dissolved and the Company received proceeds from the disposal which amounted to \$24,312. For year 2015 and 2014, Prudence Venture Investment Corp. refunded the proceeds of capital reduction amounted to \$1,750 and \$5,130, respectively. Top Taiwan III Venture Capital Co., Ltd. refunded the proceeds of capital reductions which both amounted to \$7,000 and Global Securities Finance Corporation refunded the proceeds of capital reduction which amounted to \$0 and \$211,661, respectively.

- E. The Company uses Value at Risk (VAR) to monitor and measure the market risk of its investment in equity stocks. VAR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VAR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VAR will exceed the disclosed amounts due to the changes in market price. Year 2015 and 2014 VAR (99%, ten-day) of equity stocks are as follows:

Type of market risk	December 31, 2015	December 31, 2014	2015			2014		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	750,181	891,182	793,730	970,662	620,732	913,895	1,063,054	649,748

(3) Accounts Receivable

	December 31, 2015	December 31, 2014
Receivable on securities purchased by customers	\$ 40,724	59,827
Settlement	50,397	1,513,355
Interests receivable	452,745	489,022
Receivables on securities sold	3,822,280	4,148,850
Others	253,210	79,017
Subtotal	4,619,356	6,290,071
Less: allowance for doubtful accounts	(4,123)	(3,029)
Total	<u>\$ 4,615,233</u>	<u>6,287,042</u>

(4) Investments under Equity Method

	December 31, 2015	December 31, 2014
Subsidiaries		
Capital Investment Management Corp.	\$ 105,094	104,867
CSC International Holdings Ltd.	1,814,659	1,776,294
Capital Futures Corp.	1,741,933	1,588,805
Capital Insurance Advisory Corp.	72,720	45,245
Capital Insurance Agency Corp.	48,274	58,021
Taiwan International Securities (B.V.I.) Corp.	641	1,514
Taiwan International Securities Investment Consulting Corp.	13,550	13,769
Total	<u>\$ 3,796,871</u>	<u>3,588,515</u>

Profit sharing of gain or loss from the subsidiaries based on audited investee financial statements or self-prepared financial statements for the year 2015 and 2014 are as follows:

	2015	2014
Based on the audited financial statements	<u>\$ 314,198</u>	<u>261,631</u>

Please refer to the consolidated financial statements of December 31, 2015 for the financial information of the subsidiaries of the Company.

(5) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2015	\$ 3,548,469	1,740,532	466,171	267,550	6,022,722
Additions	-	254	145,166	31,148	176,568
Reclassified to investment property	(41,711)	(80,611)	-	-	(122,322)
Transferred from prepayment for equipment	-	-	4,830	2,680	7,510
Disposals	(166,451)	-	(121,839)	(216,960)	(505,250)
Balance at December 31, 2015	<u>\$ 3,340,307</u>	<u>1,660,175</u>	<u>494,328</u>	<u>84,418</u>	<u>5,579,228</u>
Balance at January 1, 2014	\$ 4,105,054	2,166,619	479,575	255,553	7,006,801
Additions	-	588	72,534	12,367	85,489
Reclassified to investment property	(555,404)	(425,354)	-	-	(980,758)
Transferred from prepayment for equipment	-	-	5,985	-	5,985
Disposals	(1,181)	(1,321)	(91,923)	(370)	(94,795)
Balance at December 31, 2014	<u>\$ 3,548,469</u>	<u>1,740,532</u>	<u>466,171</u>	<u>267,550</u>	<u>6,022,722</u>
Depreciation and impairment					
Balance at January 1, 2015	\$ -	712,290	303,867	236,198	1,252,355
Depreciation	-	36,010	85,997	13,733	135,740
Reclassified to investment property	-	(6,172)	-	-	(6,172)
Disposals	-	-	(121,420)	(216,800)	(338,220)
Balance at December 31, 2015	<u>\$ -</u>	<u>742,128</u>	<u>268,444</u>	<u>33,131</u>	<u>1,043,703</u>
Balance at January 1, 2014	\$ -	828,253	309,545	225,186	1,362,984
Depreciation	-	42,345	86,245	11,186	139,776
Reclassified to investment property	-	(157,940)	-	-	(157,940)
Disposals	-	(368)	(91,923)	(174)	(92,465)
Balance at December 31, 2014	<u>\$ -</u>	<u>712,290</u>	<u>303,867</u>	<u>236,198</u>	<u>1,252,355</u>
Carrying amount:					
December 31, 2015	<u>\$ 3,340,307</u>	<u>918,047</u>	<u>225,884</u>	<u>51,287</u>	<u>4,535,525</u>
December 31, 2014	<u>\$ 3,548,469</u>	<u>1,028,242</u>	<u>162,304</u>	<u>31,352</u>	<u>4,770,367</u>

As of December 31, 2015 and 2014, the property and equipment which are provided as collateral or pledge, please refer to Note 8 for details.

(6) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2015	\$ 1,583,124	963,333	2,546,457
Additions	-	260	260
Transferred from property and equipment	41,711	80,611	122,322
Balance at December 31, 2015	<u>\$ 1,624,835</u>	<u>1,044,204</u>	<u>2,669,039</u>
Balance at January 1, 2014	\$ 1,027,720	537,979	1,565,699
Transferred from property and equipment	555,404	425,354	980,758
Balance at December 31, 2014	<u>\$ 1,583,124</u>	<u>963,333</u>	<u>2,546,457</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2015	\$ -	374,320	374,320
Depreciation	-	17,779	17,779
Transferred from property and equipment	-	6,172	6,172
Balance at December 31, 2015	<u>\$ -</u>	<u>398,271</u>	<u>398,271</u>
Balance at January 1, 2014	\$ -	201,508	201,508
Depreciation	-	14,872	14,872
Transferred from property and equipment	-	157,940	157,940
Balance at December 31, 2014	<u>\$ -</u>	<u>374,320</u>	<u>374,320</u>
<u>Carrying amount</u>			
December 31, 2015	<u>\$ 1,624,835</u>	<u>645,933</u>	<u>2,270,768</u>
December 31, 2014	<u>\$ 1,583,124</u>	<u>589,013</u>	<u>2,172,137</u>
<u>Fair value</u>			
December 31, 2015			<u>\$ 3,578,321</u>
December 31, 2014			<u>\$ 3,236,967</u>

The Company elected to apply Cost Method to evaluate investment properties. The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

As of December 31, 2015 and 2014, the property and equipment were provided as collateral or pledge, please refer to Note 8 for details.

(7) Intangible assets

A. Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2015 and 2014, the book value was \$3,126,698 for both the year.

For the purpose of impairment test, goodwill was allocated to the operating segments of the Company. The operating segment is the lowest level at which the goodwill is monitored for internal management purposes, and should not be larger than the operating departments of the Company.

Goodwill is allocated to the operating segments as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	<u>\$ 3,126,698</u>	<u>3,126,698</u>

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 5.00% and 4.69% in year 2015 and 2014 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2015 and 2014 exceeded the carrying amount, no impairment occurred for both years.

B. Customer relationships

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized other intangible assets - customer relationships as \$17,082. As of December 31, 2015 and 2014, the amortized book value was \$1,139 and \$4,555 respectively.

C. Operation franchise

The Company acquired the operation of securities corporation operation franchise during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets," the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2015 and 2014, the book value of the operation franchise was \$389,999 for both the year.

D. Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2015 and 2014, the book value was \$33,152 and \$30,771 respectively.

(8) Short-term loans

<u>Nature of borrowings</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Collateralized loan	\$ 380,000	380,000
Credit loans	1,199,717	2,277,000
Total	<u>\$ 1,579,717</u>	<u>2,657,000</u>

Short-term loans were based on floating interest rates. As of December 31, 2015 and 2014, the loan interest rate range was 0.90%~3.06% and 0.90%~1.79% respectively.

As of December 31, 2015 and 2014, the Company had provided the land, buildings, and certificates of time deposits as collateral, please refer to Note 8 for details.

(9) Commercial paper payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Commercial paper payable	\$ -	1,750,000
Less: Unamortized discount	-	(283)
Net amount	<u>\$ -</u>	<u>1,749,717</u>

Commercial paper payables were based on floating interest rates. As of December 31, 2014, the interest rate was 0.858%~0.908%.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Liabilities on sale of borrowed securities	\$ 1,463,540	995,472
Redeem liabilities on sale of borrowed securities	(1,566)	-
Valuation adjustment	(30,959)	48,377
Subtotal	<u>1,431,015</u>	<u>1,043,849</u>
Settlement coverage bonds payable of short sale	300,550	99,749
Valuation adjustment	(1,146)	17
Subtotal	<u>299,404</u>	<u>99,766</u>
Stock warrants issued	10,530,591	8,277,524
Stock warrants repurchased	(10,170,444)	(7,644,334)
Subtotal	<u>360,147</u>	<u>633,190</u>
Put options	7,176	421
IRS asset swaps	5,398	249
Asset swap options - short position	193,888	348,450
Structured notes	12,243	3,085
Currency swaps	3,476	503
Interest rate swaps	1,528	3,670
Subtotal	<u>223,709</u>	<u>356,378</u>
Total	<u>\$ 2,314,275</u>	<u>2,133,183</u>

(11) Bonds sold under repurchase agreements

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bonds sold under repurchase agreements	<u>\$ 24,014,573</u>	<u>14,725,686</u>
Agreed-upon repurchase amounts	<u>\$ 24,036,826</u>	<u>14,736,603</u>
Interest rates	<u>0.30%~5.00%</u>	<u>0.45% ~ 3.89%</u>

(12) Customer equity of separate account ledger in settlement account

According to article 38, subparagraph 2 of the “Regulations Governing Securities Firms”, a securities firm may, with the consent of the customer, retain the customer's settlement funds in the securities firm's settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account. Also, according to article 22-4, paragraph 1, subparagraph 5 of the “Offshore Banking Act”, an offshore securities branch may conduct account custody business for natural persons, juristic persons, government agencies, or financial institutions within or outside the territory of the ROC. As of December 31, 2015, customers of offshore securities branches retain total settlement funds \$4,104 in the securities firm's settlement account.

(13) Accounts payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payable of securities sold by customers	\$ 34,151	51,767
Payable of securities	3,567,036	5,303,861
Others	35,031	27,004
Total	<u>\$ 3,636,218</u>	<u>5,382,632</u>

(14) Long-term borrowings

As of December 31, 2015 and 2014, the Company's long-term borrowings are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Long-term borrowings	\$ -	500,000
Less: Long-term liabilities - current portion	-	(500,000)
Non-current portion of long-term debt	<u>\$ -</u>	<u>-</u>
Collateral		Real estate
Interest rate range	- %	1.080%

Hua Nan Bank approved a three years long-term borrowing of \$4,000,000 to the Company. The credit line would not be diminished gradually, and would be assessed annually. The credit line bears a floating interest rate.

(15) Operating leases

A. Lessee

Non-cancellable operating lease payables are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 110,652	120,040
1-5 years	175,579	126,655
Over 5 years	1,710	-
	<u>\$ 287,941</u>	<u>246,695</u>

The Company rents several offices under operating lease, the lease terms are within 1 to 5 years and the Company has the preferential renewal options when the lease term expires. The rentals are adjusted yearly to reflect market condition. Some lease terms bear the additional rental payments depends on the fluctuations of a local price index.

For the year 2015 and 2014, the operating lease expenses recognized in profit or loss were \$160,444 and \$165,997 respectively.

B. Lessor

The Company leases investment property to other under operating lease agreements, please refer to Note 6(6) for details. The future lease receivables under non-cancellable leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Within 1 year	\$ 2,775	8,911
1-5 years	135,469	89,453
	<u>\$ 138,244</u>	<u>98,364</u>

The rental revenue from investment property for the year 2015 and 2014 amounted to \$65,195 and \$57,711 respectively.

(16) Employee benefit

A. Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ (1,043,855)	(1,033,138)
Fair value of plan assets	550,031	568,071
Recognized liabilities for defined benefit obligations	<u>\$ (493,824)</u>	<u>(465,067)</u>

The Company's employee benefits liabilities are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Liability for service leave	\$ 42,929	42,792

Under the defined benefit plan, the Company deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

a. Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company’s labor pension preparatory special account in Bank of Taiwan amounted to \$253,665 and \$ 285,061 as of December 31, 2015 and 2014 respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

b. Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Defined benefit obligation on January 1	\$ 1,033,138	1,036,894
Current service costs and interest	26,648	27,293
Remeasurement of net defined liability		
- Actuarial loss (gain) arising from changes in financial assumptions	20,799	(2,833)
- Experience adjustments	10,802	23,542
Benefits paid by the plan	<u>(47,532)</u>	<u>(51,758)</u>
Defined benefit obligation on December 31	<u>\$ 1,043,855</u>	<u>1,033,138</u>

c. Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Fair value of plan assets on January 1	\$ 568,071	589,761
Interest revenue	8,823	8,581
Remeasurement of net defined liability		
- Return on plan assets (excluding interest)	2,773	2,658
Contributions from the employer	17,896	18,829
Benefits paid from plan assets	<u>(47,532)</u>	<u>(51,758)</u>
Fair value of plan assets on December 31	<u>\$ 550,031</u>	<u>568,071</u>

d. Expense recognized in profit or loss

The expenses recognized of the Company in 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Current service cost	\$ 10,847	11,843
Net interest of net defined benefit liability (asset)	6,978	6,869
Current pension cost	<u>\$ 17,825</u>	<u>18,712</u>

e. Remeasurement of net defined liability (asset) recognized in other comprehensive income

For the year ended December 31, 2015 and 2014, the remeasurement of net defined liability (asset) recognized accumulatively in other comprehensive income was as follows:

	<u>2015</u>	<u>2014</u>
Balance at January 1	\$ (40,214)	(22,163)
Recognized amount during the period	(28,828)	(18,051)
Balance at December 31	<u>\$ (69,042)</u>	<u>(40,214)</u>

f. Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Discount rate	1.22%	1.53%
Expected rate of return on plan assets	1.22%	1.53%
Future salary growth rate	2.00%	2.00%

The expected contribution to the defined benefit plan for the next year is \$15,300. The weighted average duration of the defined benefit obligation is 3 years.

g. Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

For the year ended December 31, 2015 and 2014, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<u>Effects to Defined Benefit Obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2015		
Discount rate	(31,063)	32,561
Future adjustment rate of salary	26,896	(25,990)
December 31, 2014		
Discount rate	(32,251)	33,863
Future adjustment rate of salary	28,333	(27,332)

The sensitivity analysis presented above is based on the condition that other variables are fixed. In practice, the changes in assumptions are correlated. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

B. Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Company contributes 6% of the employee's monthly wages to the Bureau of the Labor Insurance. Therefore, the Company has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Company contributed \$75,478 and \$78,423 under defined contribution plan to the Bureau of the Labor Insurance in the year 2015 and 2014 respectively.

