Concord Securities Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CONCORD SECURITIES CO., LTD.

By

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March 27, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Concord Securities Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Concord Securities Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and related regulations in the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Accuracy of Discounts on Brokerage Commission Revenue

Brokerage commission revenue of the Group amounted to $1,074,319 thousand in 2016. The discounts on commissions vary based on counterparties, ways of placing orders and turnovers; thus, the discount calculation is complicated. The accuracy of brokerage commission revenue will be affected if there is any calculation error. The accuracy of discounts on brokerage commission revenue is identified as one of the key audit matters.

Please refer to Notes 4, 27 and 33 to the consolidated financial statements for the accounting policies and disclosures related to brokerage commission revenue.

The brokerage commission revenue is calculated mainly through automated information processing systems. Among others, control procedures for input of discount rates and automatic logical operations have a material impact on the accuracy of discounts on brokerage commission revenue. We evaluated the design and implementation effectiveness of the related internal controls by performing tests of controls. Moreover, we sampled and reperformed calculation of discounts on brokerage commission revenue to verify the correctness of the results of the process.

Recognition and Measurement of Net Defined Benefit Liabilities

As of December 31, 2016, the net defined benefit liabilities of the Group were $171,892 thousand based on actuarial valuation report. The actuarial assumptions which have significant uncertainty are subject to management's estimation and judgment. Recognition and measurement of net defined benefit liabilities is identified as one of the key audit matters.

Please refer to Notes 4, 5(4) and 25 to the consolidated financial statements for the accounting policies and disclosures related to net defined benefit liabilities.

We acquired the actuarial valuation report and evaluated the professional competence, qualification and objectivity of the actuaries. Furthermore, we evaluated whether the key actuarial assumptions, such as discount rate, expected incremental rate of salaries, seniority and number of employees, etc., were consistent with market data and the actual condition of the Group. We also examined the consistency and accuracy of the formula to obtain reasonable evidence for the net defined benefit liabilities.

Other Matters

As of December 31, 2016 and 2015, the Group's subsidiaries and stock investments measured by equity method included amounts and related disclosures based on consolidated financial statements of subsidiaries and associates audited by other auditors. The subsidiaries' assets amounted to $1,704,953 thousand and $1,183,019 thousand, or 5.95% and 3.48% of total assets as of December 31, 2016 and 2015, respectively, and operating income amounted to $23,605 thousand and $41,545 thousand, or 1.45% and 1.70% of consolidated operating income for the years ended December 31, 2016 and 2015, respectively. The investments in associates measured by equity method amounted to $446,071 thousand and $498,604 thousand as of December 31, 2016 and 2015, or 1.56% and 1.47%, respectively, of total assets, and the share of profit (loss) of associates amounted to net loss of $31,777 thousand and net profit of $20,493 thousand, or 9.2% and 7.93% of consolidated profit (loss) before income tax for the years ended December 31, 2016 and 2015, respectively.

We have also audited the parent company only financial statements of Concord Securities Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and related regulations in the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Hung Chen and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 4 and 6)	$ 2,532,498	9	$ 1,393,539	4
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	10,801,789	38	16,589,139	49
Available-for-sale financial assets - current (Notes 4 and 9)	118,275	-	316,262	1
Bond investments under resale agreements (Notes 4 and 10)	719,308	3	1,383,865	4
Margin loans receivable (Note 4)	3,870,172	14	4,319,499	13
Refinancing margin (Note 4)	-	-	20,941	-
Refinancing collateral receivable (Note 4)	-	-	17,994	-
Customers' margin accounts (Notes 4 and 11)	4,009,856	14	2,949,385	9
Futures trading margin receivables (Notes 4 and 12)	-	-	225	-
Security borrowing collateral price (Note 4)	17,307	-	111,528	-
Security borrowing margin (Note 4)	15,667	-	110,950	-
Notes and accounts receivable (Notes 4, 13 and 33)	2,410,672	8	2,091,633	6
Prepayments	27,225	-	17,324	-
Other receivables (Note 4)	55,736	-	14,761	-
Other financial assets - current (Note 14)	498,571	2	547,937	2
Current tax assets (Notes 4 and 28)	55,506	-	34,660	-
Restricted assets - current (Note 34)	415,001	1	621,500	2
Other current assets	26,760	-	210,087	1
Total current assets	25,574,343	89	30,751,229	91
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	185,217	1	182,217	-
Investments accounted for using equity method (Notes 4 and 16)	446,071	2	498,604	1
Property and equipment (Notes 4, 5,17 and 34)	1,127,411	4	1,213,364	4
Investment properties (Notes 4, 5, 18 and 34)	278,649	1	219,360	1
Intangible assets (Notes 4 and 19)	65,750	-	71,752	-
Deferred tax assets (Notes 4, 5 and 28)	101,756	-	81,023	-
Other non-current assets (Notes 4, 20 and 30)	852,402	3	930,900	3
Total non-current assets	3,057,256	11	3,197,220	9
TOTAL	$ 28,631,599	100	$ 33,948,449	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 21 and 34)	$ 220,000	1	$ 350,000	1
Commercial paper payable (Notes 21 and 34)	4,077,913	14	3,173,298	9
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	1,215,846	4	1,081,394	3
Liabilities for bonds with repurchase agreements (Notes 4, 22 and 33)	8,180,902	29	13,583,410	40
Securities financing refundable deposits (Note 4)	350,311	1	394,820	1
Deposits payable for securities financing (Note 4)	377,327	1	435,252	1
Futures traders' equity (Notes 4, 11 and 33)	4,028,623	14	2,947,691	9
Accounts payable (Note 23)	2,598,773	9	3,279,685	10
Other payables	210,829	1	349,099	1
Current tax liabilities (Notes 4 and 28)	5,775	-	8,868	-
Provisions - current (Notes 4 and 24)	25,602	-	22,139	-
Other current liabilities	121,505	1	263,239	1
Total current liabilities	21,413,406	75	25,888,895	76
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 5 and 7)	133,784	-	93,401	-
Provisions - non-current (Notes 4 and 24)	14,018	-	14,677	-
Deferred tax liabilities (Notes 4 and 28)	10,802	-	5,333	-
Refundable deposits (Note 30)	2,596	-	2,054	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	171,892	1	184,575	1
Total non-current liabilities	333,092	1	300,040	1
Total liabilities	21,746,498	76	26,188,935	77
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 16, 25, 26 and 28)				
Share capital	6,333,368	22	6,883,368	20
Capital surplus	192,524	1	17,761	-
Retained earnings				
Legal reserve	31,977	-	8,355	-
Special reserve	982,176	3	859,768	3
Unappropriated earnings (accumulated deficit)	(339,421)	(1)	286,346	1
Total retained earnings	674,732	2	1,154,469	4
Other equity	(68,485)	-	(75,162)	-
Treasury stock	(289,762)	(1)	(265,151)	(1)
Total equity attributable to owners of the Corporation	6,842,377	24	7,715,285	23
NON-CONTROLLING INTERESTS	42,724	-	44,229	-
Total equity	6,885,101	24	7,759,514	23
TOTAL	$ 28,631,599	100	$ 33,948,449	100

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

(With Deloitte & Touche auditors’ report dated March 27, 2017)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
REVENUES (Note 4)				
Brokerage commission revenue (Notes 27 and 33)	$ 1,074,319	66	$ 1,227,737	50
Income from securities lending	1,709	-	708	-
Underwriting commissions (Note 27)	52,456	3	71,734	3
Gains (losses) on sale of securities, net (Note 27)	(183,741)	(11)	191,925	8
Revenue from providing agency service for stock affairs	16,563	1	12,821	-
Interest income (Notes 27 and 33)	452,623	28	577,012	24
Dividend income	63,427	4	64,767	3
Valuation gains (losses) on operating securities at fair value through profit or loss, net (Note 27)	(131,201)	(8)	47,875	2
Gains (losses) on covering of borrowed securities and bonds with resale agreements, net	28,335	2	(45,617)	(2)
Valuation gains on borrowed securities and bonds with resale agreements, net	26,893	1	9,657	-
Gains on issuance of stock warrants, net (Note 27)	32,462	2	39,682	2
Gains on derivative instruments - futures, net (Note 27)	7,975	-	145,441	6
Gains on derivative instruments - OTC, net (Note 27)	94,817	6	32,546	1
Other operating income (Notes 27 and 33)	93,328	6	71,519	3
Total revenues	1,629,965	100	2,447,807	100
EXPENDITURES AND EXPENSES (Note 4)				
Handling fee expenses (Note 27)	(182,590)	(11)	(193,379)	(8)
Finance costs (Notes 27 and 33)	(71,769)	(4)	(124,486)	(5)
Futures commission expense	(66,885)	(4)	(58,160)	(2)
Securities commission expense	(9,183)	(1)	(24,390)	(1)
Expenses of clearing and settlement	(99,137)	(6)	(101,292)	(4)
Other operating costs	(25,715)	(2)	(19,837)	(1)
Employee benefits expense (Notes 25, 27 and 33)	(951,796)	(58)	(1,159,119)	(47)
Depreciation and amortization (Notes 17, 18, 19 and 27)	(66,305)	(4)	(74,985)	(3)
Other operating expenses (Note 27)	(545,354)	(34)	(585,195)	(24)
Total expenditures and expenses	(2,018,734)	(124)	(2,340,843)	(95)
NON-OPERATING INCOME AND EXPENSES				
Share of profit (loss) of associates (Notes 4 and 16)	(31,777)	(2)	20,493	1
Other gains and losses (Notes 4, 16, 17, and 27)	75,291	5	130,890	5
Total non-operating income and expenses	43,514	3	151,383	6

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CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
PROFIT (LOSS) BEFORE INCOME TAX	$ (345,255)	(21)	$ 258,347	11
INCOME TAX EXPENSE (Notes 4 and 28)	(7,866)	(1)	(18,094)	(1)
NET PROFIT (LOSS) FOR THE YEAR	(353,121)	(22)	240,253	10
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16, 25, 26 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	2,391	-	1,465	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(37)	-	(47)	-
	2,354	-	1,418	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(8,619)	-	17,590	1
Unrealized gains (losses) on available-for-sale financial assets	14,571	1	(106,106)	(5)
Share of the other comprehensive loss of associates accounted for using the equity method	(474)	-	(1,011)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	1,199	-	(2,446)	-
	6,677	1	(91,973)	(4)
Other comprehensive income (loss) for the year, net of income tax	9,031	1	(90,555)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (344,090)	(21)	$ 149,698	6
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ (354,324)	(22)	$ 236,221	10
Non-controlling interests	1,203	-	4,032	-
	$ (353,121)	(22)	$ 240,253	10

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CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ (345,393)	(21)	$ 145,686	6
Non-controlling interests	1,303	-	4,012	-
	$ (344,090)	(21)	$ 149,698	6
EARNINGS (LOSS) PER SHARE (Note 29)				
Basic	$ (0.57)		$ 0.35	
Diluted	$ (0.57)		$ 0.35	

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

(With Deloitte & Touche auditors' report dated March 27, 2017) (Concluded)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4, 16, 25, 26 and 28)										
			Retained Earnings			Other Equity					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 6,883,368	$ 17,761	$ 1,686	$ 848,434	$ 66,690	$ 19,236	$ (2,425)	$ (170,856)	$ 7,663,894	$ 42,516	$ 7,706,410
Appropriation of 2014 earnings											
Legal reserve	-	-	6,669	-	(6,669)	-	-	-	-	-	-
Special reserve	-	-	-	13,338	(13,338)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,004)	2,004	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	236,221	-	-	-	236,221	4,032	240,253
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	1,438	15,144	(107,117)	-	(90,535)	(20)	(90,555)
Purchase of treasury stock	-	-	-	-	-	-	-	(94,295)	(94,295)	-	(94,295)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(2,299)	(2,299)
BALANCE AT DECEMBER 31, 2015	6,883,368	17,761	8,355	859,768	286,346	34,380	(109,542)	(265,151)	7,715,285	44,229	7,759,514
Appropriation of 2015 earnings											
Legal reserve	-	-	23,622	-	(23,622)	-	-	-	-	-	-
Special reserve	-	-	-	122,408	(122,408)	-	-	-	-	-	-
Cash dividends distributed	-	-	-	-	(127,667)	-	-	-	(127,667)	-	(127,667)
Net loss for the year ended December 31, 2016	-	-	-	-	(354,324)	-	-	-	(354,324)	1,203	(353,121)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	2,254	(7,420)	14,097	-	8,931	100	9,031
Purchase of treasury stock	-	-	-	-	-	-	-	(399,848)	(399,848)	-	(399,848)
Retirement of treasury stock	(550,000)	174,763	-	-	-	-	-	375,237	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(2,808)	(2,808)
BALANCE AT DECEMBER 31, 2016	$ 6,333,368	$ 192,524	$ 31,977	$ 982,176	$ (339,421)	$ 26,960	$ (95,445)	$ (289,762)	$ 6,842,377	$ 42,724	$ 6,885,101