(17) Income tax

A. Income tax expense (benefit)

The amount of income tax expense (benefit) for the year 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Current income tax expense		
Current year	\$ (167)	8,004
Adjustment to the prior years' income tax	3,557	(37,025)
	<u>3,390</u>	<u>(29,021)</u>
Deferred income tax expense		
Unrealized gains (losses) on derivative financial instruments	33,675	(24,552)
Unrealized gains (losses) on foreign investments under Equity Method	(4,872)	1,637
Amortization of operation franchise	-	2,647
Amortization of goodwill	106,308	106,308
Decrease in tax loss carried forward	75,935	173,384
Adjustments of deferred income tax assets and liabilities	20,583	9,595
	<u>231,629</u>	<u>269,019</u>
Income tax expenses	<u>\$ 235,019</u>	<u>239,998</u>

The amount of income tax expense or benefit recognized in other comprehensive income in year 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Foreign exchange difference from translating financial statements of foreign operations	<u>\$ 12,032</u>	<u>19,679</u>

Reconciliation of income tax expense (benefit) and income before tax in year 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Net income before tax	\$ 1,784,346	2,265,303
Income tax using the Company's domestic tax rate	\$ 303,339	385,102
Tax-exempt income	(92,293)	(125,678)
10% surtax on undistributed earnings	-	8,359
Income tax difference of bonds purchased under resale agreements and income tax separately levied	(167)	(355)
Adjustments to prior years' income tax	3,557	(37,025)
Unrecognized temporary differences for prior years	20,583	9,595
Total	<u>\$ 235,019</u>	<u>239,998</u>

B. Deferred income tax assets and liabilities

a. Recognized deferred income tax assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Tax loss carried forward	\$ 484,791	581,309

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2015, the Company's estimated tax losses recognized under deferred income tax asset was as follows:

<u>Loss Year</u>	<u>Amount</u>	<u>Expiration Year</u>
2011(Assessed)	\$ 1,715,983	2021

b. Recognized deferred income tax liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foreign exchange difference resulted from translation of financial statements of foreign operations	\$ 27,713	15,681
Unrealized gains on derivative financial instruments	46,672	12,997
Unrealized gains on foreign investments under Equity Method	4,281	9,153
Losses on intercompany transactions	1,639	1,639
Amortization of operation franchise	63,384	63,384
Amortization of goodwill	496,103	389,795
Land value incremental tax	47,691	47,691
Deferred income tax liabilities	<u>\$ 687,483</u>	<u>540,340</u>

c. Income tax assessment status

Except 2012, the Company's income tax returns through 2013 were assessed by the Tax Authority.

d. The information about imputation system is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Undistributed earnings after 1998	<u>\$ 1,586,994</u>	<u>2,089,222</u>
Imputation credit account	<u>\$ 3,072,442</u>	<u>3,383,514</u>
	<u>2015 (Estimated)</u>	<u>2014 (Actual)</u>
Deductible ratio for earnings distributed to ROC residents	<u>23.91%</u>	<u>23.24%</u>

The above imputation information was calculated based on the Ruling No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

e. Income tax administrative relief

Since income tax of securities trading and amortization of intangible assets withheld from year 2009 to 2011 and 2013 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(18) Capital and other equity

A. Capital stock

As of December 31, 2015 and 2014, the Company had authorized capital of \$30,000,000 and issued common stock of \$2,319,073 thousand and \$2,369,073 thousand shares with \$10 dollars face value per share.

B. Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

C. Retained earnings

a. Legal reserve

In accordance with Company Act amended in January 2012, 10 percent of the current year's earnings after tax should be set aside as legal reserve, until the cumulative balance equals to the total amount of paid-in capital. If the Company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

b. Special reserve

In accordance with Article 41 of the Securities and Exchange Law, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, 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 stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

c. Unappropriated earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then 10% and 20% of the remainder should be appropriated as legal reserve and special reserve, respectively. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The rest may be distributed in the ratio specified below:

- (1) Remuneration to directors and supervisors: 1%~4%.
- (2) Employees bonuses: 1%~3%.
- (3) Dividends to stockholders: 93%~98%.

In accordance with the amended Company Act which was published in May 2015, employee bonuses and remuneration to directors and supervisors are no longer a part of the composition of appropriation and distribution of earnings. The Company will amend the articles of incorporation accordingly within the period prescribed by the authority.

To continue its expansion and increase profitability, and maintain its capital adequacy ratio, the Company adopts the residual dividend policy. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the budget plan, stock dividends are distributed to retain necessary funds first, and may then be paid as cash dividends subsequently. Cash dividends cannot be less than 10%.

According to the resolution of shareholders' meeting on June 22, 2015, the Company's 2014 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$22,210, \$37,017 and \$1,421,444, respectively. Due to the above changes, the difference between employee bonuses of \$23,487 and remuneration to directors and supervisors of \$39,144 for 2014 financial statements was \$3,404 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2015.

According to the resolution of shareholders' meeting on June 18, 2014, the Company's 2013 earnings distribution for employee bonuses, remuneration to directors and supervisors and cash dividends were \$14,377, \$25,436 and \$1,066,083 respectively.

Due to the above changes, the difference between employee bonuses of \$32,585 and remuneration to directors and supervisors of \$43,447 for 2013 financial statements was \$36,219 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2014.

The resolution of the board of directors and stockholders about earnings distribution can be found on the Market Observation Post System.

d. Treasury stocks

Pursuant to Article 28-2 of the Securities and Exchange Act, the Company repurchased 97,485 thousand share to maintain the Company's credit and shareholders' equity for the year 2015. As of December 31, 2015, a total 50,000 thousand shares were retired and the rest 47,485 thousand shares were not retired yet.

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus. On September 21, 2015, the Company's board meeting resolved a share buyback plan, the calculation of maximum repurchase amount \$6,809,506 was determined by the latest audited financial statement (as of June 30, 2015), the maximum number of 236,907 thousand shares was 10% of total shares issued then. On November 11, 2015, the Company's board meeting resolved a share buyback plan again, the calculation of maximum repurchase amount \$6,791,127 was determined by the latest reviewed financial statement (as of September 30, 2015), the maximum number of 236,907 thousand shares was 10% of total shares issued then. As of December 31, 2015, the maximum number of shares repurchased and held was 97,485 thousand shares and the repurchase amount was \$939,569, which fully complied with Securities and Exchange Act.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

(19) Earnings per share

The basic earnings per share and dilutive earnings per share of year 2015 and 2014 were calculated as follows:

	<u>2015</u>	<u>2014</u>
Net income	\$ 1,549,327	2,025,305
Weighted-average number of common stock shares outstanding (thousands of shares)	2,357,324	2,369,073
Basic earnings per share (dollar)	\$ 0.66	0.85
Dilutive potential ordinary shares (thousands of shares) (Note)	1,740	2,248
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,359,064	2,371,321
Dilutive earnings per share (dollar)	0.66	0.85

Note: The shares were calculated based on the closing price at the reporting date.

(20) Items of comprehensive income statement

A. Brokerage commissions

	<u>2015</u>	<u>2014</u>
Brokerage commission from TSE market	\$ 1,456,999	1,768,032
Brokerage commission from OTC market	576,174	705,017
Handling fee from security financing	56,824	74,946
Others	61,682	75,591
	<u>\$ 2,151,679</u>	<u>2,623,586</u>

B. Underwriting commissions

	<u>2015</u>	<u>2014</u>
Revenues from underwriting securities on a firm commitment basis	\$ 46,428	57,040
Handling fee revenues from underwriting securities on best-efforts basis	1,548	1,001
Processing fee revenues from underwriting operations	54,436	25,732
Revenues from underwriting consultation	13,856	13,763
Others	51,428	71,832
	<u>\$ 167,696</u>	<u>169,368</u>

C. Net gains or losses on sale of trading securities

	<u>2015</u>	<u>2014</u>
Revenue from securities sold - proprietary trading	\$ 329,591,436	370,357,454
Cost of securities sold - proprietary trading	(329,460,185)	(370,019,155)
Subtotal	131,251	338,299
Revenue from securities sold - underwriting	244,644	563,537
Cost of securities sold - underwriting	(228,856)	(486,710)
Subtotal	15,788	76,827
Revenue from securities sold - hedging	41,194,934	47,244,554
Cost of securities sold - hedging	(41,297,404)	(47,100,668)
Subtotal	(102,470)	143,886
Total	<u>\$ 44,569</u>	<u>559,012</u>

D. Interest revenue

	<u>2015</u>	<u>2014</u>
Interest revenue - margin loans	\$ 1,009,722	1,154,465
Interest revenue - bonds	323,029	192,090
Others	40,720	39,595
	<u>\$ 1,373,471</u>	<u>1,386,150</u>

E. Net gains or losses on valuation of trading securities measured at fair value through profit or loss

	<u>2015</u>	<u>2014</u>
Trading securities - Proprietary	\$ 65,413	(11,327)
Trading securities - Underwriting	1,719	(3,145)
Trading securities - Hedging	(286,984)	(34,033)
Settlement coverage bonds payable of short sale	1,162	(17)
	<u>\$ (218,690)</u>	<u>(48,522)</u>

F. Net gains on stock warrants issued

	<u>2015</u>	<u>2014</u>
Gains on changes in fair value of stock warrants	\$ 30,567,126	12,887,698
Gains on exercise of stock warrants before maturity	9,065,630	14,580,391
Losses on changes in fair value of stock warrants repurchased	(38,715,506)	(26,762,513)
Gains on expiration of stock warrants	44,439	35,031
Stock warrants issuance expenses	(119,455)	(119,709)
	<u>\$ 842,234</u>	<u>620,898</u>

G. Employee benefits, depreciation and amortization expenses

	<u>2015</u>	<u>2014</u>
Employee benefit expenses		
Salary expense	\$ 1,722,051	1,897,043
Health and labor insurance expense	148,170	153,289
Pension expense	93,303	97,135
Others	53,747	56,965
Depreciation expense	153,519	154,648
Amortization expense	34,457	31,874
	<u>\$ 2,205,247</u>	<u>2,390,954</u>

H. Other operating expenses

	<u>2015</u>	<u>2014</u>
Rental expense	\$ 160,444	165,997
Taxes	327,325	375,747
Information technology expense	110,228	104,092
Postage expense	106,865	98,525
Professional service fee	95,336	100,611
Other expenses	459,036	413,632
	<u>\$ 1,259,234</u>	<u>1,258,604</u>

I. Other gains and losses

	<u>2015</u>	<u>2014</u>
Financial revenue	\$ 2,170	2,619
Exchange losses	(58,458)	(47,680)
Net gains on disposal of investment	8,439	7,811
Net gains (losses) on measurement of non-operating instruments at fair value through profit or loss	(267)	5,123
Revenue from bank's allocation fee	149,594	151,312
Lease revenue	65,195	57,711
Revenue from information technology service	18,434	18,020
Net gains on disposal of property and equipment	59,064	3,169
Dividend revenue	20,602	21,578
Gains on reversal of prior year's liabilities	14,670	53,237
Others	11,582	17,024
	<u>\$ 291,025</u>	<u>289,924</u>

J. Remuneration to employees, directors and supervisors

The amendments to the Company's Articles of Incorporation was proposed by the Company's Board of Directors but not yet resolved by the shareholders' meeting, which stipulated to distribute employees' remuneration at the rates from 0.6% to 2% and remuneration to directors at the rate no higher than 3%, respectively, of net profit before tax. However, the Company's accumulated deficit should have been covered. The employees' remuneration distributed, in the form of shares or in cash, to the employees including the employees of subsidiaries meeting certain specific requirement.

For the year ended December 31, 2015, the estimated amounts of employee remuneration and remuneration to director and supervisor to be distributed from the Company were \$17,241 and \$28,734, respectively, which were calculated based on the Company's net profit before income tax, employees' remuneration, and remuneration to directors and supervisors and the earnings allocation percentage as stated under the Company's articles of incorporation. It is recognized as operating expense for the year ended December 31, 2015. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

(21) Financial instruments

A. Credit risk

a. Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2015 and 2014, the maximum credit exposure amounted to \$47,889,857 and \$41,872,428 respectively.

b. Impairment loss

The Company's ageing analysis of receivables at reporting date is as follows:

	December 31, 2015		December 31, 2014	
	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 18,925,866	2,646	25,787,427	65,924
Past due 0~30 days	336	336	117	117
Past due 31~120 days	234	234	209	209
Past due 121~360 days	1,714	1,714	113	113
Past due more than one year	15	15	688	688
	<u>\$ 18,928,165</u>	<u>4,945</u>	<u>25,788,554</u>	<u>67,051</u>

Allowance for doubtful debts under receivables is recorded for the debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2015 and 2014, the impairment losses of account receivables were recognized \$4,945 and \$67,051 respectively.

B. Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Company predicts the cash flow occurring point or the actual amount of this maturity analysis will not be significantly earlier or different.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2015							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,431,015	1,431,015	1,431,015	-	-	-	-
Settlement coverage bonds payable of short sale	299,404	299,404	299,404	-	-	-	-
Stock warrants issued	360,147	360,147	342,817	16,145	1,185	-	-
Put options - futures	7,176	7,176	7,176	-	-	-	-
Value of swap contracts	10,402	10,402	5,568	(2,160)	5,867	1,127	-
Put options	193,888	193,888	6,017	34,126	100,470	53,275	-
Short-term borrowings	1,579,717	1,579,717	1,579,717	-	-	-	-
Bonds sold under repurchase agreements	24,014,573	24,036,826	24,036,826	-	-	-	-
Securities financing refundable deposits	2,025,011	2,025,011	2,025,011	-	-	-	-
Deposits payable for securities financing	2,242,680	2,242,680	2,242,680	-	-	-	-
Securities lending refundable deposits	1,622,937	1,622,937	1,622,937	-	-	-	-
Notes payable and accounts payable	190,708	190,708	190,708	-	-	-	-
Receipts under custody	1,344,056	1,344,056	1,344,056	-	-	-	-
Other payables	607,492	607,492	607,492	-	-	-	-
Structured notes	4,088,809	4,088,809	3,798,140	48,678	180,348	61,643	-
	\$ 40,018,015	40,040,268	39,539,564	96,789	287,870	116,045	-
December 31, 2014							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,043,849	1,043,849	1,043,849	-	-	-	-
Settlement coverage bonds payable of short sale	99,766	99,766	99,766	-	-	-	-
Stock warrants issued	633,190	633,190	560,487	72,703	-	-	-
Put options - futures	421	421	421	-	-	-	-
Value of swap contracts	4,422	4,422	(353)	396	639	3,740	-
Put options	348,450	348,450	38,817	54,326	192,673	62,634	-
Short-term borrowings	2,657,000	2,657,000	2,657,000	-	-	-	-
Commercial paper payable	1,749,717	1,750,000	1,750,000	-	-	-	-
Bonds sold under repurchase agreements	14,725,686	14,736,603	14,736,603	-	-	-	-
Securities financing refundable deposits	2,231,990	2,231,990	2,231,990	-	-	-	-
Deposits payable for securities financing	2,593,973	2,593,973	2,593,973	-	-	-	-
Securities lending refundable deposits	2,254,764	2,254,764	2,254,764	-	-	-	-
Notes payable and accounts payable	44,173	44,173	44,173	-	-	-	-
Receipts under custody	123,215	123,215	123,215	-	-	-	-
Other payables	700,167	700,167	700,167	-	-	-	-
Long term liabilities - current portion	500,000	500,000	500,000	-	-	-	-
Structured notes	2,256,615	2,256,615	2,030,527	113,523	95,377	17,188	-
	\$ 31,967,398	31,978,598	31,365,399	240,948	288,689	83,562	-

C. Currency risk

a. Currency risk exposure

The Company's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

				December 31, 2015		
				Foreign Currency	Exchange Rate	Amount
<u>Financial assets</u>						
<u>Monetary Item</u>						
	USD	\$	7,317	32.83		240,217
	HKD		714	4.24		3,027
	EUR		28	35.88		1,005
	JPY		16,127	0.2727		4,398
	AUD		994	23.99		23,846
	SGD		7	23.25		163
	CNY		50,216	4.995		250,829
<u>Non-Monetary Item</u>						
	USD		202,223	32.83		6,638,981
	HKD		55,140	4.24		233,794
	EUR		343	35.88		12,307
	CNY		233,206	4.995		1,164,864
	AUD		58,860	23.99		1,412,051
<u>Investments under Equity Method</u>						
	USD		55,387	32.775		1,815,300
<u>Financial liabilities</u>						
<u>Monetary Item</u>						
	USD		226,579	32.83		7,438,589
	HKD		50,000	4.24		212,000
	JPY		14,927	0.2727		4,071
	AUD		49,880	23.99		1,196,621
	CNY		117,363	4.995		586,228

		December 31, 2014		
		Foreign Currency	Exchange Rate	Amount
Financial assets				
<u>Monetary Item</u>				
USD	\$	1,222	31.65	38,676
HKD		17,422	4.08	71,082
EUR		39	38.47	1,500
JPY		2,165	0.2646	573
GBP		8	49.27	394
AUD		23	25.91	596
SGD		32	23.94	766
ZAR		7	2.74	19
CNY		50,800	5.092	258,674
CAD		6	27.27	164
CHF		1	31.98	32
<u>Non-Monetary Item</u>				
USD		9,069	31.65	287,034
HKD		73,465	4.08	299,737
CNY		338,838	5.092	1,725,363
<u>Investments under Equity Method</u>				
USD		56,260	31.60	1,777,808
Financial liabilities				
<u>Monetary Item</u>				
USD		77,346	31.65	2,448,001
CNY		188,071	5.092	957,658

Because there are a variety of functional currencies, the Company discloses a summary of its information on exchange gain or loss. The realized and unrealized exchange loss amounted to \$58,458 and \$47,680 for the year ended December 31, 2015 and 2014, respectively.

b. Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets measured at fair value through profit or loss and securities lending refundable deposits, which are denominated in foreign currencies. Foreign exchange gain or loss occurs when translating the foreign currency assets to NTD assets. For the year ended December 31, 2015 and 2014, given other factors remain the same, if NTD increase or decrease 5% contrary to other currencies, the income after tax will increase or decrease by \$298,552 and \$29,924, and the other comprehensive income will increase or decrease by \$396,629 and \$73,779, respectively.

D. Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The variable rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. This is mainly attributable to the Company's exposure to floating rates on its bond position.

market risk type	December 31, 2015	December 31, 2014	2015			2014		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
interest risk	1,201,645	756,972	1,003,569	1,250,286	734,670	704,565	756,972	636,871

E. Fair value and hierarchy information

a. Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Company determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

(2) Definition of fair value hierarchy

A) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market is a market that meets all the conditions listed below: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. Taiwan government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market possessed by the Company belong to Level 1.

B) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and most of the derivative financial instruments of the Company belong to Level 2.

C) Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.

b. Not based on fair value measurement

As of December 31, 2015 and 2014, the fair value information of the financial assets and financial liabilities of the Company was as follows:

(1) Fair value information

	December 31, 2015		December 31, 2014	
	Book value	Fair value	Book value	Fair value
Financial assets :				
Cash and cash equivalents	\$ 1,968,456	1,968,456	1,196,603	1,196,603
Accrued receivable	21,464,755	21,464,755	27,044,288	27,044,288
Pledged assets - current	416,604	416,604	391,000	391,000
Financial assets measured at cost - non-current	380,603	380,603	389,353	389,353
Other assets - non-current	1,357,718	1,357,718	1,578,860	1,578,860
Financial liabilities :				
Short-term borrowings	\$ 1,579,717	1,579,717	2,657,000	2,657,000
Commercial paper payable	-	-	1,749,717	1,749,717
Bonds sold under repurchase	24,014,573	24,014,573	14,725,686	14,725,686
Accrued payable	10,256,258	10,256,258	13,332,492	13,332,492
Other financial liabilities - current	3,834,575	3,834,575	2,140,965	2,140,965
Long-term liabilities - current portion	-	-	500,000	500,000
Other financial liabilities - non-current	241,991	241,991	112,565	112,565
Other liabilities - non-current	567,583	567,583	537,335	537,335

(2) Hierarchy information of fair value

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Investment property	\$ 3,578,321	-	-	3,578,321

(3) Valuation techniques used in estimating the fair values of financial instruments

- A) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, other current assets, other assets - non-current, short term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, other financial liabilities - current, other financial liabilities - non-current, and other liabilities - non-current.
- B) Financial assets measured at cost and equity investments in unlisted stocks do not have the quoted market prices in an active market and the variability in the range of reasonable fair values is significant or the probabilities of the various estimates within the range cannot be reasonably assessed, so the fair value is unable to be reliably measured. Therefore, the Company considers the book value as a reasonable approximation of fair value.
- C) The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

c. Based on fair value measurement

(1) Hierarchy information of fair value

The Company's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value as of December 31, 2015 and 2014 were as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Financial assets at fair value through profit or loss	\$ 8,405,711	17,255,304	-	25,661,015
Financial assets available for sale	93,483	7,741,972	-	7,835,455
Derivative financial assets	94,289	43,300	-	137,589
	\$ 8,593,483	25,040,576	-	33,634,059
Financial liabilities at fair value through profit or loss	\$ 2,090,566	-	-	2,090,566
Derivative financial liabilities	7,176	216,533	-	223,709
	\$ 2,097,742	216,533	-	2,314,275
December 31, 2014				
Financial assets at fair value through profit or loss	\$ 7,685,284	16,385,310	-	24,070,594
Derivative financial assets	111,575	81,227	-	192,802
	\$ 7,796,859	16,466,537	-	24,263,396
Financial liabilities at fair value through profit or loss	\$ 1,776,805	-	-	1,776,805
Derivative financial liabilities	421	355,957	-	356,378
	\$ 1,777,226	355,957	-	2,133,183

(2) Valuation techniques

A) Non-derivative financial instruments

Financial instruments are initially recognized at fair value. For active markets, fair value is measured according to quoted prices. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Excluding the above-mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilizes the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest et cetera).

B) Derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

d. Transfer between Level 1 and Level 2

There is no significant transfer between Level 1 and Level 2 f for the year ended December 31, 2015 and 2014.

e. Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Company. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

F. Transfer of financial assets

The transferred financial assets of the Company that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchased agreements or equity securities under securities lending agreement. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Company cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Company still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

December 31, 2015					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 24,178,626	24,014,573	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Company; hence according to IFRS 7 pg.42 D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

G. Offsetting financial assets and financial liabilities

The Company did not hold any financial instruments contracts which meet Section 42 of the FSC endorsed by IAS 32 therefore, the financial assets and financial liabilities will be offset on the balance sheet.

The Company has transactions, such as repurchase and resell agreements, that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party defaults, the other party can choose to use net settlement.

The offsetting of financial assets and liabilities information is as below:

December 31, 2015					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
			Financial instruments	Cash received as collaterals	
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial assets					
\$ 43,300	-	43,300	-	-	43,300

December 31, 2015					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
			Financial instruments	Cash received as collaterals	
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial liabilities					
\$ 216,533	-	216,533	-	-	216,533
Under repurchase agreements					
24,014,573	-	24,014,573	24,014,573	-	-
Total					
\$ 24,231,106	-	24,231,106	24,014,573	-	216,533

December 31, 2014					
Financial assets under offsetting or general agreement of net amount settlement or similar norms					
Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
			Financial instruments	Cash received as collaterals	
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial assets					
\$ 81,227	-	81,227	-	-	81,227

December 31, 2014					
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount
			Financial instruments	Cash received as collaterals	
(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Derivative financial liabilities					
\$ 355,957	-	355,957	-	-	355,957
Under repurchase agreements					
14,725,686	-	14,725,686	14,725,686	-	-
Total					
\$ 15,081,643	-	15,081,643	14,725,686	-	355,957

Note: Including netting settlement agreement and non-cash financial collaterals.

(22) Financial risk management

A. Brief

The Company is exposed to the following risks due to the usage of financial instruments:

- a. Credit risk
- b. Liquidity risk
- c. Market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

B. Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

C. Credit risk

Credit risk refers to the risk of financial losses to the Company arising from default by the clients or counterparties of financial instruments on the contract obligation.

The Company sets up the credit limits for issuers and counterparties according to the credit information requirements of the authorities and the credit rating information release by credit rating agencies. The credit limit of securities margin transactions is subject to the requirements of the competent authority. The derivatives' credit exposure of counterparty shall be measured on a daily basis. If the limits are exceeded, to increase of collateral or lower transaction position is required. The bonds can be invested only its credit rating is above a prescribed level. And monitor the material information disclosed, information on capital raising activities and operation status of counterparty as a reference for measuring the possibility of credit default. The bond position should be disposed if the credit rating is lower than required.

D. Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Company also to diversify the financing channels for funding. The Company plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Company has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc to address the liquidity risk of each holding position. Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

E. Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Company's revenue or the value of its holdings of financial instruments.

The Company has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Company uses to measure the market risk are as follows:

- a. Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- b. Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- c. Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- d. Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Company can utilizes approved financial hedging instruments (such as Futures, Options, Swap and etc) to adjust the risk level to improve the risk management system implemented.

F. Hedging strategies (financial hedging)

The Company's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position.

a. Equity securities:

As equity securities price fluctuate, the Company will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

b. Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer losses when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

c. Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Company will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Company will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

d. Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

a. Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Company manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

G. Financial risk information of derivative financial instruments

As of December 31, 2015 and 2014, the related financial risk and the presentation of the Company's financial derivatives were as follows:

Stock warrants

a. Notional principal (nominal amount) and credit risk

<u>Financial Instruments</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:				
Stock warrants issued	\$ 10,260,292	-	33,477,191	-

The Company collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

b. Market risk

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand.