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

(With Deloitte & Touche auditors' report dated March 27, 2017)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	$ (345,255)	$ 258,347
Adjustments for:		
Depreciation	45,460	52,393
Amortization	20,845	22,592
Provision (reversal of provision) for bad debt expense	1,895	(1,164)
Net loss on fair value changes on financial assets and liabilities at fair value through profit or loss	103,823	3,846
Finance costs	71,769	124,486
Interest income (including financial income)	(486,863)	(624,256)
Dividend income	(73,840)	(138,707)
Share of loss (profit) of associates accounted for using the equity method	31,777	(20,493)
Loss on disposal of property and equipment	8,375	358
Loss on disposal of investment	34,268	108,288
Impairment loss on financial assets	20,282	2,110
Reversal of impairment loss on non-financial assets	-	(13,042)
Changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	5,651,772	220,955
Decrease in bond investments under resale agreements	664,557	1,382,949
Decrease in margin loans receivable	448,368	1,454,492
Decrease (increase) in refinancing margin	20,941	(10,832)
Decrease (increase) in refinancing collateral receivable	17,994	(8,594)
Increase in customers' margin accounts	(1,060,471)	(32,409)
Decrease in futures trading margin receivables	225	300
Decrease in security borrowing collateral price	94,221	130,328
Decrease in security borrowing margin	95,283	108,885
Decrease (increase) in notes receivable	(40)	244
Decrease (increase) in accounts receivable	(357,023)	1,559,146
Decrease (increase) in prepayments	(9,901)	2,452
Increase in other receivables	(41,590)	(1,283)
Decrease in other financial assets	49,366	281,358
Decrease (increase) in other current assets	389,826	(191,479)
Increase (decrease) in liabilities for bonds with repurchase agreements	(5,402,508)	309,420
Increase (decrease) in financial liabilities at fair value through profit or loss	201,743	(1,203,103)
Decrease in securities financing refundable deposits	(44,509)	(187,858)
Decrease in deposits payable for securities financing	(57,925)	(313,907)
Increase (decrease) in futures traders' equity	1,080,932	(20,222)
Decrease in accounts payable	(680,434)	(1,679,997)
Increase (decrease) in other payables	(138,195)	43,826
Increase (decrease) in net defined benefit liabilities	(10,292)	1,221
Increase (decrease) in provisions	2,804	(202)
Increase (decrease) in other current liabilities	(141,734)	228,986
Cash generated from operations	205,946	1,849,434
Interest received	524,566	646,974

(Continued)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Dividend received	$ 63,427	$ 63,432
Interest paid	(72,707)	(122,388)
Income tax paid	(45,907)	(20,656)
Net cash generated from operating activities	675,325	2,416,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(27,410)	(96,143)
Disposal of available-for-sale financial assets	210,780	55,478
Purchase of financial assets measured at cost	(3,000)	(189,161)
Acquisition of property and equipment	(27,414)	(37,991)
Proceeds from disposal of property and equipment	194	-
Decrease in operating deposits	60,049	96,341
Decrease in clearing and settlement fund	15,479	10,099
Decrease (increase) in refundable deposits	3,760	(317)
Acquisition of intangible assets	(13,112)	(22,801)
Decrease (increase) in other non-current assets	(2,599)	2,244
Dividend received	10,413	73,940
Net cash from generated from (used in) investing activities	227,140	(108,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(130,000)	(147,000)
Increase (decrease) in commercial paper payable	905,000	(1,808,000)
Increase in guarantee deposits received	542	794
Dividends paid to owners of the Corporation	(127,667)	-
Purchase of treasury stock	(399,848)	(94,295)
Change in non-controlling interests	(2,808)	(2,299)
Net cash generated from (used in) financing activities	245,219	(2,050,800)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,725)	16,907
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,138,959	274,592
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,393,539	1,118,947
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,532,498	$ 1,393,539

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

(With Deloitte & Touche auditors' report dated March 27, 2017) (Concluded)

1. GENERAL INFORMATION

Concord Securities Co., Ltd. (the "Corporation") was incorporated on July 25, 1990 and started operating on December 4, 1990. It engages in transactions such as (a) securities dealing and brokerage; (b) underwriting; (c) financing customers' acquisition and short-sales; (d) providing agency services for stock affairs; (e) assisting in futures trading; (f) other business as approved by relevant authorities. Its shares began to be traded on GreTai Securities Market (the over-the-counter Securities Exchange of Republic of China, or the "ROC OTC") in December 1996.

The Corporation was further authorized to engage in futures brokerage on February 2, 1998. However, when a subsidiary, Concord Futures Corp., launched its businesses on May 1, 2000, the Corporation transferred all futures trading business to its subsidiary and provided necessary professional assistance. In addition, the Corporation, according to the ruling numbered Tai-Tsai-Cheng (7) 0910147503 from the Ministry of Finance, was authorized to engage in dealing of futures contracts. Nevertheless, the Corporation terminated dealing of futures contracts on May 2, 2014, according to Rule No. 1030014785 issued by the Financial Supervisory Commission (FSC).

As of December 31, 2016, the Corporation had 16 branches and the offshore securities unit supporting its head office.

The names of subsidiaries and their businesses are listed in Note 15. The Corporation and its subsidiaries are hereinafter collectively referred to as "the Group."

The consolidated financial statements were prepared and presented New Taiwan dollar which is the functional currency of the Corporation.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 27, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the Financial Supervisory Commission (the "FSC") for application starting from 2017

   Rule No. 1050040146 and Rule No. 1060002308 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments 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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
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 Plants"	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 "Impairment of Assets: 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
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms would not have any material impact on the Group's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 and Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively from 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Conversion of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income should be reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit of loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a significant financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulation Governing the Preparation of Financial Reports by Futures Commission Merchant, related regulations and IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities of which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if that results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 15 and Table 1 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period they arise.

Non-monetary items of foreign currencies measured at fair value are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the translation of non-monetary items are recognized in profit or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries or associates in other countries or currencies used different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at 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. 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 as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent of that the recoverable amount of the investment subsequently increases.

Property and Equipment

Property and equipment are initially recognized at cost and subsequently measured based on the cost less accumulated depreciation and accumulated impairment loss.

Property and equipment are depreciated within useful lives by using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual value and depreciation method are reviewed by the Group at least at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising from derecognition of an item of property and equipment is determined by the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held for earning rentals or for capital appreciation. Investment properties also include land held for a currently undetermined purpose of future.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising from derecognition of investment properties is determined by the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed by the Group at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

Any gain or loss arising from derecognition of an intangible asset is determined by the difference between the proceeds and the carrying amount of the asset and recognized in profit or loss.

Impairment of Tangible and Intangible Assets except Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of individual asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit should be reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit can be increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (the depreciation or amortization has been deducted) that would have been determined with no impairment loss on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instrument

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way of purchase or sale of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial instruments classified as financial assets measured at FVTPL include financial assets held for trading and those designated as FVTPL on initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising from remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as loans and receivables or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and they will be reclassified to profit or loss when investments are disposed of or determined to be impaired.

Dividends on available-for-sale equity instruments are recognized immediately in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, other receivables and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discount is immaterial.

Cash equivalent includes time deposits and excess futures trading margins with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been weakened.

For financial assets carried at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or permanent decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or there is disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's 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 will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

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

b. Equity instruments

Debt and equity instruments issued by the Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group entity are recognized at the proceeds received after deducting direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for financial liabilities are classified as at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL include financial liabilities held for trading and are designated as at FVTPL on initial recognition.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 32.

In the following circumstances, the Group designates financial liabilities as at FVTPL on initial recognition when:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c) The contract contains one or more embedded derivatives, so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 32.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

Derivative financial instruments the Group engaged in include warrants, futures, options, convertible bond asset swaps, structured notes and bond options, etc.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. For a derivative that is designated and effective as a hedging instrument, the timing of the recognition of gain or loss in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

The margin deposits paid on purchase or sale of futures contracts are recognized as asset. Any valuation gain or loss calculated using the settlement price announced by Futures Exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period. The margins are accordingly adjusted.

Premiums paid (received) on purchase (sale) of options contracts are recognized as assets (liabilities). Any valuation gain or loss calculated using the settlement price announced by Futures Exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period.

Repurchase and Resale Transaction

Bond investments under resale agreements and liabilities for bonds with repurchase agreements are recognized as "bond investments under resale agreements" and "liabilities for bonds with repurchase agreements", respectively, and the related interest income and expense are accounted on the basis of the contracted spread.

Margin Loans and Refinancing

Margin loans pertain to the provision of funds to customers for them to buy securities and are recognized as "margin loans receivable." The securities bought by customers are used to secure these loans and are recorded through memo entries. The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies is recorded as "refinancing borrowings," which are collateralized by securities bought by customers.

The collateral securities are disposed of by the Group when their fair value falls below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified under "overdue receivables." If a collateral security cannot be sold in the open market, the balance of the loan is reclassified under "other receivables" or "overdue receivables." Allowance will be recognized after evaluating the uncollectible amounts.

Stock loans are securities lent to customers for short sales. The deposits received from customers on securities lent out are credited to "securities financing refundable deposits." The securities sold short are recorded using memo entries. The proceeds of the sales of securities lent to customers less any dealer's commission, financing charges and securities exchange tax are recorded under "deposits payable for securities financing". When the customers return the stock certificates to the Group, the Group gives the deposits received and the proceeds of the sales of securities back to customers.

Securities Business Money Lending and Securities Lending

The securities used in the securities business money lending and securities lending are operating securities, borrowed securities from Taiwan Stock Exchange (TSE) or refinancing collaterals. Operating securities will be transferred to account "securities lent" if they are used to lend to others. Securities lent should be measured at fair value at the end of each reporting period. Valuation gains or losses of securities lent are recorded in the same accounts before the reclassification. If borrowed securities from TSE are used to lend to others, the Group will recognize the transaction through a memo entry. If the refinancing collaterals are used to lend to others, the Group will not recognize any asset on the ground that the collaterals belong to the customers.

The Group recognized the amount from securities business money lending and securities lending as margin loans receivable or payable on two business days after the transaction date, and accrue bad expense by evaluating possibility of receivables collection at the end of reporting period. The related collaterals were recognized through memo entry and returned while the transactions were settled. The commission on securities business money lending and securities lending were accounted as business lending commission.

Securities collaterals received in the lending and borrowing business are recognized through memo entry otherwise cash collaterals received are recognized as "securities lending refundable deposits." The amount deposited in TSE for securities lending and borrowing business is accounted as "security borrowing margin." Security borrowing margin or security lending refundable deposits are returned or paid when the borrowing securities are returned. The related service revenues are accounted as income from securities lending.

Customers' Margin Accounts and Futures Traders' Equity

The subsidiary, Concord Futures, engages in futures brokerage and receives margin deposits from customers as required under existing regulations. The proceeds are deposited in banks and debit to "customers' margin accounts" and credit to "futures traders' equity." Gains or losses from daily marking to market of the carrying amounts of the contracts and related commission are charged to the customers' margin accounts and futures traders' equity. Futures traders' equity accounts cannot be offset against each other unless the equity accounts are of the same type and belong to the same trader.

Operating Deposits

According to the Rules of Governing Securities Firms and Rules of Governing Futures Commission Merchants, operating deposits are the legal deposits required to deposit in a specific account by Securities and Futures Bureau (SFB), FSC, when corporation is registered or when set up new branches. The Corporation may elect to deposit in the forms of cash, government bonds or financial bonds.

Clearing and Settlement Fund

As required by the Rules Governing Securities Firms, securities firms engage in dealing and brokerage business are required to deposit legal funds deposited before and after operation in TSE or ROC OTC.

Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows needed to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The Group's provisions are primarily short-term paid vacation entitlements and lease restoration costs.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and deducted estimation of discount to customer and other similar allowance.

When the results of rendering of services could be measured reasonably, revenue from rendering services such as securities brokerage and underwriting commissions, revenue from providing agency service for stock affairs, and commission revenue for futures would be recognized by reference to the stage of completion of the contract at the end of each reporting period.

Dividend income from investments is recognized when the stockholder's right to receive payment has been certain given that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recorded on the accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. All lease agreements of the Group belong to operating leases.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement (comprising actuarial gains and losses, and the return on plan assets excluding interest), recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Fair value of derivative instruments and financial instruments with no public quote at the active market

The Group determines the fair value of derivative instruments and financial instruments with no public quote at the active market using evaluation methods. Refer to Note 32 for related assumptions, estimates and book value.

b. Evaluate of tangible and intangible assets impairment

While evaluating impairment, the Group determines the useful lives of independent cash-generating assets and the future estimated revenues based on subjective judgments, the pattern of economic value of assets, and characteristics of the industry. Any changes of estimates arising from economic circumstances or Group’s strategy will probably result in significant impairment loss.

c. Realization of deferred tax assets

The possibility of deferred tax assets to be realizable or not depends on if there will be sufficient profits or the taxable temporary differences. If the actual profit is less than expectation, then it may cause significant reversal of the deferred tax assets. Such reversal shall be recognized through profit or less. Refer to Note 28 for the amount of deferred tax assets of the Group at the end of reporting period.

d. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to Note 25 for the book value of net defined benefit liabilities of the Group at the end of reporting period.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand and working fund	$ 241	$ 267
Check and demand deposits	494,463	391,858
Foreign currency deposits	1,469,183	602,711
Cash equivalents		
Time deposits with original maturities less than three months	79,907	32,169
Excess future trading margin	488,704	316,557
Short-term bills	-	49,977
	$ 2,532,498	$ 1,393,539

The market rates of time deposits with original maturities less than three months and short-term bills at the end of each reporting period were summarized as follows:

	December 31	
	2016	**2015**
Time deposits with original maturities less than three months	0.50%	0.32%
Short-term bills	-	0.38%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets at FVTPL - current		
Financial assets held for trading		
Open-end funds and money market instruments	$ 73,501	$ 24,295
Operating securities - dealing	10,467,388	15,980,765
Operating securities - underwriting	101,704	231,714
Operating securities - hedging	44,817	185,811
Securities investments	-	27,479
Futures margin - own funds	30,577	70,809
Long options - non-hedging	5,135	2,928
Derivative financial assets - OTC		
Value of asset swap IRS contracts	14,345	17,090
Asset swap options	64,322	48,248
	$ 10,801,789	$ 16,589,139
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Bond investments under resale agreements - short sales	$ 720,753	$ 665,265
Warrants liabilities	1,086,700	1,332,405
Warrants redeemed	(1,076,087)	(1,302,246)
Short options - non-hedging	157	2,307
Settlement coverage bonds payable of short sale	199,500	-
Liabilities on sale of borrowed securities - hedging	18,007	113,452
Derivative financial liabilities - OTC		
Value of asset swap IRS contracts	15,878	14,696
Asset swap options	198,625	239,421
	1,163,533	1,065,300
Financial liabilities at FVTPL, designated as upon initial recognition		
Structured notes	52,313	16,094
	$ 1,215,846	$ 1,081,394
Financial liabilities at FVTPL - non-current		
Financial liabilities at FVTPL, designated as upon initial recognition		
Structured notes	$ 133,784	$ 93,401

a. Open-end funds and money market instruments

	December 31	
	2016	2015
Open-end funds and money market instruments	$ 71,806	$ 23,001
Valuation adjustment	1,695	1,294
	$ 73,501	$ 24,295

b. Operating securities - dealing

	December 31	
	2016	2015
Government bonds	$ 5,972,912	$ 11,810,032
Corporate bonds	600,898	600,898
Listed stocks	539,966	288,141
Stocks and convertible bonds traded in OTC market	2,464,445	2,390,382
Emerging stocks	372,965	346,482
Foreign stocks and bonds	677,759	578,162
Beneficiary securities	10,000	10,000
	10,638,945	16,024,097
Valuation adjustment	(171,557)	(43,332)
	$ 10,467,388	$ 15,980,765