The Company establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

d. Type, purpose, and strategy of financial derivatives held

The Company's strategy is to avoid most of the market risk. Non-trading marketable securities hedging positions are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

e. Presentation of financial derivatives

Relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

In 2015 and 2014:

(1) Gains (losses) on valuation

	<u>2015</u>	<u>2014</u>	<u>Account</u>
Stock warrants issued	\$11,070,099	4,095,759	Gains (losses) on stock warrants issued
Stock warrants repurchased	(10,814,221)	(3,851,835)	Gains (losses) on stock warrants issued

(2) Gains (losses) on sale

	2015	2014	Account
Security borrowing	\$ (45,496)	(68,812)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(366,765)	(89,159)	Gains (losses) on sale of trading securities
Futures	(5,348)	(90,195)	Gains (losses) on derivative financial instruments - futures

(3) Gains (losses) on maturity

	2015	2014	Account
Stock warrants issued	\$ 28,607,096	23,407,361	Gains (losses) on stock warrants issued
Stock warrants repurchased	(27,901,285)	(22,910,678)	Gains (losses) on stock warrants issued

Futures

a. Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Taiex Futures	\$ 49,722	-	28,797	-
Stock Futures	985	-	-	-
U.S. 30-Year T-Note Futures	15,187	-	-	-
FTSE China A50 Index Futures	4,209	-	-	-
Euro Bund Futures	455,705	-	-	-
Taiex Options	-	-	410	-
Taiex Weekly Options	-	-	5	-
For non-trading purpose:				
Taiex Futures	197,542	-	194,735	-
Stock Futures	320,278	-	900,101	-
Taiex Gold Futures	17,276	-	-	-
H stock Index Futures	35,626	-	-	-
HSI Futures	9,336	-	-	-
Mini-H Stock Index Futures	838	-	-	-
Mini-HSI Futures	16,805	-	-	-
Taiex Options	18,390	-	2,062	-
Stock Options	355	-	19	-

Should counterparties to futures and options default, the associated losses is borne by the futures commission merchants. Hence, the Company is subject to insignificant credit risk.

b. Market risk

Market risk resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the Company can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gain or loss from the fluctuations of index tends to offset gain and loss of the hedged items. Hence, there is no significant market risk.

c. Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand

The open positions of futures and options held by the Company can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Stock index futures and government bond futures are considered margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Company. For margin calls, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Company has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

d. Presentation of financial derivatives

In 2015 and 2014, gains (losses) on futures and options transactions amounted to \$80,915 and (\$117,058), respectively, and were reflected as gains or losses on derivatives - futures. As of December 31, 2015 and 2014, futures margin - proprietary fund amounted to \$93,648 and \$110,452, respectively, and were reflected as financial assets at fair value through profit or loss - current.

In 2015 and 2014, the balance of call options which recognized as financial assets at fair value through profit or loss - current amounted to \$641 and \$1,123, respectively, put options which recognized as financial liabilities at fair value through profit or loss - current amounted to \$7,176 and \$421, respectively.

Derivative financial instruments - OTC

a. Interest rate financial derivatives

(1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 55,700,000	-	53,440,000	-

Counterparties to interest rate swaps are banks with good credit ratings. The Company pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

(2) Market risk

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gain or loss from the fluctuations of interest rate tends to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, Stop-loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Company's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

(4) Type, purpose, and strategy of financial derivatives held

The Company entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Company's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Company engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

b. Structured notes

(1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 2,000	-	16,000	-
Principal guaranteed notes	3,761,609	-	1,932,968	-
Credit-linked notes	317,200	-	304,800	-

The Company collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

(2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Company collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

c. Convertible bond asset-backed swaps

(1) Notional principal (nominal amount) and credit risk

Financial Instruments	December 31, 2015		December 31, 2014	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset-backed swaps	\$ 1,304,600	-	1,038,100	-
Convertible bond options	2,947,200	-	2,875,700	-

Counterparties to convertible bond asset-backed swaps are institutions with good credit ratings. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Company maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Company collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

(2) Market risk

For convertible bond asset-backed swaps, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Company also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

The underlying assets of Convertible bond option transaction in which the Company engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Company has collected premium or margins from investors; therefore there is no significant liquidity risk.

d. Presentation of derivative financial instruments - OTC

As of December 31, 2015 and 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps were presented on the balance sheets as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 22,878	25,952
Currency swaps	8,482	45,318
Asset swap options - long position	11,940	9,881
Structured notes	-	76
Total	<u>\$ 43,300</u>	<u>81,227</u>

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial liabilities at fair value through profit or loss - current		
Asset swap options - short position	\$ 193,888	348,450
IRS asset swaps	5,398	249
Structured notes	12,243	3,085
Currency swaps	3,476	503
Interest rate swaps	1,528	3,670
Total	<u>\$ 216,533</u>	<u>355,957</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 3,834,575</u>	<u>2,140,965</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 241,991</u>	<u>112,565</u>

In year 2015 and 2014, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps are presented on statements of income as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative financial instrumnets - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ (830)	(1,528)	(8,589)	(3,670)
Equity derivatives	245	-	1,497	-
Structured notes	(48,375)	(8,003)	(25,572)	(2,915)
IRS asset swaps	511	527	784	299
Asset swap options	(41,617)	158,261	(122,864)	(37,422)
Currency swaps	35,796	5,005	109,253	44,815
Total	<u>\$ (54,270)</u>	<u>154,262</u>	<u>(45,491)</u>	<u>1,107</u>

(23) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Company has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

As of December 31, 2015, the Company maintains no change of its capital management.

7. RELATED PARTY TRANSACTIONS

(1) Relationships between parents and subsidiaries

Refer to Note 13(2) for a detailed list of the Company's subsidiaries.

(2) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the consolidated Company.

(3) Key management personnel transactions

A. Key management personnel compensation:

	<u>2015</u>	<u>2014</u>
Short-term employee benefits	\$ 106,219	118,470
Post-employment benefits	1,080	1,209
Termination benefits	1,056	-
Total	<u>\$ 108,355</u>	<u>119,679</u>

B. Bond transactions

Bonds sold under repurchase agreements between key management personnel in year 2015 and 2014 are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Key management personnel	<u>\$ 50,500</u>	<u>50,691</u>	<u>56,400</u>	<u>60,914</u>
	Total financial expenses		2015	2014
Key management personnel			<u>\$ 415</u>	<u>\$ 438</u>

C. Structured notes transactions

The Company engages in structured notes transactions with key management personnel. As of December 31, 2015 and 2014, the balances of structured notes transactions were \$17,600 and \$22,200 respectively.

(4) Significant transactions with related parties

A. Bond transactions

Bonds sold under repurchase agreements in year 2015 and 2014 are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 451,800	451,865	126,800	128,592
Affiliates	13,400	13,400	11,000	11,300
Total	<u>\$ 465,200</u>	<u>465,265</u>	<u>137,800</u>	<u>139,892</u>

	<u>2015</u>		<u>2014</u>	
	<u>Total financial expense</u>		<u>Total financial expense</u>	
Subsidiaries	\$	881		473
Other related parties		43		-
Affiliates		67		141
Total	<u>\$</u>	<u>991</u>		<u>614</u>

Transaction terms are the same as those with general clients.

B. Futures commission revenue

The Company provided futures trading assistance for subsidiary.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Commission receivable	<u>\$ 14,267</u>	<u>12,690</u>

	<u>2015</u>	<u>2014</u>
Futures commission revenue	<u>\$ 146,813</u>	<u>120,735</u>

C. Futures trading

The futures margin in subsidiary of the Company is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Futures margin - proprietary fund	<u>\$ 874,376</u>	<u>368,897</u>

	<u>2015</u>	<u>2014</u>
Interest revenue of futures margin	<u>\$ 424</u>	<u>178</u>
Handling fees	<u>\$ 6,695</u>	<u>4,657</u>

D. Lease agreements

a. Lease revenue

	<u>2015</u>	<u>2014</u>
Subsidiaries	<u>\$ 16,694</u>	<u>17,097</u>

b. Guarantee deposits received

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	<u>\$ 3,909</u>	<u>3,909</u>

E. Information technology service

In year 2015 and 2014, the Company provided information technology service to subsidiaries, and the revenue of information technology service amounted to \$18,434 and \$18,020 respectively.

F. Stock service income

In year 2015 and 2014, the Company provided stock service to subsidiaries, and the stock service income amounted to \$427 and \$431 respectively.

G. Securities commission expense

The Company delegated subsidiaries for introducing brokers. As of December 31, 2015 and 2014, securities commission expense payable amounted to \$353 and \$301 respectively and securities commission expenses amounted to \$3,610 and \$3,033 respectively.

H. Consulting fee

Subsidiaries agreed to provide investment information, training courses, and services of publishing non-periodicals. In year 2015 and 2014, consulting fee paid amounted to \$86,100 and \$87,150 respectively.

I. Insurance commission income

The Company assists subsidiaries to recruit insurance contracts and charge commission income. The details are as follows:

a. Commission revenues

	<u>2015</u>	<u>2014</u>
Subsidiaries	<u>\$ 10,304</u>	<u>13,812</u>

b. Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	<u>\$ 1,200</u>	<u>311</u>

J. Brokerage commissions

The investors of CSC Securities (HK) Ltd. traded of market securities with the Company through the trust account named “Capital Securities Nominee Limited.” In year 2015 and 2014, the brokerage commissions were \$7,406 and \$8,362 respectively. Moreover, because subsidiaries were engaged in stock exchange, the brokerage handling fee revenue from subsidiaries was \$212 and \$2,162 respectively.

K. Human resources and legal service income

The Company provided human resources and legal service for subsidiaries and other related parties, and the human resources and legal service income amounted to \$325 and \$300, respectively in year 2015 and 2014.

L. The Company issued Letter of Comfort to the banks which loaned to subsidiaries.

8. PLEDGED ASSETS

The following assets were pledged as collateral or restricted in use on December 31, 2015 and 2014:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>The collateral use</u>
Restricted assets - current	\$ 416,604	391,000	Bank borrowings, commercial paper and accounts settled
Restricted assets - non - current	130,586	130,586	Trust to a impartial third party (Note 12)
Trading securities and bonds purchased under resale agreements	24,431,835	13,462,900	Repurchase agreement
Property and equipment	3,734,644	3,835,966	Bank borrowings
Financial assets at fair value through profit or loss - non-current	190,554	189,262	Guaranty deposited for bills, interest rate swaps business, structured notes business and settlement fund
Investment property	1,230,067	1,167,787	Bank borrowings
Total	<u>\$ 30,134,290</u>	<u>19,177,501</u>	

9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(1) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	826,231	\$ 8,262,310	1,058,730	10,587,300
Collateral for margin purchase	33,476	334,760	5,985	59,850
Collateral for short sales	13,332	133,320	7,293	72,930
Lending securities to customers through short sales	44,174	441,740	49,606	496,060

- (2) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	Shares		Shares	
	<u>(in thousands)</u>	<u>Par value</u>	<u>(in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	217	\$ 2,170	573	5,730
Collateral for refinancing margin	-	-	217	2,170

- (3) Information of issuing promissory notes in connection with guaranty for segregated error accounts, debt, and issuance of commercial paper are as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	\$		\$	
	<u></u>	<u></u>	<u></u>	<u></u>
Promissory notes	<u>21,850,000</u>	<u>20,820,000</u>		
Promissory notes	<u>USD 80,000</u>	<u>80,000</u>		

- (4) The Company designated Mr. Liu as a consultant to assist expanding brokerage business and entered into a non-competition agreement with him. The Company paid the consulting fee according to the actual operating performance. During March, 2011, Mr. Liu and the Company re-signed a supplementary to replace the old agreement and the major difference is the annual consulting fee is fixed for \$16,000. The effective period is from January 1, 2011 to March 31, 2016. The payment should be done by the end of March every year. The Company already recognized \$16,000 both as miscellaneous expense for the year ended December 31, 2015 and 2014.
- (5) Securities and Futures Investors Protection Center claims against the Company for compensation of \$2,004; due to the fact that the Company, being the underwriter of client's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The case is under the trial of Taiwan Shilin District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.
- (6) The client, Mr. Wu, declared that a resigned employee of Tung-Hu branch stole and sold off his stocks and withdrew his deposit illegally. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of \$36,000 with additional interests. Based on Year 2008 Chung Su No.684 verdict, the Taiwan Taipei District Court ruled in favor of the Company. Mr. Wu was unwilling accept the result and appealed to the high court. This case is currently under the review of the Taiwan High Court. According to the opinion from the attorney of the Company, the case is a personal financial dispute between customer and the former employee and had no impact to the Company.
- (7) The client, Mr. Chen, declared that Entie Securities Finance Ltd. (the Company's merged entity) did not return the remaining amount of the transaction and requested the Company to reimburse \$1,826 and related interests. Based on recent verdict, the Taiwan High Court ruled against the Company. The Company was not willing to accept the verdict and filed an appeal. It is currently under the review of the Supreme Court.
- (8) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the Regulations Governing Securities Firms due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1

issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. However, relevant evidence is still under inspection and the legal responsibilities are pending clarification. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$8,734,798 dollars (including claim amount US\$354,006 dollars towards Taiwan International Securities Investment Consulting Corp.). As of December 31, 2015, the damages claimed for amounted to US\$2,930,000 dollars which is favorable to the Company instead of US\$5,026,873 dollars; and the investors reached compromises to waive off the appeal rights. Since the case is currently on trial, the possible loss remains uncertain at the moment according to the opinion from the attorney of the Company. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities.

- (9) Ding-Li Assets Management Co., Ltd. (hereinafter known as “Ding-Li”) acquired the financing creditor’s right of Mr. Huang and two other person and claimed that employees of Chang-Li Securities Corp. and Da-Yong Securities Corp. opened these three people’s accounts without their consent. Since Chang-Li Securities Corp. and Da-Yong Securities Corp. were acquired by the Company, Ding-Li filed a lawsuit to claim against the Company; amounting to \$1,800. Taiwan Taipei District Court ruled in favor of the Company and the case is currently under the review of the Taiwan High Court.
- (10) The original shareholder of Taiwan International Securities Corporation (hereinafter known as “TISC”), China Development Financial Holdings (hereinafter known as “CDFH”), possessed a different point of view towards the election motion of 2009 shareholder’s meeting and instituted a proceeding in terms of the existence of fiduciary relation toward the TISC. On June 4, 2010, Taiwan Taipei District Court ruled that the fiduciary relation between TISC and aforementioned board of directors and supervisors was not existed based on Year 2009 No. 1086 verdict. The CDFH and TISC both appealed to the verdict. On July 12, 2011, Taiwan High Court ruled that the CDFH has no legal interests in demanding such judgment after the Company merged the TISC and reversed the original judgment and dismissed all the related appeals based on Year 2010 No. 507 verdict. The CDFH appealed to the Supreme Court. The Supreme Court reversed the case to Taiwan High Court based on July 19, Year 2012 No 1093 verdict that the original verdict was in contravention of the laws because the distributing method of the remuneration for directors and supervisors was not explained.
- (11) The Company provided the Letter of Comfort for its subsidiary CSC International Holdings Ltd. and CSC securities (HK) Ltd.
- (12) In October 2005, the former account executive of the Company’s subsidiary - Taiwan International Futures Corporation (hereinafter known as “TIFC”) was suspected for deceiving futures investors and causing a material loss. Several investors institute proceedings towards TIFC and claim joint responsibility of compensation for damages. After viewing by TIFC and its attorney, those litigations were classified by actual situations and relevant matters, thereon adopted different solutions. As of December 31, 2015, sixteen litigations with civic claim were filed (including seven cases with ancillary civil action transferred from Taiwan Taipei District Court Criminal Division to Taiwan Taipei District Court Civic Division). Two litigations had been settled and dismissed. Eleven litigations were ruled in favor of TIFC by Taiwan Supreme Court, Taiwan High Court and Taiwan Taipei District Court, respectively. Two litigations were

ruled by Supreme Court that the resigned-employee and TIFC should be jointly responsible for the compensation for damages, and TIFC had indemnified \$52,701 for the investor. One litigation was ruled against TIFC by Taiwan High Court on November 30, 2015 and TIFC has filed an appeal to The Supreme Court. As of December 31, 2015, TIFC has paid \$162,812 for compensation and the estimated losses amounted to \$254,389 in other liabilities – non-current.

The alleged damages amounted to \$72,416 for this one litigation is still on trial. In addition, the plaintiffs of those four cases applied to the court for provisional seizure and the amount of provisional seizure and execution fees were \$222,991.

As of December 31, 2015, the objects of provisional seizure are as follows:

	<u>Provisional Seizure Amount</u>
Bank deposit	\$ 88,821
Clearing and Settlement fund	15,121
Accounts receivable and other accounts receivable	13
	<u>\$ 103,955</u>

The Financial Supervisory Commission Executive Yuan voided TIFC's business license on December 27, 2007. Thus, the shareholders' special meeting of TIFC decided to dissolve the company on September 18, 2008. Mr. Kuo, a certified public accountant, and Mr. Liu, a lawyer were designated as liquidators. TIFC is still in the process of liquidation.

(13) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and list of trust properties of trust accounts were declared as follows:

a. Balance sheet of trust accounts

Balance Sheet of Trust Accounts					
December 31, 2015 and 2014					
Trust Assets	December 31, 2015	December 31, 2014	Trust Liabilities	December 31, 2015	December 31, 2014
Bank deposits	\$ 801,071	813,907	Accounts payable	\$ 723	337
Short-term investment			Trust capital	7,995,479	10,996,632
Funds	5,844,770	9,459,615	Accumulated earnings or deficit	(273,608)	311,901
Stocks	428,052	724,537			
Securities lent	345,528	278,386			
Bond investment under agreements to repurchase	266,975	-			
Structured notes	5,400	-			
Accounts receivable	30,798	32,425			
Total Assets	<u>\$ 7,722,594</u>	<u>11,308,870</u>	Total Liabilities	<u>\$ 7,722,594</u>	<u>11,308,870</u>

b. Income statement of trust accounts

Income Statement of Trust Accounts		
Year Ended December 31, 2015 and 2014		
	<u>2015</u>	<u>2014</u>
Revenue		
Interest revenue	\$ 5,580	2,885
Cash dividends revenue	90,984	48,544
Rental revenue	7,912	8,926
Realized investment gain	239,909	167,345
Unrealized investment gain	71,832	276,388
Unrealized foreign exchange gain	218,494	137,477
Foreign exchange gain	<u>76,773</u>	<u>31,639</u>
Subtotal	<u>711,484</u>	<u>673,204</u>
Expense		
Administrative fee	1,464	1,578
Commission expenses	54,058	35,111
Realized investment loss	235,269	93,780
Unrealized investment loss	601,332	163,815
Unrealized foreign exchange loss	32,758	8,982
Foreign exchange loss	29,403	12,371
Supplementary insurance premium	226	293
Subtotal	<u>954,510</u>	<u>315,930</u>
Net income (loss) before tax	(243,026)	357,274
Income tax expense	(464)	(283)
Net income (loss) after income tax	<u>\$ (243,490)</u>	<u>356,991</u>

c. List of trust properties

List of Trust Properties		
December 31, 2015 and 2014		
<u>Investment items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bank deposits	\$ 801,071	813,907
Short-term investment		
Stocks	428,052	724,537
Securities lent	345,528	278,386
Bond investments under agreement to	266,975	-
Structured notes	5,400	-
Funds	5,844,770	9,459,615
Total	<u>\$ 7,691,796</u>	<u>11,276,445</u>

10. SIGNIFICANT CATASTROPHIC LOSS : NONE

11. SIGNIFICANT SUBSEQUENT EVENTS :

The Board of Directors resolved to establish the venture capital company with investment \$1,000,000 on May 11, 2015 and got the approval by the FSC No. 1040034071 on September 8, 2015, and the incorporation registration is approved by Ministry of Economic Affairs on January 12, 2016.

12. OTHERS

Taiwan International Securities Corp. (hereinafter known as “TISC”), the Company’s merged entity, entrusted \$182,000 to an impartial third party on the merging date with First Securities Co., Ltd. and Far East Securities Co., Ltd. In relations to the agreement of indemnification to the stockholders with aforementioned companies arising from the fraud matter of Taiwan International Futures Corporation (hereinafter known as “TIFC”). Such deposit shall be allocated by the trustee to the stockholders who are merged in proportion of their shareholdings in TISC, after being decided by the court or accommodated by the investors of TIFC.

By end of December 31, 2015, TIFC had reached partial consensus with its investors, and the accumulated amount of compensation was \$162,812. According to the indemnification to the former stockholders of First Securities Co., Ltd. and Far Eastern Securities Co., Ltd, the Company needs to pay all of the compensation to the company participating in the merger. As of December 31, 2015, the trust amount of the impartial third party is \$130,586 and the accumulated compensation expense is \$51,414.

13. DISCLOSURES REQUIRED

(1) Information on significant transaction:

The followings are the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- A. Loans to others: Exhibit 1.
- B. Endorsements and guarantee for others: None.
- C. Acquisition of real estate over \$100 millions or 20% of paid-in capital: None.
- D. Disposal of real estate over \$100 millions or 20% of paid-in capital: None.
- E. Discount on commissions of transactions with related parties over \$5 millions: None.
- F. Receivables from related parties over \$100 millions or 20% of paid-in capital: None.

(2) Information on reinvestment business: Exhibit 2.

(3) Information on investments in China:

A. Investment in Mainland China and related information :

Unit: NT\$ thousands

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2015	Remittance or recoverable investment this period		Accumulated remittance as of December 31, 2015	Net gains or losses of investee	Direct or indirect shareholdings (%) by the company	Investment gains and losses recognized during this period (Note 2)	Ending balance of investment	Investment income remitted back as of December 31, 2015
					Remittance amount	Recoverable amount						
Capital True Partner Co., Ltd.	Management, consulting and information service business	5,013	C	-	24,372	-	24,372	3,414	30.10%	716 B (2)	15,077	-

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a company in Mainland China.
- B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
 - (1) The recognition of investment gains or losses is based on the financial statements audited by international certified public accountant cooperated with certified public accountant of the Republic of China.
 - (2) The recognition of investment gains or losses is based on the financial statements audited by certified public accountant of the Company.
 - (3) The recognition of investment gains or losses is based on the financial statements provided by the investee without audited by certified public accountant.

B. Quota for investment in China:

Unit: NT\$ thousands

Company Name	Accumulative remittance from Taiwan to Mainland China as of December 31, 2015	Amount of investment approved by Investment Commission, Ministry of Economic Affairs (MOEA)	Limit on the amount of investment in Mainland China by MOEA
Capital International Technology Co., Ltd.	24,372	24,372	30,810

(4) Disclosures required for securities firm investing in countries or regions without securities authority:

According to article 4, no. 5 of the letter no. 10300375782 issued by Financial Supervisory Commission on October 3, 2014, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2015 are as follows:

A. Balance sheet and income statement:

a. Balance sheet

Nature	Company CSC International Holdings Ltd. December 31, 2015	Taiwan International Securities (B.V.I) Corp. December 31, 2015
Current assets	12,010	24
Long-term investments	22,256	-
Property and premises	2,333	-
Other assets	19,395	3,380
Total assets	55,994	3,404
Current liabilities	535	-
Other liabilities	92	3,384
Total liabilities	627	3,384
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	10,385	(9,411)
Cumulative translation adjustments	(18)	(85)
Total stockholders' equity	55,367	20
Total liabilities and stockholders' equity	55,994	3,404

b. Income statement

Company	CSC International Holdings Ltd. 2015	Taiwan International Securities (B.V.I) Corp. 2015
Nature		
Operating revenue	(20)	-
Operating expense	(1,132)	(26)
Non-operating revenue	675	-
Non-operating expense	(386)	-
Income (Loss) before tax	(863)	(26)
Net income (loss)	(863)	(26)

B. Marketable securities held as of December 31, 2015

Name of holding company	Securities types and name	Account classification	December 31, 2015	
			Shares	Book value
CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Long-term investments	4,864,400	\$ 6,987
	CSC Securities (HK) Ltd.	Long-term investments	89,600,000	15,269
	Total			\$ 22,256
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other	265,000,000	\$ (3,384)

C. Transactions of financial derivatives: None.

D. Revenue on advisory and consulting service and related lawsuit: None

14. SEGMENT INFORMATION:

Please refer to the consolidated financial statements of the Company as of December 31, 2015.

7.1 Analysis of Financial Status

(Consolidated Balance Sheets of the Company and Its subsidiaries)

Unit: NT\$ thousands

Item	Year		Variance	
	2015	2014	Amount	%
Current Assets	79,591,301	69,531,529	10,059,772	14.47
Property, Plant and Equipment	5,177,406	5,390,207	(212,801)	(3.95)
Other Non-current Assets	8,542,484	8,766,607	(224,123)	(2.56)
Total Assets	93,311,191	83,688,343	9,622,848	11.50
Current Liabilities	59,982,074	49,996,260	9,985,814	19.97
Non-current Liabilities	1,801,450	1,489,963	311,487	20.91
Total Liabilities	61,783,524	51,486,223	10,297,301	20.00
Capital stock	23,190,730	23,690,730	(500,000)	(2.11)
Capital surplus	2,742,807	2,711,760	31,047	1.14
Retained Earnings	4,697,083	4,598,641	98,442	2.14
Other equities	129,135	97,349	31,786	32.65
Treasury stocks	(469,155)	0	(469,155)	-
Non-Controlling Interests	1,237,067	1,103,640	133,427	12.09
Total Stockholders' Equity	31,527,667	32,202,120	(674,453)	(2.09)

(Balance Sheets of Individual Entity)

Item	Year		Variance	
	2015	2014	Amount	%
Current Assets	58,594,636	52,867,228	5,727,408	10.83
Property, Plant and Equipment	4,535,525	4,770,367	(234,842)	(4.92)
Other Non-current Assets	12,061,158	12,073,701	(12,543)	(0.10)
Total Assets	75,191,319	69,711,296	5,480,023	7.86
Current Liabilities	43,403,662	37,422,576	5,981,086	15.98
Non-current Liabilities	1,497,057	1,190,240	306,817	25.78
Total Liabilities	44,900,719	38,612,816	6,287,903	16.28
Capital stock	23,190,730	23,690,730	(500,000)	(2.11)
Capital surplus	2,742,807	2,711,760	31,047	1.14
Retained Earnings	4,697,083	4,598,641	98,442	2.14
Other equities	129,135	97,349	31,786	32.65
Treasury stocks	(469,155)	0	(469,155)	-
Total Stockholders' Equity	30,290,600	31,098,480	(807,880)	(2.60)

Main reasons and impact of any material change in the Company's assets, liabilities, or shareholders' Equity during the past two years:

- A. Non-current liabilities increased mainly resulted from the increase of structured notes and deferred income tax liabilities.
- B. Other equities increased mainly due to the increase of exchange differences on translating foreign operations.
- C. Treasury stock resulted from the Company's treasury share repurchase program.

7.2 Analysis of Financial Performance :

Unit: NT\$ thousands

(Consolidated Balance Sheets of the Company and Its subsidiaries)

Item \ Year	2015	2014	Variance	
			Amount	%
Operating Revenue	6,564,157	6,868,876	(304,719)	(4.44)
Operating Expenses	5,199,417	5,062,173	137,244	2.71
Operating Income	1,364,740	1,806,703	(441,963)	(24.46)
Other income and expenses	669,295	625,998	43,297	6.92
Income before tax	2,034,035	2,432,701	(398,666)	(16.39)
Income tax expense	305,677	289,038	16,639	5.76
Net income	1,728,358	2,143,663	(415,305)	(19.37)

(Balance Sheets of Individual Entity)

Item \ Year	2015	2014	Variance	
			Amount	%
Operating Revenue	5,003,528	5,718,477	(714,949)	(12.50)
Operating Expenses	3,824,405	4,004,729	(180,324)	(4.50)
Operating Income	1,179,123	1,713,748	(534,625)	(31.20)
Other income and expenses	605,223	551,555	53,668	9.73
Income before tax	1,784,346	2,265,303	(480,957)	(21.23)
Income tax expense	235,019	239,998	(4,979)	(2.07)
Net income	1,549,327	2,025,305	(475,978)	(23.50)

Analysis of deviation over 20%:

The variances in operating revenue, operating, income before tax and net income were mainly due to the decrease in brokerage commissions and gains on sale of trading securities and the increase in losses on measurement of trading securities at fair value through profit or loss in 2015.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year (2015)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,196,603	6,438,701	5,666,848	1,968,456	-	-

7.3.2 Liquidity Analysis of the Past Two Years

Item \ Year	2015	2014	Variance Percentage
Cash Flow Ratio (%)	14.83	-	100.00%
Cash Flow Adequacy Ratio (%)	538.41	126.55	325.45%
Cash Reinvestment Ratio (%)	15.28	-	100.00%

Analysis of financial ratio change:

The increases in Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Reinvestment Ratio were mainly due to an increase in cash provided by operating activities in 2015.