The coupon rates of government bonds and corporate bonds at the end of each reporting period were summarized as follows:

	December 31	
	2016	2015
Government bonds	0.375%-6.250%	0.625%-6.250%
Corporate bonds	1.230%-1.460%	1.230%-1.460%

As of December 31, 2016 and 2015, the face value of the Group's dealing securities and bond investments under resale agreements of $7,590,300 thousand and $12,444,600 thousand, respectively, were provided for repurchase agreements.

c. Operating securities - underwriting

	December 31	
	2016	2015
Listed and OTC stocks and convertible bonds	$ 9,344	$ 132,361
Foreign bonds	100,620	100,620
	109,964	232,981
Valuation adjustment	(8,260)	(1,267)
	$ 101,704	$ 231,714

d. Operating securities - hedging

	December 31	
	2016	2015
Listed stocks and warrants	$ 28,141	$ 102,705
Stocks and warrants traded in the OTC market	16,586	87,252
	44,727	189,957
Valuation adjustment	90	(4,146)
	$ 44,817	$ 185,811

e. Securities investments

	December 31	
	2016	2015
Stocks and bonds	$ -	$ 27,563
Valuation adjustment	-	(84)
	$ -	$ 27,479

f. Bond investments under resale agreements - short sales

	December 31	
	2016	2015
Government bonds	$ 743,893	$ 662,370
Valuation adjustment	(23,140)	2,895
	$ 720,753	$ 665,265

g. Warrants

	December 31	
	2016	2015
Warrants liabilities	$ 1,694,844	$ 1,837,286
Less: Gain on changes in fair value	(608,144)	(504,881)
	1,086,700	1,332,405
Warrants redeemed	1,629,698	1,733,919
Less: Loss on changes in fair value	(553,611)	(431,673)
	1,076,087	1,302,246
Net warrants liabilities	$ 10,613	$ 30,159

h. Settlement coverage of bonds payable on short sale

	December 31	
	2016	2015
Government bonds	$ 199,514	$ -
Valuation adjustment	(14)	-
	$ 199,500	$ -

i. Liabilities on sale of borrowed securities

	December 31	
	2016	2015
Hedging		
Listed and OTC stocks	$ 17,375	$ 111,961
Valuation adjustment	632	1,491
	$ 18,007	$ 113,452

j. Futures and options

	December 31	
	2016	2015
Call options - non-hedging		
Index options	$ 4,876	$ 2,739
Gain on open positions	259	189
Fair value	$ 5,135	$ 2,928
Put options - non-hedging		
Index options	$ (307)	$ (3,858)
Gain on open positions	150	1,551
Fair value	$ (157)	$ (2,307)

Open contracts and fair value at the end of each reporting period were as follows:

		December 31, 2016			
		Opening Positions			
Item	Transaction Type	Buyer/ Seller	Volume	Carrying Value/ Premium Paid (Received)	Fair Value
Futures	MTX	Buyer	84	$ 38,859	$ 38,900
Futures	TAIEX futures	Buyer	161	296,283	297,967
Futures	TAIEX futures	Seller	57	105,554	105,587
Futures	Stock futures	Buyer	60	19,288	19,263
Futures	Stock futures	Seller	12	19,939	19,899
Futures	TF	Buyer	2	2,139	2,156
Futures	MTX	Seller	448	205,678	207,200
Futures	STW	Seller	85	93,901	94,244
Options	TAIEX options - call	Buyer	685	2,065	3,672
Options	TAIEX options - put	Buyer	820	2,747	1,412
Options	TAIEX options - call	Seller	1	(2)	(1)
Options	TAIEX options - put	Seller	124	(301)	(148)
Options	TF Option - call	Seller	8	(4)	(8)
Options	TF Option - put	Buyer	8	64	51

		December 31, 2015			
		Opening Positions			
Item	Transaction Type	Buyer/ Seller	Volume	Carrying Value/ Premium Paid (Received)	Fair Value
Futures	Stock futures	Buyer	4	$ 598	$ 622
Futures	MTX	Buyer	437	180,802	180,809
Futures	SCN	Buyer	5	1,727	1,718
Futures	TE	Buyer	10	13,030	13,044
Futures	NYMEX - PL	Buyer	10	14,567	14,660
Futures	STW	Buyer	32	32,037	31,974

(Continued)

Item	Transaction Type	December 31, 2015			
		Opening Positions		Carrying Value/ Premium Paid (Received)	Fair Value
		Buyer/ Seller	Volume		
Futures	FFI	Seller	8	$ 24,084	$ 24,133
Futures	TF	Seller	15	14,672	14,673
Futures	Stock futures	Seller	246	73,373	73,894
Futures	TAIEX futures	Seller	191	316,204	316,105
Futures	CME - NQ	Seller	5	14,913	15,059
Futures	CEM - ES	Seller	11	37,012	36,747
Futures	SSI	Seller	5	12,848	12,865
Options	TAIEX options - call	Buyer	251	2,720	2,906
Options	TAIEX options - put	Buyer	122	19	22
Options	TAIEX options - call	Seller	30	(275)	(221)
Options	TAIEX options - put	Seller	263	(2,016)	(1,442)
Options	DAX options - call	Seller	1	(42)	(40)
Options	DAX options - put	Seller	1	(45)	(27)
Options	HHI options - put	Seller	5	(49)	(22)
Options	Nikkei 225 options - call	Seller	48	(317)	(1)
Options	Nikkei 225 options - put	Seller	10	(72)	(16)
Options	NYMEX - CL option - put	Seller	22	(424)	(153)
Options	Mini-S&P (ES) option - call	Seller	8	(211)	(139)
Options	Mini-S&P (ES) option - put	Seller	13	(407)	(246)

(Concluded)

The fair value of futures and option contracts is the product of the closing price used by each futures exchange center at the end of the year times the open interest on the contracts, respectively.

As of December 31, 2016 and 2015, futures margins arising from futures and option contracts were $30,577 thousand and $70,809 thousand, respectively.

k. Derivative instruments - OTC

The outstanding contracts and nominal amounts of derivative financial instruments were as follows:

	Nominal Amount December 31	
	2016	2015
Convertible bond asset swaps	$ 3,789,000	$ 4,242,400
Structured notes	185,800	132,700

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Non-current		
Nonpublic common stocks		
Taiwan Futures Exchange (Taifex)	$ 98,000	$ 98,000
Guoyuan Futures Co., Ltd. (Guoyuan Futures)	51,561	51,561
Asia Pacific Emerging Industry Venture Capital Co., Ltd.	30,000	30,000
FundRich Securities Co., Ltd. (FundRich Securities)	3,000	-
Taiwan Depository & Clearing Corporation	2,656	2,656
Foursun Tech. Inc. (Foursun Tech.)	-	-
	$ 185,217	$ 182,217
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 185,217	$ 182,217

Management believed that the fair value of the above nonpublic stocks held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore the stocks were measured at cost less accumulated impairment at the end of reporting period.

The Group acquired 300 thousand shares of FundRich Securities for $3,000 thousand in May 2016, and the Group held 0.86% of the shares of FundRich Securities after the acquisition.

The Group acquired 1,000 thousand shares of Taifex for $90,000 thousand in December 2015, and the Group held 0.74% of the shares of Taifex after the acquisition.

The Group acquired 1.59% of the ordinary shares of Guoyuan Futures for $51,561 thousand (US$1,579 thousand) in the second half of 2015. The board of directors resolved to invest in Guoyuan Futures the amount of CNY20,000 thousand in October 27, 2016 but not yet endorsed by the FSC.

The Group invested in AMPAK Technology Inc. the amounts of $19,600 thousand and $28,000 thousand in February and April 2015. AMPAK Technology Inc. had been list in the emerging market in July 2015, so the Group reclassified the investment from financial assets measured at cost - current to financial assets at FVTPL - current in the third quarter of 2015.

Foursun Tech. had terminated its plan to list in the emerging market, so the Group reclassified the investment from financial assets at FVTPL - current to financial assets measured at cost - non-current, and recognized impairment loss of $2,110 thousand in the third quarter of 2015. The book value became zero.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Current		
Listed and OTC stocks	$ 118,275	$ 200,031
Listed preferred stocks	-	116,231
	$ 118,275	$ 316,262

10. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2016	2015
Government bonds	$ 719,308	$ 1,383,865

The market rates of the bond investments under resale agreements at the end of each reporting period were summarized as follows:

	December 31	
	2016	2015
Government bonds	0.00%-0.30%	0.20%-0.30%

Bonds outstanding as of December 31, 2016 were resold for $719,311 thousand by January 11, 2017 under resale agreements.

Bonds outstanding as of December 31, 2015 were resold for $1,383,898 thousand by January 8, 2016 under resale agreements.

11. CUSTOMERS' MARGIN ACCOUNTS AND FUTURES TRADERS' EQUITY

	December 31	
	2016	2015
Customers' margin accounts		
Cash in banks	$ 2,609,473	$ 2,081,285
Futures clearing institution	1,175,735	637,451
Other futures commission merchant	224,648	230,649
Customers' margin accounts	4,009,856	2,949,385
Adjustment:		
Brokerage commission revenue and futures transactions tax	(45,563)	(17,834)
Timing differences in receiving customers' deposits	64,330	16,140
Futures traders' equity	$ 4,028,623	$ 2,947,691

12. FUTURES TRADING MARGIN RECEIVABLES

The Group brokered futures trading in 2015. Due to the huge fluctuations in the futures market, some of the customers barely had time to close out the open position and had defaulted on settlement. At the balance sheet dates, futures trading margin receivables and allowance for doubtful accounts were as follows:

	December 31	
	2016	2015
Futures trading margin receivables	$ 12	$ 237
Less: Allowance for doubtful accounts	(12)	(12)
	$ -	$ 225

13. NOTES AND ACCOUNTS RECEIVABLE

	December 31 2016	December 31 2015
Notes receivable	$ 96	$ 136
Accounts receivable		
Accounts receivable for settlement - brokerage	1,352,154	1,834,217
Accounts receivable for settlement - dealing	855,633	16,517
Bonds interest receivable	103,516	140,604
Brokerage commissions and refinancing interest receivable	84,806	85,749
Others	14,467	14,410
	2,410,576	2,091,497
	$ 2,410,672	$ 2,091,633

14. OTHER FINANCIAL ASSETS - CURRENT

	December 31 2016	December 31 2015
Time deposits	$ 498,571	$ 547,937

The market rates of time deposits with original maturities of more than three months at the end of each reporting period were summarized as follows:

	December 31 2016	December 31 2015
Time deposits	0.14%-2.41%	0.62%-1.42%

15. SUBSIDIARIES

Subsidiaries included in consolidated financial statements were summarized as follows:

			% of Ownership		
			December 31		
Investor	Investee	Main Business	2016	2015	Remark
The Corporation	Concord Futures Corp. Ltd. (Concord Futures)	Foreign and domestic futures dealing, brokerage and consulting services	95.71	95.71	
The Corporation	Concord Capital Management Corp (Concord Capital Management)	Securities investment advisory services	100.00	100.00	
The Corporation	Kang-Lian AMC. Co., Ltd. (Kang-Lian AMC)	Business management advisory services and asset management services	100.00	100.00	
The Corporation	Concord Managed Futures Corp. (Concord Managed Futures)	Foreign and domestic futures managing, consulting and trust services	100.00	100.00	Note
The Corporation	Concord Insurance Agent Corp. (Concord Insurance)	Life insurance agency	100.00	100.00	
The Corporation	Concord Capital Holdings (Cayman) Limited (Concord Cayman)	Holding company, recognized gain (loss) on invested companies	100.00	100.00	
Concord Capital Holdings (Cayman) Limited	Taiwan Concord Capital Securities (Hong Kong) Limited (TCCS)	Securities and futures brokerage and dealing related services	100.00	100.00	
Taiwan Concord Capital Securities (Hong Kong) Limited	Concord Asset Management (HK) Limited (CAM)	Financial planning and asset management services	100.00	100.00	

Note: The Corporation's direct shareholding is 60%, up to 100% with all indirect holdings.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investment in Associates	December 31			
	2016		2015	
	Carrying Value	% of Shareholdings	Carrying Value	% of Shareholdings
Individually Immaterial Associates:				
HWA-HO Asset Management Corp.	$ 392,916	47.62	$ 415,318	47.62
Value Partners Concord Assets Management Co., Ltd. (Value Partners Concord)	53,155	25.00	83,286	25.00
	$ 446,071		$ 498,604	

The summarized information of individually immaterial associates was as follows:

	For the Years Ended December 31	
	2016	2015
The Group's share of:		
Profit (loss) from continuing operations	$ (31,777)	$ 20,493
Other comprehensive income (loss)	(474)	(1,011)
The comprehensive income (loss) for the year	$ (32,251)	$ 19,482

The Group's investments accounted for using equity method and share of profit or loss and other comprehensive income of associates were calculated based on the audited financial statements for the years ended December 31, 2016 and 2015.

The management carried out an impairment review by comparing recoverable amounts with the carrying amounts of each investment. Based on the assessments, the recoverable amount of the Group's interests in Value Partners Concord Assets Management Co., Ltd. was less than the carrying amount. Hence, impairment loss of $20,282 thousand was recognized in profit or loss for the year ended December 31, 2016.