7.3.3 Cash Flow Analysis for the Coming Year (2016)

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,968,456	2,324,024	2,000,000	2,292,480	-	-

7.4 Major Capital Expenditures in the Most Recent Years: None

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

- A. The Company's investment policies trail the progress of the government's financial business liberalization. The Company provides all-around products, including futures, brokerage, proprietary trading, consulting service, insurance brokerage, insurance agency, venture capital, etc. Following the government's economic liberalization and financial internationalization policies, the Company has focused on the R&D and pursued the goal of all-around securities and financial development. In addition, the Company pursues to maximize the group's overall profits via: (a) increasing the scale of wealth management; (b) developing financial products that carry high added-value; (c) increasing fundraising, placement channels and the number of domestic/overseas sales channels; (d) increasing overseas branches and expanding business scale in terms of geography; (e) developing strategic partners to extend the sales network; (f) offering transnational services, such as investment consultation and wealth management.
- B. Investment plan for the coming year: None

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

- A. Interest rate changes affect the Company's profits/losses mainly derived from the following: (a) margin trading; (b) fixed-income trading (including government bond, corporate bond and repurchase agreement/reverse sell agreement). In 2015, the Company's interest rate risk is calculated at NTD734,670K~1,250,286K (average amount of around NTD1,003,569K) based on the VaR method. On the other hand, FX rate changes do not currently impact the Company significantly as the Company's net FX positions are limited.
- B. Future countermeasure: To manage the interest risk arising from fixed-income position, the Company has adopted the following countermeasures: (a) following the risk management policy and relevant operation standards; (b) signing the interest rate swap (IRS) with other financial institutions; (c) utilizing futures contract and other derivative products to hedge risks. As the Company's international securities operation and FX derivative product business kicked off, FX rate changes impact the Company more significantly. To control the FX rate risk, the Company has adopted the pragmatic market management, such as position control and the dynamic-hedging strategy. The Company adopts the abovementioned to lower the negative impact on the Company's profits and losses derived from changes in interest rates and FX rates.
- C. Inflation does not have a concrete and direct impact on the Company's revenue and profit.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- A. The Company has not engaged in any lending or endorsement guarantees.
- B. The Company engages in derivatives transactions within the authorities' and the Board of Directors' permission. The Company's risk of stock market index futures and options positions via proprietary trading is mainly controlled by setting stop-loss points. Warrants or structured notes issued by the company are delta-hedged by buying underlying stocks and other derivatives, and gamma-hedged via relevant warrants and options to ensure a safe risk tolerance.
- C. Future countermeasure: The Company timely sets or revises the derivative product trading rules. In addition, in order to comprehensively manage derivatives trading risks, the Company will keep on following relevant regulations and policies to adopt risk-neutral strategies and manage outside limits conditions.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company has continued to actively develop new financial products and their features are as follows: (a) high GM; (b) high added-value; (c) a total-solution product. Moreover, the Company's new financial products timely hit the market as the authorities loosen regulations. However, since the Company is a securities service firm, it does not recognize any R&D expenses.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Operation: None

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Operation:

- A. Impact: With the rise of internet technology, the conventional trading and services have changed in terms of format. Therefore, in the securities brokerage industry, the Company needs more professional IT staff and the latest IT equipment to meet the rapid trend of electronic trading. The Company offers additional software with added-value of online services to its clients.
- B. Countermeasure: (a) hire more IT employees and pay close attention to the professional knowledge trainings; (b) purchase new IT equipment; (c) persistently update/develop new service software for clients.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

- A. The Company's acquisitions mainly come from an increase in its branches as it expects to increase the brokerage/margin trading market shares and profitability.
- B. Countermeasure: The Company's relevant departments are enlisted to ensure prudent evaluation prior to the M&A. After the M&A, the company should reduce the potential risks via the following measures: (a) the IT department's database integration; (b) the related departments should comply with their internal management mechanisms.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: Not applicable

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: Not applicable

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None

7.6.12 Litigation or Non-litigation Matters

Case	Facts	Principal litigation counterparty	Current status	Commence date of litigation	Object amount (USD/NTD)
Civil	The plaintiff accused the third-party - Abit Computer Corporation - of false prospectus for annual offering and issuance of securities as to increase capital in 2002. Therefore, Abit Computer Corporation was claimed of misleading the market and causing damages to investors. According to the Securities and Exchange Act, Article 32, as the Company is the underwriter of Abit Computer Corporation for issuance of new shares, within the scope of its responsibilities, the Company shall be held jointly liable with the issuer to the counterparty for damages.	Plaintiff: Securities and Futures Investors Protection Center (SFIPC) Defendant: The number of defendants totaled to 27, including Universal Abit (formerly ABIT Computer Corporation), KPMG, Capital Securities and others.	The case is now pending at the Taiwan Shilin District Court.	Nov 23, 2006	NTD2,003,697
Civil	A client (Wu) of the Company's Donghu branch claimed that the Company's stock broker Yeh (left the Company) stole and sold his stocks and stole his deposit. Therefore, according Civil Code Article 188, the Company shall be jointly liable to make compensation.	Plaintiff: Wu Defendant: Yeh; Capital Securities; Yuanta Securities; SinoPac Securities	According to the first-instance verdict, the Company shall not be jointly liable to make compensation as an employer. The company's client Wu appealed, and the case is now pending at the Taiwan High Court.	Jun 04, 2008	NTD36,000,000
Civil	Taiwan International Securities' clients, including Lai and other fifteen persons, claimed that Taiwan International Securities sold its GVEC products illegally; therefore, the plaintiffs' incurred damages of USD1,930,000 (currently, the object amount is USD703,919 in the third instance). Thus, Taiwan International Securities was demanded for compensatory damage. As Taiwan International Securities (now extinguished) has been merged into the Company, the Company has to assume the legal consequences in the case.	Plaintiff: Lai and other fifteen persons (the current plaintiffs merely include Huang and other eight persons) Defendant: Capital Securities and Taiwan International Securities Investment Consulting Corp.	According to the first/second-instance verdicts, the Company shall not be jointly liable to make compensation. To elaborate, it is confirmed that the Company shall not make compensations for Lai and other six persons. In addition, Huang and other eight persons appealed, and the Supreme Court remanded. The case is now pending at the Taiwan High Court.	Mar 02, 2010	USD703,919

VII Analysis of Financial Status, Operating Result, and Risk Management

Case	Facts	Principal litigation counterparty	Current status	Commence date of litigation	Object amount (USD/NTD)
Civil	The Company received Chen's complaint sent by the court on Nov 19, 2013. Chen claimed that EnTie Securities Finance did not return his remaining balance after he gradually sold his ET Internet Technology shares, starting from Nov 11, 1998. However, EnTie Securities Finance has been merged into the Company; therefore, Chen demanded the Company to return NTD1,826,251 and interests (based on annual interest rate of 5% from Oct 30, 2008 to Oct 30, 2013).	Plaintiff: Chen Defendant: Capital Securities	According to the first-instance verdict, the Company shall return NTD1,826,251; however, the Company appealed. According to the second-instance verdict, the Company won the lawsuit as it shall not return NTD1,826,251. Afterwards, Chen appealed. The court of third instance remanded the case to the original Court, and the case was pending at the Taiwan High Court. On Jan 12, 2016, the Company received Taiwan High Court's retrial verdict. According to the verdict, the court dismissed the Company's appeal. The company lost the trial and appealed.	Nov 19, 2013	NTD1,826,251
Civil	The plaintiff is the creditor of the interested persons, including Huang and other two persons, as they owed the plaintiff margin loan totaled to NTD19,155,000. However, a salesperson Wang who worked at Chang Li Securities and Ta Yong Securities opened accounts illegitimately on behalf of the interested persons. Therefore, the plaintiff demanded compensation from the security firms instead of the interested persons. However, Chang Li Securities and Ta Yong Securities have been merged into the Company. Thus, the plaintiff demanded the Company to make compensation for damages. In particular, the object amount is merely NTD1,800,000 in this case.	Plaintiff: Ding Li Asset Management Corp. Defendant: Capital Securities	According to the first-instance verdict, the company won the instance, and the plaintiff appealed. The case is now pending at the Taiwan High Court.	Dec 17, 2014	NTD1,800,000

7.6.13.1 Risk Management Policy

A. The Company's risk management policies are tailored to its operation focus and goals. The Company intends to pursue optimization of asset allocation and profits via setting loss limits for risk management control based on the following: (a) measurement of risk and return; (b) impact concerns on the BIS ratio.

B. Risk management sectors and responsibilities

Department	Responsibility
Board of Directors	<ol style="list-style-type: none"> 1. The Board of Directors holds ultimate decisions for risk management, regarding all operations. 2. Assessment of risk management policy and direction. 3. Assessment of risk management mechanism.
Risk Management committee	<ol style="list-style-type: none"> 1. Review/approve risk management mechanism and risk management standard, regarding all operations. 2. Sanction of business execution improvement. 3. Assessment/sanction of risk asset allocation and operation strategy. 4. Review/approve application for new business and authorization of trading limit.
President	<ol style="list-style-type: none"> 1. The President shall report to the Board of Directors with risk valuation of current position, trading performance and goal-reaching progress. 2. If there are any abnormal situations in the market price evaluation reports (such as the held position has exceeded the loss limit), assess / approve the business units' necessary measures to deal with the situation.
Risk Management Department	<ol style="list-style-type: none"> 1. Help draft risk management policies. 2. Help draft risk limits for each department and the method of allocation. 3. Implement the risk management policies approved by the Board of Directors. 4. Submit comprehensive risk management reports to the President in a timely manner. 5. Understand the content of transactions prior to business units' relevant trading, and continue monitoring positions held after transactions are completed. 6. Improve as much as possible the skills used to measure the quantifiable risks of financial instruments. 7. Understand risk limits and their usage status in each business unit. 8. Evaluate risk exposure and risk concentration. 9. Develop and implement stress tests and back-testing procedures. 10. Inspect the difference between the actual profit/loss of the investment portfolio and the estimated profit/loss. 11. Review the pricing model and evaluation system for products used by the business units. 12. Deal with other matters in connection with risk management.
Business units (Subsidiary)	<p>Risk management employees in the middle office shall:</p> <ol style="list-style-type: none"> 1. Report the risk exposure of the business units (subsidiary) on a regular basis. 2. Ensure the timely and correct communication of risk information. 3. Ensure the effective execution of rules on risk limits within the business units (subsidiary). 4. Monitor the status of risk exposure and report on instances where limits are exceeded, including corrective measures adopted by the business units (subsidiary) in question. 5. Ensure that business units' (subsidiary) risk measurement, model use, and assumptions are undertaken consistently. 6. Ensure effective implementation of internal controls within the business units (subsidiary), so as to comply with laws, regulations and risk management policies. <p>Head of the business units (subsidiary's person in charge)</p> <ol style="list-style-type: none"> 1. The head of business units (subsidiary) shall be responsible for all risk management matters in the unit under management. The head of unit shall be responsible for analyzing and monitoring the operation risks of the unit (subsidiary) under his/her supervision, and for taking corresponding measures. 2. Supervise the conveyance of risk management-related information.

VII Analysis of Financial Status, Operating Result, and Risk Management

Department	Responsibility
Auditing Department	<ol style="list-style-type: none"> 1. Check the suitability of internal control of business units' transactions periodically. 2. The Auditing Department must examine the execution of the risk management process and disclose the fact in the audit report. Any deficiency or weakness items stated in the audit report shall be tracked, and a periodic follow-up report shall be made so as to ensure the responsible unit takes correct actions. 3. The Auditing Department conducts audits on the business units and other departments once monthly to ensure the aforementioned strictly implement the system and analyze the trading cycle. 4. The Auditing Department is in charge of laws and regulations related to the Company's overall finance and operation, conducting audits regarding appliance of regulations and laws.
Finance Department	<ol style="list-style-type: none"> 1. The Finance Department's accounting treatment or capital movement should be in accordance with its approved contracts and transaction receipts. 2. Memorandum entry of off-the-sheet contracts. 3. Acquire price information from units independent from the trading department so as to re-evaluate the positions. 4. Timely record and recognize profit/loss of complete trades. 5. The Finance department shall make an announcement when it is required by authorities or regulations.
Settlement & Clearing Department	<ol style="list-style-type: none"> 1. Safekeeping and custodian of trading contracts. 2. Settlement and clearing of products. 3. Execution of margin call. 4. File the authorities with trading contract. 5. Trading confirmation.
Compliance and Legal Division	<ol style="list-style-type: none"> 1. Consult risk management-related policies with legal consultants. 2. Before the Company signs trading contract/agreement with the counterparty, the contract should be reviewed and approved by the Compliance and Legal Division in terms of rights and obligations, legality, and related legal document. 3. Supervise compliance of law and regulation. 4. Supervise the business units to evaluate the business impact from a newly-launched regulation. 5. Before the Company introduces a new product or service, or applies for approval to offer a new business, the chief compliance officer shall issue and sign an opinion statement undertaking that the new product, service or business complies with applicable regulations and internal rules.
Information Tech. Department	Develop and maintain the risk management information system.

C. Risk, Measurement and Management Process

Major risks that the Company faces include market risk, credit risk, liquidity risk, operational risk and legal risk. Via risk management processes such as risk recognition, evaluation, measurement and monitoring, the Company's divisions send risk management reports to the Chairman and President daily, to help realizing company's current risk exposure needed for decision making and execution. Tailored to various risks, the Company's risk measurement methods and hedging strategies are as follows:

1. Market risk

The Company sets the transaction and risk limits of its businesses to control the BIS ratio and maximum losses. Regarding stock risks, the Company adopts the Variance-Covariance VaR (Value at Risk) method to calculate daily VaR, with a 99% confidence interval and periodic back-test procedure confirmation. The Company adopts the bp value to monitor fixed-income risk. Additionally, the Company also calculates daily VaR with a 99% confidence interval to monitor positions. The Company adopts Delta and Gamma risk analyses to control risks of derivative products. In addition, the Company also calculates daily VaR with a 99% confidence interval to monitor positions. As to margin trading, the Company disposes stocks according to the authority's regulations of margin maintenance ratio. The

business units may utilize various hedging tools, such as futures, option and swap that are approved by the authority and Board of Directors, to adjust VaR and enhance the capabilities of risk management.

2. Credit risk

Based on the authority's credit checking requirements and rating data issued by credit rating agencies, the Company sets credit line limits for issuers and counterparties. The Company sets limits of margin trading according to the authority's regulations. Regarding derivative products, the Company calculates counterparty's daily credit exposure. If counterparty's credit exposure exceeds the limit, the Company will demand for qualified collateral or a decrease in positions. Regarding fixed-income position, the counterparty is required to be at or above a certain credit rating. Additionally, the Company monitors issuer's material information, fundraising activity and operation to determine its credit default probability. If the credit rating of fixed-income position is probably going to be lower than investment policy, the business units are required to sell the position. If the business units have difficulties selling the position immediately due to liquidity problem, the Company shall recognize bad debt provision based on the defaulting probability.

3. Liquidity risk

Liquidity risks include capital movement and liquidity of financial market. Regarding capital movement, the company has diversified its financial institution counterparties, and established multiple fundraising channels. Based on demand for operational capital, the Company makes plans in advance and monitors its capital use daily. Meanwhile, the Company makes analysis via special event simulation to respond to emergent demand for capital arising from systemic risks. Regarding liquidity risks of positions, the Company has set policies in terms of issued amount, trading amount, counterparty, etc. Moreover, the Company adopts the dynamic surveillance to monitor liquidity risks of positions.

4. Operational risk

According to the Company's internal control system, which has instituted operating procedures and control points, the Auditing Department conducts periodic audits. After the business units reply to the audit report, the report will be delivered to the President and Chairman to review, demanding improvement of the business units. In addition, the Auditing Department keeps track of the improvement progress afterwards to enhance the capabilities of improvement plan. Besides, employee dishonesty insurance is mandatory to lower the probability of employee's intended negligence.

5. Legal risk

The company's Auditing Department and Compliance and Legal Division are in charge of legal risk, ensuring full legal compliance of the authority's regulations.

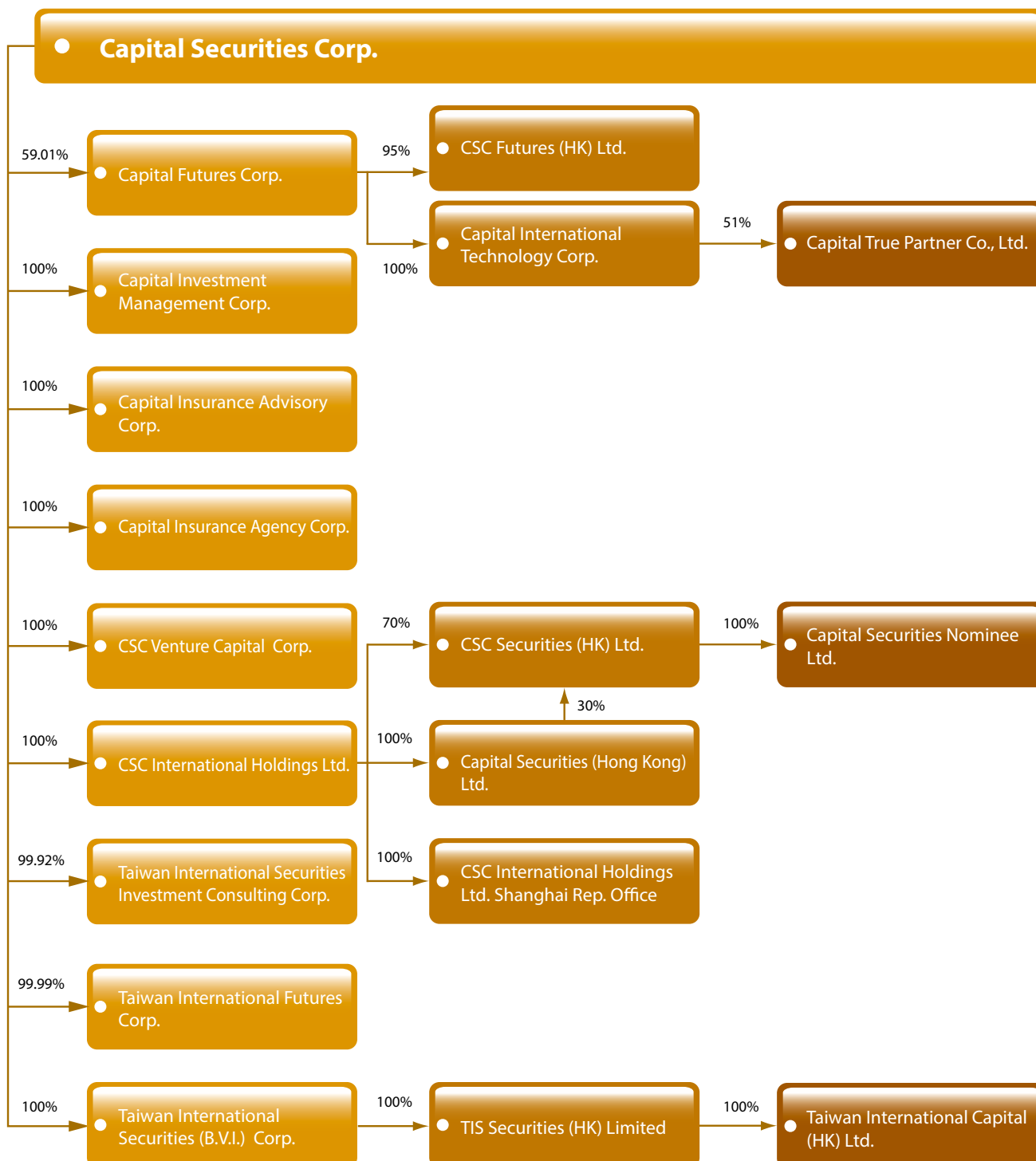
Additionally, the two departments shall conduct assessment of contract legality to protect the Company's rights. According to the current regulatory amendments, the Company performs various employee trainings irregularly to enhance employee's legal compliance and lower the risk of violation.

7.6.14 Other Important Risks and Countermeasures: None

7.7 Other Important Information: None

8.1 Summary of Affiliated Companies

8.1.1 Organizational chart of affiliates



Note 1: Taiwan International Securities Investment Consulting Corp.'s and Taiwan International Futures Corp.'s dissolutions and liquidation remain in process.

Note 2: TIS Securities (HK) Limited's and Taiwan International Capital (HK) Ltd.'s Board of Directors resolved to dissolve their businesses.

Note 3: Capital Securities (Hong Kong) Ltd. discontinued operations.

Note 4: Dissolutions and liquidations of CSC Finance Limited, CSC Asia Limited and CSC Financial Services Limited were completed on Nov 19, 2015.

8.1.2 Basic information on affiliates

Unit: dollar

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Capital Futures Corp.	02/26/1997	B1F 32F, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan, R.O.C.	NT\$ 1,223,978,040	Futures brokerage Proprietary futures trading Futures consultation Futures management Securities introducing brokerage Securities trading consulting services Securities proprietary trading
Capital International Technology Corp.	12/29/2014	32F, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan, R.O.C.	NT\$ 50,000,000	Management consulting services Software design services Data processing services Digital information supply services Retail sale of computing and business machinery equipment Retail sale of computer software All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Capital Investment Management Corp.	02/16/1990	Capital Center, 4F-1, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 70,000,000	Security-investing advices Discretionary investment business
Capital Insurance Advisory Corp.	11/09/2000	Capital Center, 13F, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 3,890,000	Personal insurance broker Property and liability insurance broker
Capital Insurance Agency Corp.	11/08/2000	Capital Center, 13F, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 7,400,000	Personal insurance agency
CSC Venture Capital Corporation	01/12/2016	Capital Center, 13F, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 1,000,000,000	Investment, Venture Investment, Investment Consultancy and Management Consulting Services All business items that are not prohibited or restricted by law, except those that are subject to special approval.
CSC International Holdings Ltd.	03/04/1996	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$ 45,000,000	Investment or acquisition of securities, futures, finance and other peripheral business (approved by the laws and regulations of the region/country where they operated).
CSC International Holdings Ltd. Shanghai Rep. Office	11/27/1997	18F, No. 360, Pu Dong Nan Rd., New Shanghai Int'l Tower, Shanghai, China	-	Regulated by laws, CSC International Holdings Ltd. Shanghai Rep. Office only conducts business survey, sector technology survey and collection of related information.
Capital Securities (Hong Kong) Ltd.	06/29/1993	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 48,644,000	Long-term equity investment and other businesses approved by Hong Kong's local laws and regulations.

VIII Special Disclosure

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
CSC Securities (HK) Ltd.	05/03/1994	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 128,000,000	Securities brokerage, underwriting, proprietary trading, financing and other securities-related businesses approved by Hong Kong's local laws.
Capital Securities Nominee Ltd.	04/07/1995	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 2	Investment agent
CSC Futures (HK) Ltd.	12/09/1998	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 120,000,000	Securities trading Futures contract trading
Capital True Partner Co.,Ltd.	08/20/2008	No.1 Fuxing Street, Jinjiang District, Chengdu, Sichuan, P. R. China	CNY 1,000,000	Computer software and hardware Design, research and development of computer system integration Transfer the result of technology development Sales of own products Provide relevant technology support and consultation (except for services prohibited or restricted by the government)
Taiwan International Securities Investment Consulting Corp.	03/03/1994	13F-1, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 10,000,000	Dissolution and liquidation remain in process
Taiwan International Futures Corp.	11/25/1993	13F-1, No.97, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, R.O.C.	NT\$ 120,000,000	Dissolution and liquidation remain in process
Taiwan International Securities (B.V.I.) Corp.	12/10/1996	Tropic Isle Building, P.O. BOX 438, Road Town, Tortola, British Virgin Islands	US\$ 9,516,300	Offshore securities business
TIS Securities (HK) Limited	08/17/1993	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 265,000,000	Dissolution and liquidation remain in process
Taiwan International Capital (HK) Ltd	07/16/1997	Units 3204-3207, 32F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HK\$ 2	Dissolution and liquidation remain in process

8.1.3 Information on shareholders presumed to have a controlling and dependent relationship:

None

8.1.4 Information on directors, supervisors and presidents of the company's affiliates

Unit: share/%; Data as of Mar 31, 2016

Company name	Title	Name of individual or representative(s)	Shares held	
			Shares	Shareholding
Capital Futures Corp.	Legal person	Capital Securities Corp.	72,227,136	59.01%
	Legal person	Hung Yeh Investment Co., Ltd.	1,282	0.00%
	Chairman	Capital Securities Corp.'s representative: SUN, TIEN-SHAN	0	0
	Director	Capital Securities Corp.'s representative: LIU, CHING-TSUN	0	0
	Director	Capital Securities Corp.'s representative: WANG, JUINN-CHIH	0	0
	Director	Hung Yeh Investment Co., Ltd.'s representative: CHIA, CHUNG-TAO	0	0
	Independent director	SHEA, JIA-DONG	0	0
	Independent director	CHANG, YAO-TSAI	0	0
	Independent director	CHUANG, CHIH-CHENG	0	0
	President	LEE, WEN-CHU	0	0
Capital International Technology Corp.	Legal person	Capital Futures Corp.	5,000,000	100%
	Chairman	Capital Futures Corp.'s representative: SUN, TIEN-SHAN	0	0
	Director	Capital Futures Corp.'s representative: CHIA, CHUNG-TAO	0	0
	Director	Capital Futures Corp.'s representative: CHEN, WEN-TSAY	0	0
	Supervisor	Capital Futures Corp.'s representative: LIN, LI-CHUAN	0	0
Capital Investment Management Corp.	Legal person	Capital Securities Corp.	7,000,000	100%
	Chairman	Capital Securities Corp.'s representative: TSAI, MING-YEN	0	0
	Director	Capital Securities Corp.'s representative: LIN, YEN-YU	0	0
	Director	Capital Securities Corp.'s representative: KUO, HSIN-LAN	0	0
	Supervisor	Capital Securities Corp.'s representative: LI, MEI-YU	0	0
Capital Insurance Advisory Corp.	Legal person	Capital Securities Corp.	389,000	100.00%
	Chairman	Capital Securities Corp.'s representative: CHIU, CHAO-CHIEN	0	0
	Director	Capital Securities Corp.'s representative: WENG, CHIN-NENG	0	0
	Director	Capital Securities Corp.'s representative: CHANG, PEI-WEN	0	0
	Supervisor	Capital Securities Corp.'s representative: TAN, DE-CHENG	0	0
	President	FANG, YA-JUNG	0	0
Capital Insurance Agency Corp.	Legal person	Capital Securities Corp.	740,000	100.00%
	Chairman	Capital Securities Corp.'s representative: CHIU, CHAO-CHIEN	0	0
	Director	Capital Securities Corp.'s representative: WENG, CHIN-NENG	0	0
	Director	Capital Securities Corp.'s representative: CHANG, PEI-WEN	0	0
	Supervisor	Capital Securities Corp.'s representative: TAN, DE-CHENG	0	0
	President	HSU, WEN-TUNG	0	0