17. PROPERTY AND EQUIPMENT

	For the Year Ended December 31, 2016					
	Balance at January 1, 2016	Additions	Reductions	Reclassifi-cations	Effect of Exchange Rate Changes, Net	Balance at December 31, 2016
Cost						
Land	$ 896,768	$ -	$ -	$ (49,086)	$ -	$ 847,682
Buildings	356,404	-	-	(21,160)	-	335,244
Equipment	177,613	23,850	(21,116)	-	(472)	179,875
Leasehold improvements	91,813	3,564	(48,763)	-	(103)	46,511
	1,522,598	$ 27,414	$ (69,879)	$ 70,246	$ (575)	1,409,312

(Continued)

	For the Year Ended December 31, 2016					
	Balance at January 1, 2016	**Additions**	**Reductions**	**Reclassifications**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2016**
Accumulated depreciation						
Buildings	$ 130,434	$ 5,950	$ -	$ (9,622)	$ -	$ 126,762
Equipment	109,094	26,611	(20,578)	-	(425)	114,702
Leasehold improvements	68,022	11,564	(40,732)	-	(101)	38,753
	307,550	$ 44,125	$ (61,310)	$ (9,622)	$ (526)	280,217
Accumulated impairment	1,684	$ -	$ -	$ -	$ -	1,684
Net book value	$ 1,213,364					$ 1,127,411

(Concluded)

	For the Year Ended December 31, 2015					
	Balance at January 1, 2015	**Additions**	**Reductions**	**Reclassifications**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2015**
Cost						
Land	$ 874,159	$ -	$ -	$ 22,609	$ -	$ 896,768
Buildings	340,765	-	-	15,639	-	356,404
Equipment	160,508	37,175	(21,444)	-	1,374	177,613
Leasehold improvements	108,210	816	(17,421)	-	208	91,813
	1,483,642	$ 37,991	$ (38,865)	$ 38,248	$ 1,582	1,522,598
Accumulated depreciation						
Buildings	120,404	$ 4,643	$ -	$ 5,387	$ -	130,434
Equipment	102,385	27,170	(21,315)	-	854	109,094
Leasehold improvements	66,973	18,037	(17,192)	-	204	68,022
	289,762	$ 49,850	$ (38,507)	$ 5,387	$ 1,058	307,550
Accumulated impairment	427	$ -	$ (13,042)	$ 14,299	$ -	1,684
Net book value	$ 1,193,453					$ 1,213,364

The lands and buildings in Taichung were idle assets until the Corporation used them in business as the office for Taiping branch in August 2015. As a result, the Group recognized gain on reversal of impairment of $13,042 thousand in the third quarter of 2015.

Property and equipment are depreciated on straight-line basis over the following estimated useful lives.

Buildings	55 years
Equipment	2-15 years
Leasehold improvements	2-10 years

The significant part of the Group's building is main building.

Some property and equipment were pledged as collateral for loans (refer to Note 34 for details).

18. INVESTMENT PROPERTIES

	For the Year Ended December 31, 2016			
	Balance at January 1, 2016	Additions	Reclassifications	Balance at December 31, 2016
Cost				
Land	$ 187,204	$ -	$ 49,086	$ 236,290
Buildings	53,569	-	21,160	74,729
	240,773	$ -	$ 70,246	311,019
Accumulated depreciation				
Buildings	21,179	$ 1,335	$ 9,622	32,136
Accumulated impairment				
Buildings	234	$ -	$ -	234
Net book value	$ 219,360			$ 278,649

	For the Year Ended December 31, 2015			
	Balance at January 1, 2015	Additions	Reclassifications	Balance at December 31, 2015
Cost				
Land	$ 209,813	$ -	$ (22,609)	$ 187,204
Buildings	69,208	-	(15,639)	53,569
	279,021	$ -	$ (38,248)	240,773
Accumulated depreciation				
Buildings	24,023	$ 2,543	$ (5,387)	21,179
Accumulated impairment				
Buildings	14,533	$ -	$ (14,299)	234
Net book value	$ 240,465			$ 219,360

The Group’s investment properties are land and buildings. The buildings are depreciated on straight-line basis over the 55 years useful life.

As of December 31, 2016 and 2015, the fair value of the Group’s investment properties amounted to $337,319 thousand and $307,306 thousand, respectively. The fair value was quoted at the market price of similar properties.

Some investment properties were pledged as collateral for loans (refer to Note 34 for details).

19. INTANGIBLE ASSETS

	December 31 2016	December 31 2015
Computer software	$ 28,040	$ 33,910
Memberships in foreign futures exchanges	33,392	33,392
Trading rights	4,158	4,236
Website constructing expenses	160	214
	$ 65,750	$ 71,752

	For the Year Ended December 31, 2016				
	Balance at January 1, 2016	Additions	Reductions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2016
Cost					
Computer software	$ 63,804	$ 13,112	$ (19,340)	$ -	$ 57,576
Memberships in foreign futures exchanges	33,392	-	-	-	33,392
Trading rights	5,490	-	-	(101)	5,389
Website constructing expenses	270	-	-	-	270
	102,956	$ 13,112	$ (19,340)	$ (101)	96,627
Accumulated amortization					
Computer software	29,894	$ 18,982	$ (19,340)	$ -	29,536
Website constructing expenses	56	54	-	-	110
	29,950	$ 19,036	$ (19,340)	$ -	29,646
Accumulated impairment					
Trading rights	1,254	$ -	$ -	$ (23)	1,231
Net book value	$ 71,752				$ 65,750

	For the Year Ended December 31, 2015				
	Balance at January 1, 2015	Additions	Reductions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2015
Cost					
Computer software	$ 74,206	$ 22,611	$ (33,013)	$ -	$ 63,804
Memberships in foreign futures exchanges	33,392	-	-	-	33,392
Trading rights	5,288	-	-	202	5,490
Website constructing expenses	80	190	-	-	270
Goodwill	4,494	-	(4,494)	-	-
	117,460	$ 22,801	$ (37,507)	$ 202	102,956
Accumulated amortization					
Computer software	42,042	$ 20,865	$ (33,013)	$ -	29,894
Website constructing expenses	21	35	-	-	56
	42,063	$ 20,900	$ (33,013)	$ -	29,950
Accumulated impairment					
Trading rights	1,208	$ -	$ -	$ 46	1,254
Goodwill	4,494	-	(4,494)	-	-
	5,702	$ -	$ (4,494)	$ 46	1,254
Net book value	$ 69,695				$ 71,752

Intangible assets with definite useful lives are amortized on straight-line basis over the following estimated useful lives:

Computer software	2-5 years
Website constructing expenses	5 years

The subsidiary, Concord Futures, treated the memberships as intangible assets with an indefinite useful life that will bring net cash inflows over an indefinite time span. Memberships in foreign futures exchanges will not be amortized until the memberships turn into intangible assets with definite useful life. Memberships are tested for impairment at least annually whether there is an indication that the asset may be impaired or not.

TCCS, an indirect subsidiary, recognized impairment loss on its goodwill in 2014, and wrote off such goodwill in 2015.

20. OTHER NON-CURRENT ASSETS

	December 31	
	2016	**2015**
Operating deposits	$ 600,087	$ 660,136
Clearing and settlement fund	209,900	225,379
Refundable deposits	36,721	40,481
Deferred expense	1,178	2,648
Others	4,516	2,256
	$ 852,402	$ 930,900

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	**2015**
Secured borrowings	$ -	$ 100,000
Unsecured borrowings	220,000	250,000
	$ 220,000	$ 350,000

The market rates of the short-term borrowings at the end of each reporting period were summarized as follows:

	December 31	
	2016	**2015**
Short-term borrowings	0.95%-0.99%	1.00%-1.13%

Some time deposits, property and equipment, investments properties were provided as collateral for bank borrowings and credit line (refer to Note 34 for details).

b. Commercial paper payable

	December 31	
	2016	2015
Commercial paper payable	$ 4,080,000	$ 3,175,000
Less: Discount of commercial paper payable	(2,087)	(1,702)
	$ 4,077,913	$ 3,173,298

The discount rates of the commercial paper payable at the end of each reporting period are summarized as follows:

	December 31	
	2016	2015
Commercial paper payable	0.52%-0.99%	0.82%-0.91%

All commercial papers payable mentioned above were underwritten by bills finance companies or banks.

Some time deposits were provided as collateral for commercial paper payable (refer to Note 34 for details).

22. LIABILITIES FOR BONDS WITH REPURCHASE AGREEMENTS

	December 31	
	2016	2015
Government bonds	$ 6,295,788	$ 11,976,230
Corporate bonds	1,885,114	1,607,180
	$ 8,180,902	$ 13,583,410

The market rates of the liabilities for bonds with repurchase agreements at the end of each reporting period were as follows:

	December 31	
	2016	2015
Government bonds	0.33%-0.45%	0.34%-0.46%
Corporate bonds	0.40%-0.49%	0.48%-0.63%

The bonds outstanding as of December 31, 2016 were repurchased for $8,182,783 thousand by February 17, 2017, under repurchase agreements.

The bonds outstanding as of December 31, 2015 were repurchased for $13,587,076 thousand by March 10, 2016, under repurchase agreements.

23. ACCOUNTS PAYABLE

	December 31	
	2016	2015
Accounts payable for settlement - brokerage	$ 1,296,007	$ 1,514,588
Accounts payable for settlement - dealing	3,259	938,180
Brokerage commissions payable	1,276,861	821,091
Others	22,646	5,826
	$ 2,598,773	$ 3,279,685

24. PROVISIONS

	December 31	
	2016	2015
Current		
Employee benefits	$ 25,602	$ 22,139
Non-current		
Decommissioning provision	$ 14,018	$ 14,677

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group's companies in the ROC adopt a pension plan under the Labor Pension Act (the "LPA"), which is a government-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. TCCS and CAM both adopted defined contribution plans and recognized the amount they contributed as pension cost.

b. Defined benefit plan

The Corporation and the Group's companies in the ROC adopt the pension plan under the Labor Standards Law, which is a government-managed defined benefit plan. Pension costs are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group makes monthly contributions to a pension fund based on a fixed percentage of gross salaries. Pension contributions are deposited in several banks in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31 2016	December 31 2015
Present value of defined benefit obligation	$ 231,343	$ 234,602
Fair value of plan assets	(59,451)	(50,027)
Net defined benefit liability	$ 171,892	$ 184,575

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	$ 240,087	$ (55,268)	$ 184,819
Service cost			
Current service cost	8,578	-	8,578
Net interest expense (income)	4,339	(1,004)	3,335
Recognized in profit or loss	12,917	(1,004)	11,913
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	979	979
Actuarial loss - changes in financial assumptions	414,260	-	414,260
Actuarial gain - experience adjustments	(416,704)	-	(416,704)
Recognized in other comprehensive (income) loss	(2,444)	979	(1,465)
Contributions from the employer	-	(10,692)	(10,692)
Benefits paid	(15,958)	15,958	-
Balance at December 31, 2015	234,602	(50,027)	184,575
Service cost			
Current service cost	6,756	-	6,756
Net interest expense (income)	2,834	(547)	2,287
Expected return on plan assets	-	(71)	(71)
Recognized in profit or loss	9,590	(618)	8,972
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	605	605
Actuarial gain - changes in financial assumptions	(9,574)	-	(9,574)
Actuarial loss - experience adjustments	6,578	-	6,578
Recognized in other comprehensive (income) loss	(2,996)	605	(2,391)
Contributions from the employer	-	(18,911)	(18,911)
Benefits paid	(9,853)	9,500	(353)
Balance at December 31, 2016	$ 231,343	$ (59,451)	$ 171,892

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the amounts which are calculated by the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the interest rate will increase the present value of defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's other debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The valuations of the Group's plan assets and the present value of defined benefit obligation were carried out by qualified actuaries. The primary actuarial assumptions were as follows:

	December 31, 2016		
	Corporation	**Concord Futures**	**Concord Managed Futures**
Discount rate	1.3%	1.4%	1.8%
Expected incremental rate of salaries	1.5%	1.0%	1.0%
Expected rate of return on plan assets	1.3%	1.4%	1.8%

	December 31, 2015		
	Corporation	**Concord Futures**	**Concord Managed Futures**
Discount rate	1.2%	1.2%	1.6%
Expected incremental rate of salaries	2.0%	0.5%	1.0%
Expected rate of return on plan assets	1.2%	1.2%	1.6%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	**2015**
Discount rate		
1% increase	$ (23,432)	$ (23,216)
1% decrease	$ 27,110	$ 28,867
Expected incremental rate of salaries		
1% increase	$ 39,797	$ 22,988
1% decrease	$ (34,016)	$ (21,065)

Because some of the actuarial assumptions may be correlated, it is unlikely that any of them will change in isolation. The sensitivity analysis presented above may not be representative of the actual change in the present value of defined benefit obligation.

	December 31, 2016		
	Corporation	Concord Futures	Concord Managed Futures
The expected contributions to the plan for the next year	$ 2,500	$ 16	$ -
The average duration of the defined benefit obligation	10.7 years	11.5 years	18.3 years

	December 31, 2015		
	Corporation	Concord Futures	Concord Managed Futures
The expected contributions to the plan for the next year	$ 2,910	$ 125	$ -
The average duration of the defined benefit obligation	11.1 years	11.9 years	18.6 years

26. EQUITY

a. Share capital

	December 31	
	2016	2015
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	$ 15,000,000	$ 15,000,000
Number of shares issued and fully paid (in thousands)	633,337	688,337
Shares issued	$ 6,333,368	$ 6,883,368

Every issued common stock with a par value of $10 is entitled to one vote on matters requiring such vote and to receive dividends. The reason for the decrease in the number of issued shares is the purchasing and cancellation of treasury shares.

b. Capital surplus

	December 31	
	2016	2015
Additional paid-in capital	$ 510	$ 554
Treasury stock transactions	189,945	15,129
Gain on sale of fixed assets	682	682
Premium from merger	91	100
Others	1,296	1,296
	$ 192,524	$ 17,761

The capital surplus arising from shares issued in excess of par (including additional paid-in capital, premium from merger and treasury stock transactions) and donations may be used to offset deficits; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital each year).

The capital surplus arising from gain on sale of fixed assets can only be used to offset deficits.

The capital surplus arising from investments accounted for using the equity method and employee share options may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders but excluding employees. The shareholders held their regular meeting on June 17, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation and remuneration of directors.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% and as special reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors before and after amendment, please refer to employee benefits expense in Note 27(k).

The dividend policy depends on recent and future development plan, investment environment, demand for funds, domestic and foreign competition, and stockholders' interests. Annually, the total amount of dividends and bonus to shareholders shall not be lower than 50% of the earnings available for distribution, except when the cumulative earnings available for distribution are lower than 0.5% of share capital. The dividends can be distributed in cash or shares, of which cash portion shall be no less than 10% of the total amount of dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010028514, 1030008251 and 10500278285 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse to a special reserve.

Except for non-ROC resident stockholders, all stockholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation. For the individual stockholders who are ROC resident, their proportionate share of the income tax paid by the Corporation is halved.

The appropriations of earnings for 2015 and 2014 approved in the stockholders' meetings on June 17, 2016, and June 12, 2015, respectively, were as follows:

	Appropriation of Earnings For the Years Ended December 31		Dividends Per Share (NT$) For the Years Ended December 31	
	2015	2014	2015	2014
Legal reserve	$ 23,622	$ 6,669		
Special reserve	47,244	13,338		
(Reversal of) special reserve	75,164	(2,004)		
Cash dividends	127,667	-	$ 0.2	$ -
	$ 273,697	$ 18,003		

On March 27, 2017, the Corporation's board of directors proposed a plan to offset accumulated deficit in the amount of $339,421 thousand by using legal reserve and special reserve. Such plan is subject to the resolution in the stockholders' meeting to be held on June 16, 2017.

d. Other equity

1) Exchange differences on translating foreign operations

	For the Years Ended December 31	
	2016	2015
Beginning balance at January 1	$ 34,380	$ 19,236
Exchange differences on translating foreign operations	(8,619)	17,590
Income tax expense related to exchange differences on translating foreign operations	1,199	(2,446)
Ending balance at December 31	$ 26,960	$ 34,380

2) Unrealized losses on available-for-sale financial assets

	For the Years Ended December 31	
	2016	2015
Beginning balance at January 1	$ (109,542)	$ (2,425)
Unrealized gains (losses) on available-for-sale financial assets	14,571	(106,106)
Share of unrealized losses on available-for-sale financial assets of associates accounted for using the equity method	(474)	(1,011)
Ending balance at December 31	$ (95,445)	$ (109,542)

e. Treasury stock

Unit: Number of Shares (In Thousands)

Reason of purchasing Treasury Stock	Shares Transferred to Employees	Maintaining Credit Standing and Stockholders' Equity	Total
Number of shares at January 1, 2015	20,000	-	20,000
Increase during the year	-	13,881	13,881
Number of shares at December 31, 2015	20,000	13,881	33,881
Increase during the year	18,000	41,119	59,119
Decrease during the year	-	(55,000)	(55,000)
Number of shares at December 31, 2016	38,000	-	38,000

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

The Corporation purchased treasury stocks which totaled 20,000 thousand shares at cost of $170,856 thousand based on the resolution of the board of directors on August 12, 2014. The treasury stocks were intended for transfer to employees but not yet transferred to employees as of March 27, 2017.

On December 4, 2015, the Corporation's board of directors resolved to purchase and cancel a total of 30,000 thousand treasury shares for maintaining credit standing and stockholders' equity. Accordingly, the Corporation purchased treasury stocks which totaled 30,000 thousand shares at cost of $204,109 thousand until February 3, 2016 (the last day of the stock buying period) and cancelled the treasury shares on March 18, 2016.

On June 28, 2016, the Corporation's board of directors resolved to purchase and cancel a total of 30,000 thousand treasury shares for maintaining credit standing and stockholders' equity. Accordingly, the Corporation purchased treasury stocks which totaled 25,000 thousand shares at cost of $171,128 thousand until August 26, 2016 (the last day of the stock buying period) and cancelled the treasury shares on September 9, 2016.

On October 27, 2016, the Corporation's board of directors resolved to purchase a total of 20,000 thousand treasury shares for transferring to employees. Accordingly, the Corporation purchased treasury stocks which totaled 18,000 thousand shares at cost of $118,906 thousand until December 27, 2016 (the last day of stock buying period). The treasury stocks were not yet transferred to employees as of March 27, 2017.

27. ANALYSIS OF STATEMENT OF COMPREHENSIVE INCOME ITEMS

a. Brokerage commission revenue

	For the Years Ended December 31	
	2016	2015
Handling fee revenues from brokered futures trading	$ 604,632	$ 607,243
Handling fee revenues from brokered stock trading	455,299	603,135
Handling fees from securities financing	6,004	9,852
Others	8,384	7,507
	$ 1,074,319	$ 1,227,737

b. Underwriting commissions

	For the Years Ended December 31	
	2016	2015
Revenues from underwriting consultation	$ 20,298	$ 18,881
Revenues from underwriting securities on a firm commitment basis	18,260	32,157
Processing fee revenues from underwriting operations	9,337	16,915
Others	4,561	3,781
	$ 52,456	$ 71,734

c. Gains (losses) on sale of securities, net

	For the Years Ended December 31	
	2016	2015
Dealing	$ (201,037)	$ 112,865
Hedging	(14,416)	49,422
Underwriting	31,712	29,638
	$ (183,741)	$ 191,925

d. Interest income

	For the Years Ended December 31	
	2016	2015
Bond interest	$ 229,301	$ 280,276
Financing interest	218,766	291,365
Interest of bond investment under resale agreements	1,496	2,246
Others	3,060	3,125
	$ 452,623	$ 577,012

e. Valuation gains (losses) on operations securities at FVTPL, net

	For the Years Ended December 31	
	2016	2015
Dealing	$ (128,458)	$ 83,789
Underwriting	(6,993)	(2,347)
Hedging	4,236	(33,735)
Settlement coverage bonds payable of short sale	14	168
	$ (131,201)	$ 47,875

f. Gains on issuance of stock warrants, net

	For the Years Ended December 31	
	2016	2015
Gains on change in fair value of warrants liabilities	$ 3,577,205	$ 4,447,072
Gains (losses) on exercise of warrants before maturity	1,097	(2,423)
Losses on change in fair value of warrants redeemed - realized	(2,971,801)	(3,948,573)
Losses on change in fair value of warrants redeemed - unrealized	(553,611)	(431,673)
Expenses of stock warrant issuance	(20,428)	(24,721)
	$ 32,462	$ 39,682

g. Gain on derivative instruments, net

	For the Years Ended December 31	
	2016	2015
<u>Gains on derivative instruments - futures, net</u>		
Net gains (losses) from futures transactions	$ (1,755)	$ 61,373
Net gains from option transactions	9,730	84,068
	$ 7,975	$ 145,441
<u>Gains on derivative instruments - OTC, net</u>		
Value of asset swap IRS contracts	$ 9,519	$ 6,789
Gains from when-issued trading of government bonds	-	39
Bond options	(44)	166
Structured notes	(4,076)	(4,140)
Asset swap options	89,418	29,692
	$ 94,817	$ 32,546

h. Other operating income

	For the Years Ended December 31	
	2016	**2015**
Commission revenue	$ 62,517	$ 41,883
Management commissions	21,583	22,773
Advisory revenue	4,016	3,161
Others	5,212	3,702
	$ 93,328	$ 71,519

i. Handling fee expenses

	For the Years Ended December 31	
	2016	**2015**
Brokerage	$ 165,603	$ 168,951
Dealing	16,688	24,094
Others	299	334
	$ 182,590	$ 193,379

j. Finance costs

	For the Years Ended December 31	
	2016	**2015**
Interest of liabilities for bonds with repurchase agreements	$ 42,885	$ 67,435
Interest of commercial paper payable	22,711	49,535
Loan interest	4,188	4,510
Interest of securities financing	1,254	1,638
Others	731	1,368
	$ 71,769	$ 124,486

k. Employee benefits expense

	For the Years Ended December 31	
	2016	**2015**
Retirement benefit		
Defined contribution plan	$ 38,466	$ 39,837
Defined benefit plan	8,972	11,913
	47,438	51,750
Short-term employee benefits		
Salaries	799,354	1,002,472
Insurance	69,590	77,081
Others	35,414	27,816
	$ 951,796	$ 1,159,119

1) Employees' compensation and remuneration of directors for 2016 and 2015

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Corporation's Articles in June 2016; the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. The Corporation had a net loss in 2016, so there was no accrual for employees' compensation and remuneration to directors.

The employees' compensation and remuneration of directors for the year ended December 31, 2015, were $2,515 thousand and $12,540 thousand, respectively, which have been approved by the Corporation's board of directors on March 17, 2016.

If there is a change in the estimated amount after the annual financial statement authorized for issue, the difference is recorded as a change in accounting estimate in the next year.

There was no difference between the amount of employees' compensation and remuneration of directors resolved by the board of directors for 2015 and the amounts recognized in the financial statements for the year ended December 31, 2015.

The information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors for 2014

The bonus to employees and the remuneration of directors for the year ended December 31, 2014 approved in the shareholders' meeting on June 12, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014 were as follows:

	For the Year Ended December 31, 2014	
	Bonus to Employees	**Remuneration to Directors**
Amounts approved in shareholders' meetings	$ -	$ -
Amounts recognized in respective financial statements	$ 512	$ 2,558

The differences were adjusted to profit and loss for the year ended December 31, 2015.

Information on the bonus to employees and remuneration of directors resolved by the stockholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

l. Depreciation and amortization

	For the Years Ended December 31	
	2016	**2015**
Depreciation		
Properties and equipment	$ 44,125	$ 49,850
Investment properties	1,335	2,543
	$ 45,460	$ 52,393

(Continued)

	For the Years Ended December 31	
	2016	**2015**
<u>Amortization</u>		
Intangible assets	$ 19,036	$ 20,900
Deferred expense	1,809	1,692
	$ 20,845	$ 22,592

(Concluded)

m. Other operating expenses

	For the Years Ended December 31	
	2016	**2015**
Taxes	$ 136,252	$ 178,232
Information technology expense	95,473	83,105
Rent	86,650	90,746
Postage expense	37,346	37,847
Professional service fees	27,994	22,154
Repairs and maintenance expense	23,354	24,535
Utilities	21,491	24,326
Custody fees	13,045	15,534
Entertainment	11,854	14,832
Others	91,895	93,884
	$ 545,354	$ 585,195

n. Other income and expenses

	For the Years Ended December 31	
	2016	**2015**
Rent revenue	$ 58,781	$ 57,035
Financial revenue	34,240	47,244
Compensation revenue	11,230	-
Dividend revenue	10,413	73,940
Gain on reversal of impairment loss of non-financial assets	-	13,042
Loss on disposal of investment	(5,080)	(90,651)
Loss on disposal of property and equipment	(8,375)	(358)
Exchange gain (loss), net	(14,851)	19,103
Impairment loss on financial assets	(20,282)	2,110
Others	9,215	9,425
	$ 75,291	$ 130,890

28. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Years Ended December 31	
	2016	2015
Current tax		
In respect of the current period	$ 21,974	$ 37,845
In respect of prior periods	(6)	(6,140)
	21,968	31,705
Deferred tax		
In respect of the current period	(638)	(13,611)
In respect of prior periods	(13,464)	-
	(14,102)	(13,611)
Income tax expense recognized in profit or loss	$ 7,866	$ 18,094

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Years Ended December 31	
	2016	2015
Income tax expense calculated at the statutory rate	$ (61,055)	$ 65,105
Nondeductible expenses in determining taxable income	63,341	19,206
Tax-exempt income	7,738	(49,674)
Unrecognized deductible temporary differences	104	(985)
Adjustments for prior years' tax	(6)	(6,140)
Additional income tax on unappropriated earnings	79	4,872
Others	(2,335)	(14,290)
Income tax expense recognized in profit or loss	$ 7,866	$ 18,094

The applicable tax rate used by Group entities in the ROC is the corporate tax rate of 17%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income (loss)

	For the Years Ended December 31	
	2016	2015
Deferred tax		
Recognized in other comprehensive income (loss)		
Translation of foreign operations	$ (1,199)	$ 2,446
Actuarial gains on defined benefit plan	37	47
	$ (1,162)	$ 2,493

c. Current tax assets and liabilities

	December 31 2016	December 31 2015
Current tax assets		
Tax refund receivable	$ 55,506	$ 34,660
Current tax liabilities		
Income tax payable	$ 5,775	$ 8,868

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary difference				
Loss of foreign associates accounted for using equity method	$ 50,245	$ 11,063	$ -	$ 61,308
Defined benefit plans	30,579	(1,844)	(37)	28,698
Allowance for doubtful accounts	2	-	-	2
Payable for annual leave	169	3,525	-	3,694
Unrealized exchange losses	-	6,483	-	6,483
Valuation loss on foreign operating securities	-	1,543	-	1,543
Others	28	-	-	28
	$ 81,023	$ 20,770	$ (37)	$ 101,756
Deferred tax liabilities				
Temporary difference				
Unrealized exchange gains	$ 550	$ 1,098	$ -	$ 1,648
Exchange differences on translating foreign operations	4,783	-	(1,199)	3,584
Gain on derivative financial instruments	-	5,570	-	5,570
	$ 5,333	$ 6,668	$ (1,199)	$ 10,802

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary difference				
Loss of foreign associates accounted for using equity method	$ 38,348	$ 11,897	$ -	$ 50,245
Defined benefit plans	30,516	110	(47)	30,579
Allowance for doubtful accounts	8	(6)	-	2
Payable for annual leave	275	(106)	-	169
Others	24	4	-	28
	$ 69,171	$ 11,899	$ (47)	$ 81,023
Deferred tax liabilities				
Temporary difference				
Unrealized exchange gains	$ 2,262	$ (1,712)	$ -	$ 550
Exchange differences on translating foreign operations	2,337	-	2,446	4,783
	$ 4,599	$ (1,712)	$ 2,446	$ 5,333

e. Deductible temporary differences and unused loss carryforwards have not been recognized as deferred tax assets in the consolidated balance sheets.