VIII Special Disclosure

Company name	Title	Name of individual or representative(s)	Shares held	
			Shares	Shareholding
CSC Venture Capital Corp.	Legal person	Capital Securities Corp.	100,000,000	100%
	Chairman	Capital Securities Corp.'s representative: WANG, JIUNN-CHIH	0	0
	Director and President	Capital Securities Corp.'s representative: CHAO, YONG-FEI	0	0
	Director	Capital Securities Corp.'s representative: HONG, YEONG-PEI	0	0
	Supervisor	Capital Securities Corp.'s representative: TAN, DE-CHENG	0	0
CSC International Holdings Ltd.	Legal person	Capital Securities Corp.	45,000,000	100.00%
	Director	Capital Securities Corp.'s representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities Corp.'s representative: WENG, CHIH-NENG	0	0
Capital Securities (Hong Kong) Ltd.	Legal person	CSC International Holdings Ltd.	48,644,000	100.00%
	Director	CSC International Holdings Ltd.'s representative: WANG, JIUNN-CHIH	0	0
	Director	CSC International Holdings Ltd.'s representative: TAN, DE-CHENG	0	0
	Director	CSC International Holdings Ltd.'s representative: YAO, CHUNG-JYH	0	0
	Director	CSC International Holdings Ltd.'s representative: WENG, CHIH-NENG	0	0
CSC Securities (HK) Ltd.	Legal person	CSC International Holdings Ltd.	89,600,000	70.00%
	Legal person	Capital Securities (Hong Kong) Ltd.	38,400,000	30.00%
	Director	CSC International Holdings Ltd.'s representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities (Hong Kong) Ltd.'s representative: YAO, CHUNG-JYH	0	0
	Director	Capital Securities (Hong Kong) Ltd.'s representative: TSANG, WING-KIN	0	0
Capital Securities Nominee Ltd.	Legal person	CSC Securities (HK) Ltd.	2	100.00%
	Director	CSC Securities (HK) Ltd.'s representative: YAO, CHUNG-JYH	0	0
	Director	CSC Securities (HK) Ltd.'s representative: WENG, CHIH-NENG	0	0
CSC Futures (HK) Ltd.	Legal person	Capital Futures Corp.	114,000,000	95.00%
	Director	Capital Futures Corp.'s representative: WANG, JIUNN-CHIH	0	0
	Director	Capital Futures Corp.'s representative: YAO, CHUNG-JYH	0	0
	Director	Capital Futures Corp.'s representative: WENG, CHIN-NENG	0	0
	Director	Capital Futures Corp.'s representative: KAO, CHENG-YUNG	0	0
	Director	Capital Futures Corp.'s representative: LIANG, CHENG-CHUNG	0	0
	Director	Capital Futures Corp.'s representative: SUN, TIEN-SHAN	0	0
Capital True Partner Co., Ltd.	Legal person	Capital International Technology Corp.	510,000	51%
	Legal person	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp.'s representative: YVONNE LEE	0	0
	Director	Capital International Technology Corp.'s representative: SUN, TIEN-SHAN	0	0
	Director	True Partner China Holding Limited's representative: Ralph Paul Johan VAN PUT	0	0
	Director	True Partner China Holding Limited's representative: Tobias Benjamin Hekster	0	0
	Supervisor	Capital International Technology Corp.'s representative: CHIA, CHUNG-TAO	0	0
	Supervisor	True Partner China Holding Limited's representative: REMCO JANSSEN	0	0
	President	STANLEY DENG	0	0

Company name	Title	Name of individual or representative(s)	Shares held	
			Shares	Shareholding
Taiwan International Securities Investment Consulting Corp. (dissolutions and liquidation remain in process)	Legal person	Capital Securities Corp.	999,200	99.92%
	Liquidator	TSAI, MING-YEN	100	0.01%
	Supervisor	Capital Securities Corp.'s representative: HUANG, YEN-HSIANG	0	0
Taiwan International Futures Corp.	Legal person	Capital Securities Corp.	11,999,721	99.99%
	Liquidator	KUO, SHU-KUANG	0	0
	Liquidator	LIU, JAMES C.L.	0	0
	Supervisor	Capital Securities Corp.'s representative: HUANG, YEN-HSIANG	0	0
Taiwan International Securities (B.V.I.) Corporation	Legal person	Capital Securities Corp.	9,516,300	100.00%
	Director	Capital Securities Corp.'s representative: WENG, CHIN-NENG	0	0
TIS Securities (HK) Limited	Legal person	Taiwan International Securities (B.V.I.) Corporation	265,000,000	100.00%
	Director	Taiwan International Securities (B.V.I.) Corporation's representative: WENG, CHIN-NENG	0	0
	Director	Taiwan International Securities (B.V.I.) Corporation's representative: HUANG, SHAO-MEI	0	0
Taiwan International Capital (HK) Ltd.	Legal person	TIS Securities (HK) Limited	2	100.00%
	Director	TIS Securities (HK) Limited's representative: WENG, CHIN-NENG	0	0

8.1.5 Operating profile of affiliated companies

Unit: NT\$1,000

Company name	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating profit	Net income (after tax)	EPS (NT\$) (after tax)
Capital Futures Corp.	1,223,979	19,959,221	17,007,292	2,951,929	1,561,286	1,231,736	432,927	3.54
Capital International Technology Corp.	50,000	51,708	225	51,483	984,400	(465)	1,525	0.31
Capital Investment Management Corp.	70,000	120,261	15,167	105,094	82,000	14,070	12,827	1.83
Capital Insurance Advisory Corp.	3,890	100,813	28,093	72,720	180,869	75,299	63,068	162.13
Capital Insurance Agency Corp.	7,400	56,767	8,493	48,274	74,485	13,843	11,713	15.83
CSC International Holdings Ltd. (Note 1)	1,474,875	1,835,205	20,546	1,814,659	-	(37,135)	(27,820)	(0.62)
Capital Securities (Hong Kong) Ltd. (Note 1&6)	204,548	227,722	-	227,722	178	(1,039)	(1,045)	(0.21)
CSC Securities (HK) Ltd. (Note 1)	538,240	1,948,798	1,237,916	710,882	150,917	(16,330)	593	0.00
Capital Securities Nominee Ltd. (Note 1)	-	-	-	-	-	-	-	0.00
CSC Futures (HK) Ltd. (Note 1)	504,600	2,226,898	1,752,240	474,658	38,064	(183,082)	(9,768)	(0.08)
Capital True Partner Co., Ltd. (Note 1)	4,970	11,914	4,093	7,821	21,358	3,412	3,414	NA

Company name	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating profit	Net income (after tax)	EPS (NT\$) (after tax)
Taiwan International Securities Investment Consulting Corp. (Note 2)	10,000	13,832	271	13,561	-	(294)	(219)	(0.22)
Taiwan International Futures Corp. (Note 3)	120,000	346,164	290,761	55,403	-	(3,550)	6,071	0.51
Taiwan International Securities (B.V.I.) Corporation (Note 1)	311,897	111,560	110,919	641	-	(842)	(841)	(2,804.63)
TIS Securities (HK) Limited (Note 1&4)	1,114,325	4,699	114,992	(110,293)	-	(987)	(807)	(0.00)
Taiwan International Capital (HK) Ltd (Note 1&5)	-	70,419	277,340	(206,921)	-	(43)	(48)	(24,169.60)

Note 1: On Dec 31, 2015, Capital Securities (parent company) recognized its subsidiaries' net worth and net income. The exchange rates were (1) balance sheet: NTD/USD =32.775; NTD/HKD =4.205; NTD/RMB=4.97; (2) income statement: NTD/USD =32.2375; NTD/HKD =4.158; NTD/RMB=5.017.

Note 2: Taiwan International Securities Investment Consulting Corp.'s extraordinary general meeting resolved to dissolve its business in Jun 27, 2012, and Taiwan International Securities Investment Consulting Corp.'s dissolution and liquidation remain in process.

Note 3: Taiwan International Futures Corp.'s extraordinary general meeting resolved to dissolve its business in Sep 18, 2008, and Taiwan International Futures Corp.'s dissolution and liquidation remain in process.

Note 4: TIS Securities (HK) Limited's Board of Directors resolved to dissolve its business in Dec 30, 2011, and TIS Securities (HK) Limited's dissolution and liquidation remain in process.

Note 5: Taiwan International Capital (HK) Ltd.'s Board of Directors resolved to dissolve its business in Dec 30, 2011, and Taiwan International Capital (HK) Ltd.'s dissolution and liquidation remain in process.

Note 6: Capital Securities (Hong Kong) Ltd.'s Board of Directors resolved to dissolve its business.

8.2 Private Placement Securities in the Most Recent Years: None

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

8.4 Other Important Supplementary Information

The Company adopts Key Performance Indicator (KPI) due to its industry characteristics:

BIS ratio: 458% (Dec 31, 2015); 437% (Mar 31, 2016)

VIII > Significant Issues Which Might Affect Shareholders' Equity or Price of Shares

Significant Issues Which Might Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Past Year and Up to the Publication of this Annual Report None 8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

Capital Securities Corp.

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Brokerage Department

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Investment Banking Department

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Registrar Agency Department

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Fixed Income Department

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Derivatives Department

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Proprietary Trading Department

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Wealth Management Department

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Brokerage Division

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Jhongsiao Branch

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Dunnan Branch

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Taiwan, R.O.C.
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Xinyi Branch

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Taiwan, R.O.C.
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Nanjing Branch

9F., No.71, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457,
Taiwan, R.O.C.
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Xisong Branch

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Taiwan, R.O.C.
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Guanqian Branch

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Guting Branch

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Jhongsan Branch

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Shilin Branch

1F., No.118-1, Zhongzheng Rd., Shilin Dist., Taipei City 11145,
Taiwan, R.O.C.
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Donghu Branch

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Taiwan, R.O.C.
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Tianmu Branch

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Taiwan, R.O.C.
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Dajhih Branch

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Taiwan, R.O.C.
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Neihu Branch

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Taiwan, R.O.C.
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Taipei Branch

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Taiwan, R.O.C.
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Yanping Branch

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Taiwan, R.O.C.
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Wanhua Branch

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Taiwan, R.O.C.
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Songshan Branch

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Taiwan, R.O.C.
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Da-an Branch

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Da Hsing Branch

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Yonghe Branch

2F, No.353, Fuhe Rd., Yonghe Dist., New Taipei City 23450, Taiwan, R.O.C.
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Banciao Branch

3F, No.216, Sec. 1, Sanmin Rd., Banciao Dist., New Taipei City 22067, Taiwan, R.O.C.
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Tucheng Branch

1F, No.261, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City 23665, Taiwan, R.O.C.
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Xindian Branch

2F-5, No.262, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City 23143, Taiwan, R.O.C.
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Xinzhuang Branch

2F, No.160, Sec. 2, Zhonghua Rd., Xinzhuang Dist., New Taipei City 24246, Taiwan, R.O.C.
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Danfong Branch

1F, No.16, Fuguo Rd., Xinzhuang Dist., New Taipei City 24267, Taiwan, R.O.C.
TEL : 886-2-29082388 FAX : 886-2-29082333

Nan sanchong Branch

1F, No.97, Zhengyi S. Rd., Sanchong Dist., New Taipei City 24142, Taiwan, R.O.C.
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Haishan Branch

3F, No.30-2, Dongmen St., Banciao Dist., New Taipei City 22055, Taiwan, R.O.C.
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Keelung Branch

4F, No.150, Xin 1st Rd., Xinyi Dist., Keelung City 20145, Taiwan, R.O.C.
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Taoyuan Branch

4F, No.32, Sec. 1, Chenggong Rd., Taoyuan City, Taoyuan County 33043, Taiwan, R.O.C.
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Jhongli Branch

3F, No.88, Zhongshan Rd., Zhongli City, Taoyuan County 32041, Taiwan, R.O.C.
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Xinli Branch

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TEL : 886-3-4270888 FAX : 886-3-4279974

Hsinchu Branch

5F, No.307, Beida Rd., North Dist., Hsinchu City 30044, Taiwan, R.O.C.
TEL : 886-3-5237777 FAX : 886-3-5235555

Jingguo Branch

3F, No.62, Sec. 2, Jingguo Rd., North Dist., Hsinchu City 30051, Taiwan, R.O.C.
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Zhunan Branch

5F, No.87, Minzu St., Zhunan Township, Miaoli County 35041, Taiwan, R.O.C.
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Taichung Branch

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Jiancheng Branch

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Minquan Branch

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Chongde Branch

B1-1, No.416, Sec. 2, Chongde Rd., Beitun Dist., Taichung City 40653, Taiwan, R.O.C.
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Zhonggang Branch

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Dajia Branch

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Tanzi Branch

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Changhua Branch

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Yuanlin Branch

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Chiayi Branch

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Tainan Branch

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Dungmen Branch

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Kaiyuan Branch

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Kaohsiung Branch

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Sanmin Branch

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Gausheng Branch

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Xinxing Branch

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North Kaohsiung Branch

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Taiwan, R.O.C.
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Fengshan Branch

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Rueifeng Branch

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Pingtung Branch

3F., No.9, Yongfu Rd., Pingtung City, Pingtung County 90075,
Taiwan, R.O.C.
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Yilan Branch

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Capital Securities Corp. Offshore Securities Unit

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Capital Futures Corp.

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Capital International Technology Corp.

32F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682,
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Capital True Partner Co., Ltd.

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Capital Investment Management Corp.

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CSC Venture Capital Corp.

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CAPITAL

群益金鼎證券股份有限公司
CAPITAL SECURITIES CORP.

Chairman Alex Jiunn-Chih Wang