	December 31	
	2016	2015
Asset impairments	$ 1,918	$ 1,918
Loss carryforwards	$ 98,595	$ 63,980

f. Integrated income tax

There are no unappropriated earnings generated before January 1, 1998 of the Group.

	December 31	
	2016	2015
The balances of Imputation Credit Account (ICA) of the Corporation	$ 572,434	$ 606,830

	For the Years Ended December 31	
	2016	2015 (Actual)
Creditable ratio for distribution of earnings of the Corporation	-	22.76%

The Corporation had accumulated deficits in 2016, so there was no creditable ratio for distribution of earnings.

g. Income tax assessments

The income tax returns filing of the Corporation through 2013 have been examined by the tax authorities.

The income tax returns filing of Concord Futures and Concord Managed Futures through 2014 have been examined by the tax authorities.

The income tax returns filing of Concord Capital Management, Kang-Lian AMC and Concord Insurance through 2015 have been examined by the tax authorities.

29. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share was as follows:

	Amounts (Numerator) After Income Tax	Shares (Denominator) (In Thousands)	Earnings (Loss) Per Share After Income Tax (In Dollars)
For the year ended December 31, 2016			
Basic earnings per share			
Loss available to ordinary owners of the Corporation	$ (354,324)	625,087	$ (0.57)
For the year ended December 31, 2015			
Basic earnings per share			
Earnings available to ordinary owners of the Corporation	$ 236,221	667,180	$ 0.35
Effect of dilutive potential ordinary shares			
Employees' compensation	-	281	
Diluted earnings per share			
Earnings available to ordinary owners of the Corporation	$ 236,221	667,461	$ 0.35

Since the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The weighted average number of shares outstanding for earnings per share calculation had been adjusted retrospectively for the impact of the number of treasury stocks.

30. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of premises with lease terms between 1 and 5 years. The Group does not have a bargain purchase option to acquire the leased premises at the expiration of the lease.

At the end of each reporting period, the refundable deposits of the Group for the operating leases were as follows:

	December 31	
	2016	**2015**
The payment of refundable deposits	$ 17,051	$ 19,930

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2016	**2015**
Within 1 year	$ 66,667	$ 68,100
Between 1 and 5 years	142,992	42,553
	$ 209,659	$ 110,653

b. The Group as lessor

Operating leases relate to the investment properties owned by the Group with lease terms between 1 and 5 years. The lessee has an option to renew or extend an additional 2 to 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the properties at the expiration of the lease.

At the end of each reporting period, the refundable deposits of the Group received from the operating lease arrangements were as follows:

	December 31	
	2016	**2015**
Guarantee deposits received	$ 2,526	$ 1,975

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2016	**2015**
Within 1 year	$ 9,436	$ 7,898
Between 1 and 5 years	4,210	3,667
	$ 13,646	$ 11,565

31. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation will be able to continue operating while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt and equity.

Key management personnel of the Corporation review the cost of capital of the group and related risk of the capital structure on a regular basis. They also adjust the overall capital structure by paying dividends, issuing new debts, settling original debts, etc.

The Corporation filed the capital adequacy ratio to relevant authorities monthly according to the Regulations Governing Securities Firms.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments not carried at fair value

The management of the Group believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair value or their fair value cannot be reliably measured.

2) Financial instruments carried at fair value that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets held for trading	$ 10,119,348	$ 682,441	$ -	$ 10,801,789
Available-for-sale financial assets				
Listed and OTC stocks and preferred stocks	118,275	-	-	-
	$ 10,237,623	$ 682,441	$ -	$ 10,920,064
Financial liabilities at FVTPL				
Financial liabilities held for trading	$ 949,030	$ 214,503	$ -	$ 1,163,533
Initial recognition financial liabilities designated as at FVTPL	-	186,097	-	186,097
	$ 949,030	$ 400,600	$ -	$ 1,349,630

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets held for trading	$ 15,918,528	$ 670,611	$ -	$ 16,589,139
Available-for-sale financial assets				
Listed and OTC stocks and preferred stocks	316,262	-	-	316,262
	$ 16,234,790	$ 670,611	$ -	$ 16,905,401
Financial liabilities at FVTPL				
Financial liabilities held for trading	$ 811,183	$ 254,117	$ -	$ 1,065,300
Initial recognition financial liabilities designated as at FVTPL	-	109,495	-	109,495
	$ 811,183	$ 363,612	$ -	$ 1,174,795

There were no significant transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015; there were no financial instruments measured at Level 3 fair value measurement.

3) Valuation techniques and inputs applied to Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Domestic corporate bond investments	Discounted cash flow method: Discounted using the market rate that Taipei Exchange announced.
Value of asset swap IRS contracts	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate that Bloomberg announced.
Asset swap options	The closing price of the convertible bond at the same day minus straight bond value: Straight bond value is the present value of future cash flows discounted at the risk-adjusted premium based on the zero-risk rate that a convertible bond would provide. The zero-risk rate is according to Bloomberg.
Structured notes	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate that Bloomberg announced.

b. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Financial assets at fair value through profit or loss	$ 10,801,789	$ 16,589,139
Loans and receivables (Note 1)	14,541,746	13,535,816
Available-for-sale financial assets (Note 2)	303,492	498,479
Operation guarantee deposits	600,087	660,136
Settlement fund	209,900	225,379
Refundable deposits	19,670	20,551
Financial liabilities		
Financial liabilities at fair value through profit or loss	1,349,630	1,174,795
Financial liabilities measured at amortized cost (Note 3)	20,044,678	24,513,255
Guarantee deposits received	70	79

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, bond investments under resale agreements, margin loans receivable, customers' margin accounts (excluding securities), futures trading margin receivable, refinancing collateral receivable and margin, security borrowing collateral price and margin, notes and accounts receivable (including related parties), other receivable, other financial assets - current and restricted assets - current.

Note 2: The balances included available-for-sale financial assets and financial assets measured at cost classified as available-for-sale.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, commercial paper payable, liabilities for bonds with repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, futures traders' equity, accounts payable and other payables.

The difference between carrying amount and contractual amount at maturity of financial liabilities designated as at FVTPL was as follows:

	December 31	
	2016	2015
The difference between carrying amount and contractual amount at maturity		
Financial liabilities designated as at FVTPL	$ 186,097	$ 109,495
Amount payable at maturity	(194,792)	(115,011)
	$ (8,695)	$ (5,516)

The Group designated structured notes as financial liabilities designated as at FVTPL. The change in fair value was attributable to market risk factors.

c. Risk management system

1) Risk management system

Policies of risk management

The Corporation's risk management policies in accordance with operating goals are to prevent any possible loss within the bearable risk exposures, maximize stockholders' wealth by balancing risks and returns, and optimize the asset allocation.

Risk management policies are the prime directives of the Group's risk management. They are applied to the Corporation and each subsidiary. All regulations in risk management should be in accordance with the risk management policies.

The process of formulating and approving risk management policies

The Corporation's risk management policies, risk management regulations and commodity operation procedures are drafted and revised by authorized departments based on suggestions and opinions of other departments. The authorized departments will report them to the risk management committee.

The board of directors designates a Risk Management Committee to be responsible for reinforcing the overall risk management control, setting relationships between goals and risks, and determining the capital allocation and operating goals. The duties of the Risk Management Office are to verify the source of risks and to evaluate and quantify the influence of risks. Managers of business units are obligated to manage and report the ordinary operating risks in their business units.

Members assigned by the chairman of the board of directors hold risk management meeting at least twice a year. The meeting determines the authorization and investment quotas based on market risks, credit risks, liquidity risks, operation risks and legal risks. Every manager of every business unit should manage the risks according to the authorization and investment quotas. Any revisions of investment quotas should be approved by the general manager and reported to the Risk Management Committee for approval.

Organizational structure of the risk management system

The Corporation's risk management organizational structure includes the board of directors, Risk Management Committee, Risk Management Office, Department of Finance, Department of Internal Auditing, Department of Compliance and each business unit. The duties and functions of divisions are as follows:

a) Board of directors

The Corporation's board of directors is the supreme risk management unit. It ensures the risk management policies, which helps to mitigate the risks securities firms encounter in daily operation, are compiled by the whole corporation and takes the final responsibility for risk management.

b) Risk management committee

The committee is under the board of directors and it consists of members of the board of directors. Its function is to assist the board of directors in planning and monitoring of the related risk management affairs.

c) Risk management office

The risk management office is under the board of directors and independent of other departments. It is in charge of monitoring, measuring and evaluating the normal risks and to ensure risks of the Corporation and every business units are within the authorized investment quotas. The appointment and removal of the head of risk management office should be approved by the board of directors. The head of risk management office evaluates and monitors the daily risks.

d) Department of finance

The department of finance is independent of each business department. It should monitor the fund resources of each business unit. When there is an urgent condition for fund procurement, the department of finance can respond based on the emergency response procedures.

e) Department of internal auditing

The department of internal auditing is under the board of directors and independent of other departments. It is designed to plan and execute auditing business. It is responsible for auditing items related to finance, business execution, internal control and implementation of the laws in the Company and subsidiary companies, and help to implement effective operation of risk management.

f) Department of compliance

The department of compliance is responsible for the compliance with laws and legal review of contracts. In order to mitigate the effect of changes in laws and regulations issued by the authorities, the department examines the internal regulations at any time and maintains complete auditing procedures to assure the appropriateness and legality of all transactions.

g) Business units

The supervisors of every business unit take the first-line responsibility to analyze and monitor all risks and ensure all risks are under control and all risk management procedures are effective.

The risk management office periodically reports the results of risk management objective, profit or loss of positions, sensitivity analysis, stress tests, etc. to the risk management committee or board of directors. The Corporation also has in place effective reporting procedures, transaction limits and stop-loss strategy. If the transaction meets the stop-loss criteria, the strategy should be immediately executed, otherwise the business unit should report to the management for approvals.

2) Market risk

The Corporation had established effective risk measurement system to identify the effect of risk factors, such as interest rate, exchange rate, equity and price risk. The Corporation would measure the potential internal and external risk of transaction position by checking the changes in risk factors.

The Corporation measures market risk using Value at Risk (VaR) and sensitivity analysis. The Corporation execute the stress test in end of the each month to see the level of tolerance that Corporation can bear when face financial crisis. VaR refers to the maximum potential loss of financial instruments in a given holding period and specified confidence level. To ensure the accuracy of the VaR model, the Corporation performs backtesting regularly.

Historical VaR (Confidence Level 99%, One-day)	For the Year Ended December 31, 2016			December 31	
	Average	Minimum	Maximum	2016	2015
Type of risk					
Equity securities	$ 49,493	$ 31,914	$ 81,450	$ 36,662	$ 41,009
Interest rate	10,199	721	27,263	3,931	15,822
Diversification of risks	(16,913)			(7,932)	(20,987)
	$ 42,779			$ 32,661	$ 35,844

The Corporation uses sensitivity analysis to measure the risk factors of the bond investments. The Corporation controls the interest rate risks by maintaining the effect on the profit or loss of the investment portfolio within 0.01% interest rate fluctuation. If the market interest rate increased by 0.01%, the fair value of the bond investments would decrease by $891 thousand and $3,932 thousand as of December 31, 2016 and 2015, respectively.

The carrying amount of the Group's financial assets and financial liabilities with risk exposure to interest rates at the end of each reporting period was as follows:

	December 31	
	2016	2015
Interest rate risk of fair value		
Financial assets	$ 8,290,529	$ 15,070,710
Financial liabilities	14,126,705	18,602,045
Interest rate risk of cash flow		
Financial assets	7,181,444	4,959,897
Financial liabilities	4,028,623	2,947,691

Besides above measurement of market risk, the Corporation measures risk not only using scenario analysis but also implementing stress tests to measure abnormal loss under extreme condition at the end of every month.

3) Credit risk

Credit risk refers to the risk that an issuer, guarantor or counterparty will default on its contractual obligations in securities or derivative instrument trading in primary and secondary market resulting in financial loss to the Group. The Group has in place a rating system to control the credit risk from counterparties.

The monitoring of brokerage customers is supported by credit check procedures. The credit check procedures are required to be authorized by different levels of management to ensure the settlement risk could be effectively reduced.

There is no concentration of credit risk on accounts receivable because of the large number of customers; no transactions are concentrated in one single customer and the operating areas are diversified. To decrease credit risk, the Group evaluates the financial conditions of customers regularly and continuously. However, guarantee is usually not required.

At the end of each reporting period, the carrying amount of financial assets is the largest amount of credit risk to be exposed to.

The table below analyzes the collaterals and their financial effect in respect of financial assets recognized in the Group's consolidated balance sheet.

	Maximum Exposure to Credit Risk December 31 2016	2015
Securities financing receivables	$ 3,870,172	$ 4,319,499

4) Liquidity risk

Liquidity risk and interest rate risk table

The following table details the maturity analysis of remaining contractual of financial liabilities with agreed repayment periods which owned by the Group. The table had been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group was likely to be required to pay.

December 31, 2016

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
Derivative financial liabilities					
Non-interest bearing	$ 209,395	$ -	$ -	$ -	$ 209,395
Fixed interest rate	966,262	-	-	-	966,262
Non-derivative financial liabilities					
Non-interest bearing	3,027,109	-	2,596	-	3,029,705
Variable interest rate	4,028,623	-	-	-	4,028,623
Fixed interest rate	13,929,293	-	-	-	13,929,293
	$ 22,160,682	$ -	$ 2,596	$ -	$ 22,163,278

December 31, 2015

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
Derivative financial liabilities					
Non-interest bearing	$ 271,887	$ -	$ -	$ -	$ 271,887
Fixed interest rate	894,262	-	-	-	894,262
Non-derivative financial liabilities					
Non-interest bearing	3,742,236	-	2,054	-	3,744,290
Variable interest rate	2,947,691	-	-	-	2,947,691
Fixed interest rate	18,603,747	-	-	-	18,603,747
	$ 26,459,823	$ -	$ 2,054	$ -	$ 26,461,877

The amounts of financial liabilities with variable interest rates on the table above were subject to change if variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Financing facilities

Financing facilities at the end of each reporting period were as follows:

	December 31 2016	December 31 2015
Financing facilities	$ 16,333,000	$ 16,217,125
Unused amount	$ 12,688,000	$ 13,192,125

d. Transfers of financial assets

In the daily transactions of the Group, most of the transferred financial assets which are not eligible for full derecognition are debt securities with repurchase agreement. In such transactions, the cash flows have been transferred to outsiders and the Group has obligation to recognize the related liabilities of transferred financial assets which have to be repurchased in a fixed amount in the future. In addition, the Group have no right to conduct, sell, or pledge the transferred financial assets during the effective period of transaction, but the Group still bear interest risks and credit risks. As a result, the transferred financial assets cannot be derecognized entirely. The following table shows the transferred financial assets not qualified for derecognition and its related financial liabilities.

December 31, 2016

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreement	$ 8,636,660	$ 8,180,902	$ 8,636,660	$ 8,180,902	$ 455,758

December 31, 2015

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreement	$ 14,456,220	$ 13,583,410	$ 14,456,220	$ 13,583,410	$ 872,810

e. Offsetting financial assets and financial liabilities

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2016

Financial Instruments	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amounts of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amount
Accounts receivable	$ 2,414,055	$ (3,479)	$ 2,410,576	$ (2,016)	$ -	$ 2,408,560
Bond investment under resale agreements	$ 719,308	$ -	$ 719,308	$ (719,308)	$ -	$ -
Accounts payable	$ (2,602,252)	$ 3,479	$ (2,598,773)	$ 2,016	$ -	$ (2,596,757)
Liability for bonds with repurchase agreements	$ (8,180,902)	$ -	$ (8,180,902)	$ 8,180,902	$ -	$ -

December 31, 2015

Financial Instruments	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amounts of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Accounts receivable	$ 2,091,502	$ (5)	$ 2,091,497	$ (9,208)	$ -	$ 2,082,289
Bond investment under resale agreements	$ 1,383,865	$ -	$ 1,383,865	$ (1,383,865)	$ -	$ -
Accounts payable	$ (3,279,690)	$ 5	$ (3,279,685)	$ 9,208	$ -	$ (3,270,477)
Liability for bonds with repurchase agreements	$ (13,583,410)	$ -	$ (13,583,410)	$ 13,583,410	$ -	$ -

33. TRANSACTIONS WITH RELATED PARTIES

In addition to the information disclosed in other notes, the significant transactions with the related parties were summarized as follows:

a. Accounts receivable

	December 31	
	2016	2015
Futures trust fund managed by the Group	$ 1,075	$ 1,493
Associates	2	2
	$ 1,077	$ 1,495

Accounts receivable are primary from management fee revenues of the futures trust fund managed by the Group.

b. Liabilities for bond with repurchase agreements

	December 31	
	2016	2015
Other related parties	$ 28,383	$ 27,067

The repurchase/resell trade terms with related parties have no significant difference compared to those with third parties.

c. Futures traders' equity

	December 31	
	2016	2015
Futures trust fund managed by the Group	$ 131,628	$ 81,302

d. Brokerage commission revenue

	For the Years Ended December 31	
	2016	2015
Futures trust fund managed by the Group	$ 16,891	$ 30,351
Other related parties	1,483	1,751
	$ 18,374	$ 32,102

The terms of the securities brokerage transactions with related parties have no significant difference compared with third parties.

e. Interest income

	For the Years Ended December 31	
	2016	2015
Other related parties	$ 57	$ 304

f. Other operating income

	For the Years Ended December 31	
	2016	2015
Associates	$ 26	$ 62

The Group had signed contracts with associates for selling overseas funds, and recognizes the income in "other operating income" based on the above contracts.

g. Finance costs

	For the Years Ended December 31	
	2016	2015
Other related parties	$ 108	$ 166

h. Compensation of key management personnel

The Group's directors and key management personnel received compensation for their services for the years ended December 31, 2016 and 2015 as follows:

	For the Years Ended December 31	
	2016	2015
Short-term employee benefits	$ 97,749	$ 83,085
Retirement benefits	1,840	2,335
	$ 99,589	$ 85,420

The Group determines the compensation of the directors and key management personnel in accordance with the Corporation's Articles of Incorporation and regulations, and by reference to market compensation level and financial performance.

34. PLEDGED OR MORTGAGED ASSETS

At the end of each reporting period, the Group pledged the following assets as collaterals to financial institutions for issuance of guaranteed commercial papers, bank loans, credit lines and guarantees of equipment leasing.

	December 31	
	2016	**2015**
Time deposits - current	$ 415,001	$ 621,500
Property and equipment, net		
Land	762,749	811,850
Buildings	170,552	187,893
Investment property, net		
Land	230,022	180,921
Buildings	31,768	20,593
	$ 1,610,092	$ 1,822,757

35. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. A former dealer of the Hsinchu branch illegally offered stock trading services to customers. The victims jointly filed a civil action against the Corporation. The amount of claimed compensation was $884,489 thousand as of March 27, 2017. Among others, the claim for the amount of $466,262 thousand was dismissed according to the final and binding judgement of the Taiwan Hsinchu District Court, Taiwan Taipei District Court and Taiwan High Court. Since the illegal action was attributed to the personal behavior of the dealer, the management of Corporation estimated that there was low possibility of losing the lawsuit. Therefore, there was no significant impact on the financial position and operation of the Corporation and customers' settlement money.

b. On June 7, 2016, the board of directors of the Corporation approved and signed the equity transfer agreement of sub-subsidiary. The Corporation planned to transfer the entire ownership of Taiwan Concord Capital Securities (Hong Kong) Limited, which is the subsidiary of Concord Capital Holdings (Cayman) Limited, to Prima Capital Investment Limited and North Kingdom International Group Co., Limited. On August 29, 2016, the supplementary agreement which changed the transferee to only North Kingdom International Group Co., Limited was signed by the Corporation. The price of the transaction amounted to HK$96,000 thousand. The transfer of the equity was approved by the Financial Supervisory Commission of the ROC (Taiwan) and Securities & Futures Commission of Hong Kong on August 15, 2016 and February 7, 2017, respectively.

36. SIGNIFICANT SUBSEQUENT EVENTS

Other than the information disclosed in other notes, there were no significant subsequent events.

37. FINANCIAL RATIOS BASED ON THE FUTURES TRADING LAW

All financial ratios of the subsidiary, Concord Futures, were in conformity with the Futures Trading Law and were summarized as follows:

		December 31					
		2016		2015			
	Calculation Formula	Equation	Time/ Ratios (%)	Equation	Time/ Ratios (%)	Benchmark	Conclusion
1)	Equities / Total liabilities - Futures traders' equity	$996,431 / $90,754	= 10.98	$1,031,538 / $129,385	= 7.97	≧1	Conform with law
2)	Current assets / Current liabilities	$4,857,380 / $4,370,370	= 1.11	$3,680,148 / $3,178,640	= 1.16	≧1	Conform with law
3)	Equities / Minimum paid-in capital	$996,431 / $660,000	=150.97 %	$1,031,538 / $660,000	= 156.29%	≧60% ≧40%	Conform with law
4)	Adjusted net capital / Amount of customer margin accounts for open position of futures traders' equity	$694,940 / $1,169,870	=59.40%	$680,572 / $552,237	= 123.24%	≧20% ≧15%	Conform with law

38. SPECIFIC RISK OF FUTURES DEALING, BROKERAGE AND MANAGED FUTURES

Futures Dealing

While the subsidiary, Concord Futures engages in futures dealing, the specific risk is the market price risk of the underlying assets. The Group set up a stop-loss strategy while engage in futures dealing, therefore, the incurrence of loss can be controlled within the range of anticipation.

Futures Brokerage

The characteristic of futures transaction is low-margin leveraged. Risks of futures transactions are as follows: When the futures market price is not favorable to the futures contract held by the traders, futures commission merchants can require the traders to put additional margin deposits in order to maintain margin level; if the traders fail to do so in the required period, futures commission merchants have duty to offset the futures contracts on behalf of the traders. Due to the dramatic changes of the market, the traders' futures contracts which may not be settled and ends with increased losses.

Managed Futures

Discretionary futures investment services mean that the subsidiary, Concord Managed Futures, is engaged in trading of futures with pre-arranged capital on behalf of customers. Before appointing Concord Managed Futures, customers are advised to carefully consider if their own financial position are suit with futures transactions which are leverage of low-margin leveraged. It may have huge gain but on the other hand it may also cause huge loss. Discretionary futures investment is not free of risk. The minimum income is not guaranteed to the customer by the past performance of Concord Managed Futures. Concord Managed Futures exercises due care in fund management and guarantees no future results or minimum yields.

39. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were summarized as follows:

Unit: Foreign Currencies/NT$ in Thousand

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 11,821	32.2500	$ 381,231	$ 13,700	32.8250	$ 449,691
HKD	42,759	4.1580	177,793	12,672	4.2350	53,665
JPY	121,770	0.2756	33,560	92,906	0.2727	25,336
CNY	14,768	4.6170	68,186	3,265	4.9950	16,309
EUR	841	33.9000	28,501	613	35.8800	21,981
GBP	148	39.6100	5,849	91	48.6700	4,435
SGD	47	22.9000	1,049	-	-	-
Non-monetary items						
CNY	125,536	4.6170	579,600	121,740	4.9950	608,091
USD	14,183	32.2500	457,402	12,777	32.8250	419,405
HKD	8,833	4.1580	36,728	731	4.2350	3,096
Financial liabilities						
Monetary items						
USD	8,970	32.2500	289,288	12,080	32.8250	396,515
HKD	12,184	4.1580	50,661	13,533	4.2350	57,314
JPY	105,501	0.2756	29,076	78,712	0.2727	21,465
EUR	586	33.9000	19,853	327	35.8800	11,738
GBP	100	39.6100	3,961	48	48.6700	2,332
CNY	63	4.6170	291	25	4.9950	124
Non-monetary items						
USD	171	32.2500	5,515	-	-	-

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange were loss $14,851 thousand and gain $19,103 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

40. ADDITIONAL DISCLOSURES

a. Following are additional disclosures required by the SFB for the Corporation:

1) Financing provided: None.

2) Endorsement/guarantee provided: None.

3) Acquisition of real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

4) Disposal of real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Total discounts of commissions to related parties at least NT$5 million: None.

6) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

7) Intercompany relationships and significant transactions: Table 2 (attached).

b. Information of investees

1) When the Corporation directly or indirectly exercises significant influence on or obtains control of investees, related information should be disclosed: Table 1 (attached).

2) When the Corporation directly or indirectly obtains control of investees, the following information regarding significant transaction with the investee should be disclosed:

a) Financing provided: None.

b) Endorsement/guarantee provided: None.

c) Acquisition of real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

d) Disposal of real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

e) Total discounts of commissions to related parties at least NT$5 million: None.

f) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

c. Information on foreign branch and representative office aboard: None.

d. Information on investments in mainland China:

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investments income, and limit on the amount of investment in the mainland China area: Table 3 (attached).

41. DISCLOSURES REQUIRED UNDER RULE NO. 10300375782 ISSUED BY FSC DATED OCTOBER 3, 2014

The foreign entity registered in non-IOSCO MMoU member or without formal permission as securities or futures firm from IOSCO MMoU member in which the Corporation has invested includes Concord Capital Holdings (Cayman) Ltd. The primary purpose of the investment is to recognize investment income (loss) from the investee. Supplementary disclosures are as follows:

a. Balance sheets: Table 4 (attached).

b. Statements of comprehensive income: Table 5 (attached).

c. Securities held: Table 6 (attached).

d. Derivative financial transactions and the source of capital: None.

e. Revenues from assets management business, services and litigation: None.

42. SEGMENT FINANCIAL INFORMATION

Information which is provided to the chief operating decision-maker for the purposes of allocating resources and evaluating the segment performance focuses on types of services provided. According to primary revenues, dealing, brokerage and underwriting departments' information should be reported by the Group.

The dealing department engages in trading securities and futures transactions for hedging. The brokerage department engages in securities brokerage and margin purchase and short sale. The underwriting department engages in best efforts underwriting or firm commitment underwritings. The financial performance of each reporting segments was as follows:

<u>Segment revenues and results</u>

The following was an analysis of the Group's revenue and operating performance from continuing operations by reporting segments.

Unit: NT$ Thousand

Item	For the Year Ended December 31, 2016				
	Dealing	**Brokerage**	**Underwriting**	**Other**	**Total**
Profits and losses attributed to each segment					
Revenues					
Brokerage commission revenue	$ -	$ 1,074,028	$ -	$ 291	$ 1,074,319
Income from securities lending	135	1,574	-	-	1,709
Underwriting commissions	-	-	52,456	-	52,456
Gains (losses) on sale of securities, net	(215,453)	-	31,712	-	(183,741)
Revenue from providing agency service for stock affairs	-	-	16,563	-	16,563
Interest income	230,484	218,778	684	2,677	452,623
Dividend income	63,225	-	202	-	63,427
Valuation losses on operating securities at fair value through profit or loss, net	(124,208)	-	(6,993)	-	(131,201)
Gains on covering of borrowed securities and bonds with resale agreements, net	28,335	-	-	-	28,335
Valuation gains on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net	26,893	-	-	-	26,893
Gains on issuance of stock warrants, net	32,462	-	-	-	32,462
Gains on derivative instruments	102,792	-	-	-	102,792
Other operating income	-	8,602	-	84,726	93,328
	144,665	1,302,982	94,624	87,694	1,629,965
Expenditures and expenses					
Handling fee expenses	(16,688)	(165,872)	(30)	-	(182,590)
Finance costs	(42,890)	(1,600)	-	(58)	(44,548)
Futures commission expense	(5,689)	(61,196)	-	-	(66,885)
Securities commission expense	-	(9,183)	-	-	(9,183)

(Continued)

Item	For the Year Ended December 31, 2016 Dealing	Brokerage	Underwriting	Other	Total
Expenses of clearing and settlement	$ (7,985)	$ (91,152)	$ -	$ -	$ (99,137)
Other operating costs	(141)	(417)	-	(25,157)	(25,715)
Operating expenses	(195,273)	(829,505)	(94,966)	(125,547)	(1,245,291)
	(268,666)	(1,158,925)	(94,996)	(150,762)	(1,673,349)
Profits and losses - by segment	$ (124,001)	$ 144,057	$ (372)	$ (63,068)	(43,384)
Profit and losses not attributed to segments					(301,871)
Profit before tax					(345,255)
Income tax expense					(7,866)
Net loss for the year					(353,121)
Other comprehensive income					9,031
Total comprehensive loss for the year					$ (344,090)

(Concluded)

Item	For the Year Ended December 31, 2015 Dealing	Brokerage	Underwriting	Other	Total
Profits and losses attributed to each segment					
Revenues					
Brokerage commission revenue	$ -	$ 1,227,489	$ -	$ 248	$ 1,227,737
Income from securities lending	-	708	-	-	708
Underwriting commissions	-	-	71,734	-	71,734
Gains on sale of securities, net	162,287	-	29,638	-	191,925
Revenue from providing agency service for stock affairs	-	-	12,821	-	12,821
Interest income	282,890	291,379	-	2,743	577,012
Dividend income	64,184	-	583	-	64,767
Valuation gains (losses) on operating securities at fair value through profit or loss, net	50,390	-	(2,515)	-	47,875
Losses on covering of borrowed securities and bonds with resale agreements, net	(45,617)	-	-	-	(45,617)
Valuation gains on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net	9,657	-	-	-	9,657
Gains on issuance of stock warrants, net	39,682	-	-	-	39,682
Gains (losses) on derivative instruments	178,756	(769)	-	-	177,987
Other operating income	-	6,585	-	64,934	71,519
	742,229	1,525,392	112,261	67,925	2,447,807
Expenditures and expenses					
Handling fee expenses	(24,094)	(169,285)	-	-	(193,379)
Finance costs	(67,446)	(2,661)	-	(33)	(70,140)
Futures commission expense	(1,802)	(56,358)	-	-	(58,160)
Securities commission expense	-	(24,390)	-	-	(24,390)
Expenses of clearing and settlement	(12,448)	(88,844)	-	-	(101,292)
Other operating costs	(111)	(181)	-	(19,545)	(19,837)
Operating expenses	(282,451)	(918,938)	(107,051)	(127,898)	(1,436,338)
	(388,352)	(1,260,657)	(107,051)	(147,476)	(1,903,536)
Profits and losses - by segment	$ 353,877	$ 264,735	$ 5,210	$ (79,551)	544,271
Profit and losses not attributed to segments					(285,924)
Profit before tax					258,347
Income tax expense					(18,094)
Net profit for the year					240,253
Other comprehensive loss					(90,555)
Total comprehensive income for the year					$ 149,698

TABLE 1

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Corporation	Investee Corporation	Location	Date of Incorporation	Rule No. Issued by Financial Supervisory Commission	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Operating Income of the Investee	Net Profit (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value					
The Corporation	Concord Futures Corp. Ltd.	5F, No. 143, Fuhsing N. Rd., Taipei City	July 7, 1999		Foreign and domestic futures dealing, brokerage and consulting services	$ 559,654	$ 559,654	72,262,830	95.71%	$ 953,708	$ 658,194	$ 28,061	$ 26,858	$ 62,690	Subsidiary (Note)
	Kang-Lian AMC. Co., Ltd.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	September 5, 2003		Business management advisory services and asset management services	230,000	230,000	42,400,000	100.00%	398,423	-	(24,514)	(24,514)	-	Subsidiary (Note)
	Concord Capital Holdings (Cayman) Limited	The Cayman Island	May 12, 1997	Apr.23, 1997 (1997) No. Tai-Tsai-Cheng (2) 26713	Holding company, recognized gain (loss) on invested companies	653,064	653,064	21,333,000	100.00%	314,114	-	(65,079)	(65,079)	-	Subsidiary (Note)
	Concord Managed Futures Corp.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	December 16, 2003		Foreign and domestic futures managing, consulting and trust services	198,664	187,140	18,000,000	60.00%	181,074	15,703	(30,479)	(18,288)	-	Subsidiary (Note)
	Concord Capital Management Corp.	9F, No. 176, Jilung Rd., Sec. 1, Taipei	May 25, 1988		Securities investment advisory services	90,326	90,326	8,000,000	100.00%	85,524	25,045	(9,607)	(9,607)	-	Subsidiary (Note)
	Concord Insurance Agent Corp.	4F, No. 143, Fuhsing N. Rd., Taipei City	October 4, 2013	Rule No. 1010056608	Life insurance agency	5,000	5,000	1,323,427	100.00%	28,399	62,517	14,250	14,250	-	Subsidiary (Note)
	Value Partners Concord Assets Management Co., Ltd.	13F, No. 89, Nanjing E. Rd., Sec. 5, Taipei	January 17, 2002		Securities investment advisory services and discretionary investment services	114,596	114,596	7,500,000	25.00%	53,155	2,646	(38,647)	(9,662)	-	Investments accounted for using equity method
Concord Futures Corp. Ltd.	Concord Managed Futures Corp.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	December 16, 2003		Foreign and domestic futures managing, consulting and trust services	148,360	132,360	12,000,000	40.00%	120,717	15,703	(30,479)	(12,191)	-	Subsidiary (Note)
Concord Capital Holdings (Cayman) Limited	Taiwan Concord Capital Securities (Hong Kong) Limited	Room, 702, 7/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty Hong Kong	April 21, 1994	May 19, 1994 (1994) No. Tai-Tsai-Cheng (2) 21936	Securities and futures brokerage and dealing related services	US$ 21,353 thousand	US$ 21,353 thousand	165,750,000	100.00%	US$ 9,737 thousand	US$ 731 thousand	US$ (2,023) thousand	US$ (2,023) thousand	-	Indirect subsidiary (Note)
Taiwan Concord Capital Securities (Hong Kong) Limited	Concord Asset Management (HK) Limited	Room, 702, 7/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty Hong Kong	November 16, 1990		Financial planning and asset management services	HK$ 10,510 thousand	HK$ 10,510 thousand	10,000,000	100.00%	HK$ 6,294 thousand	HK$ 6 thousand	HK$ (683) thousand	HK$ (683) thousand	-	Indirect subsidiary (Note)
Kang-Lian AMC. Co., Ltd.	HWA-HO Asset Management Corp.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	September 29, 2003		Real estate commerce, development and business management advisory services	200,000	200,000	44,715,291	47.62%	392,916	-	(46,849)	(22,115)	-	Investments of subsidiary accounted for using equity method

Note: Share of profits (losses) of associates has been eliminated for consolidation purpose.

TABLE 2

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 2)	Transaction Corporation	Counterparty	Relationship (Note 3)	Transaction Details			
				Financial Statement Account	Amount (Note 1)	Transaction Terms	% to Total Revenues or Assets
0	Concord Securities Co., Ltd.	Concord Futures Corp. Ltd.	a.	Cash and cash equivalents	$ 250,598	Not significantly different from those to third parties	0.87
		Concord Futures Corp. Ltd.	a.	Futures trading margin	9,945	Not significantly different from those to third parties	0.03
		Concord Futures Corp. Ltd.	a.	Refundable deposits	1,363	Not significantly different from those to third parties	-
		Concord Futures Corp. Ltd.	a.	Futures commission revenue	7,668	In conformity with contracts, no those to third parties for comparison	0.47
		Concord Futures Corp. Ltd.	a.	Securities commission fee	8,656	In conformity with contracts, no those to third parties for comparison	0.53
		Concord Futures Corp. Ltd.	a.	Other income and expenses	14,776	In conformity with contracts, no those to third parties for comparison	0.91
		Concord Capital Management Corp.	a.	Accounts receivable	1,066	Not significantly different from those to third parties	-
		Concord Capital Management Corp.	a.	Other operating revenue	1,613	In conformity with contracts, no those to third parties for comparison	0.10
		Concord Capital Management Corp.	a.	Professional service fees	2,520	In conformity with contracts, no those to third parties for comparison	0.15
		Concord Managed Futures Corp.	a.	Other operating revenue	2,821	In conformity with contracts, no those to third parties for comparison	0.17
		Concord Managed Futures Corp.	a.	Other income and expenses	1,330	In conformity with contracts, no those to third parties for comparison	0.08
		Concord Insurance Agent Corp.	a.	Other income and expenses	1,085	In conformity with contracts, no those to third parties for comparison	0.07
		Taiwan Concord Capital Securities (Hong Kong) Limited	a.	Prepayments	97,657	Not significantly different from those to third parties	0.34
		Taiwan Concord Capital Securities (Hong Kong) Limited	a.	Other operating costs	1,453	In conformity with contracts, no those to third parties for comparison	0.09
1	Concord Futures Corp. Ltd.	Taiwan Concord Capital Securities (Hong Kong) Limited	c.	Customers' margin accounts	31,511	Not significantly different from those to third parties	0.11
		Taiwan Concord Capital Securities (Hong Kong) Limited	c.	Futures commission fees	2,376	In conformity with contracts, no those to third parties for comparison	0.15

Note 1: Intercompany transactions have been eliminated for consolidation purpose.

Note 2: Intercompany transactions between parent corporation and subsidiaries should indicate the number filled in the column as follows:

a. Parent corporation fill in 0.
b. Subsidiaries are sequentially numbered from 1.

Note 3: Mark the number in relationship column: (The same transaction between the parent corporation and its subsidiary or between two subsidiaries is unnecessary to be disclosed again. For example, the transaction between the parent corporation and its subsidiary had been disclosed by the parent corporation, it is unnecessary to be disclosed by the subsidiary. If the transaction between two subsidiaries had been disclosed by a subsidiary, it is unnecessary to be disclosed by another one).

a. Transactions from parent corporation to subsidiary.
b. Transactions from subsidiary to parent corporation.
c. Transactions from subsidiary to subsidiary.

Note 4: The percentages are calculated by the consolidated total assets or the consolidated total revenues. If the account shown in balance sheets, it will be calculated by the percentage of the ending balance divided by the consolidated total assets. Otherwise, if the account shown in income statement, it will be counted by the percentage of the cumulative amount divided by the consolidated total revenues.

Note 5: Disclosure of important transactions will be depended on the Corporation's materiality.

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and Foreign Currency)

1. Investee corporation name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of December 31, 2016 and inward remittance of earnings:

Investee Corporation Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Investment Type	Accumulated Outflow of Investment as of December 31, 2015 (Note 1)	Investment Flows		Accumulated Outflow of Investment as of December 31, 2016 (Note 1)	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 6)	Carrying Value as of December 31, 2016 (Note 6)	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Guoyuan Futures Co., Ltd.	Commodities futures brokerage, financial futures brokerage, futures investment consulting, assets management, and other businesses that CSRC permits or acquired to put on record.	$ 2,814,960 (CNY 609,695 thousand)	Others	$ 51,561 (US$ 1,579 thousand)	$ -	$ -	$ 51,561 (US$ 1,579 thousand)	$ 125,018 (CNY 25,782 thousand)	1.59	$ -	$ 51,561	$ -

2. Upper limit of investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2016 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit of Investment Authorized by Investment Commission MOEA (Note 4)
$51,561 (US$1,579 thousand)	$52,033 (US$1,613 thousand)	$597,859

Note 1: The NTD amount was converted by the exchange rate of USD buying rate when the original investments transferred from the account.

Note 2: The NTD amount was converted by the average exchange rate of CNY buying and selling rate for the year ended December 30, 2016.

Note 3: The NTD amount was converted by the average exchange rate of USD buying and selling rate for the year ended December 30, 2016.

Note 4: The amount is determined as 60% of Concord Futures' net assets value as of December 31, 2016.

Note 5: The NTD amount was converted by the average exchange rate of CNY buying and selling rate during 2016.

Note 6: The investment was accounted for financial assets measured at cost and no investment gains or losses recognized in the current period.

TABLE 4

CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of U.S. Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash	$ 2,479	20	$ 1	-
Other receivables	4	-	1	-
Other financial assets - current	20	-	20	-
Total current assets	2,503	20	22	-
NON-CURRENT ASSETS				
Investments accounted for using equity method	9,737	80	11,770	100
TOTAL	$ 12,240	100	$ 11,792	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payables	$ 25	-	$ 25	-
Other current liabilities	2,475	20	-	-
Total current liabilities	2,500	20	25	-
EQUITY				
Share capital	21,333	174	21,333	181
Capital surplus	19	-	19	-
Accumulated deficits	(11,703)	(95)	(9,686)	(82)
Exchange differences on translating foreign operations	91	1	101	1
Total equity	9,740	80	11,767	100
TOTAL	$ 12,240	100	$ 11,792	100

TABLE 5

CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of U.S. Dollars)

	2016		2015	
	Amount	**%**	**Amount**	**%**
NON-OPERATING INCOME AND EXPENSES				
Non-operating expenses and losses	$ 2,017	100	$ 2,204	100
NET LOSS FOR THE YEAR	(2,017)	100	(2,204)	100
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(10)	-	11	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (2,027)	100	$ (2,193)	100

TABLE 6

CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Securities Type and Issuer	Securities Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
			Shares	Carrying Amount	Percentage of Ownership	Net Worth	
Stock							
Taiwan Concord Capital Securities (Hong Kong) Limited	Subsidiary	Investments accounted for using equity method	165,750,000	$ 9,737	100	$ 9,737	Note

Note: Share of profits (losses) of associates has been eliminated for consolidation purpose.